

Motivating and Leading



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OBJECTIVES

1. To understand the complexity and the variables involved in cross-cultural motivation and leadership.
2. To learn how to use the research on cultural dimensions as tools to understand how to motivate people in different cultural contexts.
3. To become familiar with some common features of Mexican culture and context and how to motivate employees.
4. To understand how leadership styles and practices vary around the world, with focus on Russia, India, the EU.
5. To emphasize what makes a successful “global leader.”
6. To gain familiarity with the variables of context, people, and situations affecting the leadership role.

OPENING PROFILE: THE EU BUSINESS LEADER—MYTH OR REALITY?

The eurozone crisis means “the already shaky European identity will weaken further . . . [causing] reemergence of hard-edged national identities.”

INTERNATIONAL HERALD TRIBUNE, AUGUST 27, 2012.¹

Is “the EU business leader” a myth or reality? The European Union now comprises a 27-nation unified market of over 400 million people. Can a businessperson have an effective leadership style across such diverse contexts and people? Not according to a survey of 200 chief executives in France, Germany, and the United Kingdom. Steve Newhall, of DDI Europe, an international human resources consultancy, notes that “the danger for any leader is only being able to operate within one of these styles. If you take an autocratic style into a culture that expects a more democratic or meritocratic style, the chances are that you will trip up.”² In 2012, in particular, conflicts brought about by the euro crisis heightened ethnic differences in attitudes.

Perhaps some people can lead well in firms that stretch across countries in the EU. But, consider the complexity in its many forms: different histories and languages, government systems, business practices, educational systems, religions, organizations, and, not the least, national cultures. We have already examined, in this book, the many dimensions of culture along which societies differ and which determine how people behave on the job—their attitudes toward work and their superiors, their perspectives on time and scheduling, their level of motivation, and so on. In addition, countries in the EU are fiercely defensive of any incursions on national culture and identity. Given those factors, the prospect of convergence of leadership styles across the EU countries seems dim. On the other hand, argue Kets de Vries and Korotov:

*Can European organizations afford not to have some form of European leadership? Can an organization remain Belgian, or Polish, or Italian and not include a “toolset” of European capabilities?*³

The strategic argument for convergence of leadership styles for EU business executives is that, while the Japanese or Americans, for example, can succeed domestically with their predominantly “local” leadership style, it is not a good option for executives in most EU companies. For them, retaining “national styles and processes” will not lead to those companies being competitive in the EU and global markets because of the blending of labor, goods, services, and processes across the EU countries. Rather, EU leaders need an “EU style” which will work across their markets.⁴

With that lofty goal in sight—whether one considers that goal desirable or undesirable—research shows that differences in leadership style still dominate. The DDI survey on leadership asked 200 executives what they liked or disliked about being a leader. It was found that, for example, the French are three times more likely than the British and eight times more likely than the Germans to regard being in a position of power as important.⁵ In other words, there are differences in attitude toward being a leader and making decisions. Whereas French leaders liked to make decisions unilaterally, German executives indicated their concern about the responsibility of their decisions; leaders in the United Kingdom, however, seemed less troubled about their decisions.⁶

Research on the German culture, for example, tells us that German leaders most likely will evidence high assertiveness and high individualism, but low humane orientation.⁷ Their primary focus is on structured tasks and performance, and less on relationships. While very organized, based on technical expertise, they have been criticized for lack of innovation as leaders.⁸

The status of leaders in France is known to be based on position and the educational institutions that they attended—known as the “grand écoles.” Title and position are attained through this elite status and thus are paramount over advancement through skills or training. French leadership style is very hierarchical and autocratic. French managers do not typically use a participative leadership style.⁹ These conclusions about French leaders are supported by Javidan et al., who found that:

To French managers, people in positions of leadership should not be expected to be sensitive or empathetic, or to worry about another’s status because such attributes would weaken a leader’s resolve and impede decision making. Leaders should make decisions without being distracted by other considerations.

JAVIDAN, DORFMAN, DE LUQUE, AND HOUSE.¹⁰

We also see a predominantly autocratic style in the United Kingdom. Top positions of leadership are usually attained through the “old boy network” as a function of the tripartite class system that still

(Continued)

permeates British society (upper-, middle-, and “working”-class). In this respect, leadership is based on traits, not skills, and there tends to be a highly cynical attitude throughout this style.¹¹

These brief glimpses of leadership style in three of the EU countries indicate the difficulty, at least for now, of being an EU leader. Clearly, however, any leaders in positions where they deal with people and processes in several EU countries need to consider the context and cultures where they are operating and try to be flexible with their leadership style.

As the opening profile illustrates, leadership—at any level and in any location—is complicated by the norms and expectations of the people involved and by the local business practices. A successful leader must be an effective motivator, a process that is also culturally-contingent. We review the processes of motivating and leading in this chapter, bearing in mind the fact that they are intricately intertwined.

Motivating

The Westerners can't understand that we need the fork on our neck, not all these nice words and baby techniques. The Technique is the fork.

RUSSIAN MIDDLE MANAGER¹²

After managers set up a firm's operations by planning strategy, organizing the work and responsibilities, and staffing those operations, they turn their attention to everyday activities. This ongoing behavior of individual people carrying out various daily tasks enables the firm to accomplish its objectives. Getting those people to perform their jobs efficiently and effectively is at the heart of the manager's challenge.

Motivation—and therefore appropriate leadership style—is affected by many powerful variables (societal, cultural, and political). When considering the Japanese culture, for example, as discussed throughout this book, it is not surprising to find that Fujitsu uses some motivational techniques very different from those used in the West, such as when it cut the salaries of around 14,000 managers to motivate them and their subordinates to work harder. Fujitsu management said that if the company met their profit goal for the year the managers might have their full salaries restored. The logic was to build a sense of urgency and team spirit. Japanese workers typically feel a strong kinship to their employers and will work harder if they see their managers making similar sacrifices for the group goals.¹³ Clearly Fujitsu's decision to cut pay is based on the Japanese tradition of “sink or swim,” co-workers and employer together, and its collectivist culture.

Our objective in this chapter is to consider motivation and leadership in the context of diverse cultural milieus. We need to know what, if any, differences exist in the societal factors that elicit and maintain behaviors leading to high employee productivity and job satisfaction. Are effective motivational and leadership techniques universal or culture based?

CROSS-CULTURAL RESEARCH ON MOTIVATION

Motivation is very much a function of the context of a person's work and personal life. That context is greatly influenced by cultural variables, which affect the attitudes and behaviors of individuals (and groups) on the job. The framework of this context was described in Chapter 3 and illustrated in Exhibit 3-1. In applying Hofstede's research on the cultural dimensions of individualism—uncertainty avoidance, masculinity, and power distance, for example—we can make some generalized assumptions about motivation, such as the following:

- High uncertainty avoidance suggests the need for job security, whereas people with low uncertainty avoidance would probably be motivated by more risky opportunities for variety and fast-track advancement.
- High power distance suggests motivators in the relationship between subordinates and a boss, whereas low power distance implies that people would be more motivated by teamwork and relations with peers.

- High individualism suggests people would be motivated by opportunities for individual advancement and autonomy; collectivism (low individualism) suggests that motivation will more likely work through appeals to group goals and support.
- High masculinity suggests that most people would be more comfortable with the traditional division of work and roles; in a more feminine culture, the boundaries could be looser, motivating people through more flexible roles and work networks.

More recent research, based on Hofstede's dimensions of individualism and masculinity, was conducted by Gelade, Dobson, and Auer. They compared what 50,000 workers in a global pharmaceutical company in 29 nations valued most in their jobs and how that positively impacted their company. The results, based on Hofstede's individualism dimension, showed that the higher the level of national individualism (such as is typical in the United States), the more employees valued their autonomy, opportunities for personal achievements, and a work–life balance. This compared with employees in the more collectivistic countries (such as in China and Singapore), who apparently are more motivated when they felt that their jobs fully utilized their skills, and when they felt that the company was providing them with good working conditions, fringe benefits, and training.¹⁴ The findings based on the masculinity dimension were that the higher the level of “masculinity” (such as in Japan and Mexico), the more motivated employees were by being given opportunities for high pay, personal accomplishment, and job advancement. This compared with those from more “feminine” cultures (such as in Denmark and Sweden), who claimed that factors related to their relationships with their managers and co-workers provided more commitment to the organization. The authors conclude that:

These findings show that the sources of organizational commitment are culturally conditioned and that their effects are predictable from Hofstede's value dimensions

JOURNAL OF CROSS-CULTURAL PSYCHOLOGY 39.¹⁵

Misjudging the importance of these cultural variables in the workplace may result not only in a failure to motivate but also in demotivation. Rieger and Wong-Rieger present the following example:

*In Thailand, the introduction of an individual merit bonus plan, which runs counter to the societal norm of group cooperation, may result in a decline rather than an increase in productivity from employees who refuse to openly compete with each other.*¹⁶

In considering what motivates people, we have to understand their needs, goals, value systems, and expectations. No matter what their nationality or cultural background, people are driven to fulfill needs and to achieve goals. But what are those needs, what goals do they want to achieve, and what can motivate that drive to satisfy their goals?

The Meaning of Work

Because the focus in this text is on the needs that affect the working environment, it is important to understand first what work means to people from different backgrounds. For most people, the basic meaning of work is tied to economic necessity (money for food, housing, and so forth) for the individual and for society. However, the additional connotations of work are more subjective, especially about what work provides other than money—achievement, honor, social contacts, and so on.

Another way to view work, however, is through its relationship to the rest of a person's life. The Thais call work *ngan*, which is the same as the Thai word for “play,” and they tend to introduce periods of play in their workdays. On the other hand, most people in China, Germany, and the United States have a more serious attitude toward work. Especially in work-oriented China, seven-day work weeks with long hours and few days off are common. A study of average work hours in various countries conducted by Steers found that Koreans worked longer hours and took fewer vacation days than workers in Thailand, Hong Kong, Taiwan, Singapore, India, Japan, and Indonesia.¹⁷ The study concluded that the Koreans' hard work was attributable to loyalty to the company, group-oriented achievement, and emphasis on group harmony and business relationships.

Studies on the meaning of work in eight countries were carried out by George England and a group of researchers who are called the Meaning of Work (MOW) International Research Team.¹⁸ Their research sought to determine a person's idea of the relative importance of work compared to that of leisure, community, religion, and family. They called this concept of work **work centrality**, defined as "the degree of general importance that working has in the life of an individual at any given point in time." The results showed, for example, that the Japanese hold work to be very important in their lives; the Brits, on the other hand (in this author's birth country) seem to like their leisure time more than those in the other countries surveyed. However, given the complexity of cultural and economic variables involved in people's attitude toward work, the results are difficult to generalize, in particular as concerns the implications of on-the-job work motivation. More relevant to managers (as an aid to understanding culture-based differences in motivation) are the specific reasons for valuing work. What kinds of needs does the working environment satisfy, and how does that psychological contract differ among populations?

The MOW research team provided some excellent insights into this question when it asked people in the eight countries what they valued about work and what needs are satisfied by their jobs. Their research results showed the relative order of importance overall as follows:

1. A needed income
2. Interest and satisfaction
3. Contacts with others
4. A way to serve society
5. A means of keeping occupied
6. Status and prestige.¹⁹

Note the similarities of some of these functions with Maslow's need categories²⁰ and Herzberg's categories of motivators and maintenance factors. (Frederick Herzberg's research focused on how some people are motivated by internal aspirations and life goals, whereas others are primarily motivated by the job conditions.²¹) Clearly, these studies can help international managers to anticipate what attitudes people have toward their work, what aspects of work in their life context are meaningful to them, and therefore what approach the manager should take in setting up motivation and incentive plans.

In addition to the differences among countries within each category—such as the higher level of interest and satisfaction derived from work by the Israelis as compared with the Germans—it is interesting to note the within-country differences. Although income was the most important factor for all countries, it apparently has a far greater importance than any other factor in Japan. In other countries, such as the Netherlands, the relative importance of different factors was more evenly distributed.

The broader implications of such comparisons about what work means to people are derived from considering the total cultural context. The low rating given by the Japanese to the status and prestige found in work, for instance, suggests that those needs are more fully satisfied elsewhere in their lives, such as within the family and community. In the Middle East, religion plays a major role in all aspects of life, including work. The Islamic work ethic is a commitment toward fulfillment, and so business motives are held in the highest regard.²² The origin of the Islamic work ethic is in the Muslim holy book, the Qur'an, and the words of the Prophet Mohammed:

On the day of judgment, the honest Muslim merchant will stand side by side with the martyrs.

MOHAMMED

Muslims feel that work is a virtue and an obligation to establish equilibrium in one's individual and social life. The Arab worker is defined by his or her level of commitment to family, and work is perceived as the determining factor in the ability to enjoy social and family life.²³ A study of 117 managers in Saudi Arabia by Ali found that Arab managers are highly committed to the Islamic work ethic and that there is a moderate tendency toward individualism.²⁴

Exhibit 11-1 shows the results of the study and gives more insight into the Islamic work ethic. Another study by Kuroda and Suzuki found that Arabs are serious about their work and that favoritism, give-and-take, and paternalism have no place in the Arab workplace. They contrasted this attitude to that of the Japanese and Americans, who consider friendship to be an integral part of the workplace.²⁵

EXHIBIT 11-1 The Islamic Work Ethic: Responses by Saudi Arabian Managers

Item*	Mean*
Islamic Work Ethic	
1. Laziness is a vice.	4.66
2. Dedication to work is a virtue.	4.62
3. Good work benefits both one's self and others.	4.57
4. Justice and generosity in the workplace are necessary conditions for society's welfare.	4.59
5. Producing more than enough to meet one's personal needs contributes to the prosperity of society as a whole.	3.71
6. One should carry work out to the best of one's ability.	4.70
7. Work is not an end in itself but a means to foster personal growth and social relations.	3.97
8. Life has no meaning without work.	4.47
9. More leisure time is good for society.	3.08
10. Human relations in organizations should be emphasized and encouraged.	3.89
11. Work enables man to control nature.	4.06
12. Creative work is a source of happiness and accomplishment.	4.60
13. Any man who works is more likely to get ahead in life.	3.92
14. Work gives one the chance to be independent.	4.35
15. A successful man is the one who meets deadlines at work.	4.17
16. One should constantly work hard to meet responsibilities.	4.25
17. The value of work is derived from the accompanying intention rather than its results.	3.16

* On a scale of 1–5 (5 = highest)

Source: Based on Abbas J. Ali, *Journal of Psychology* 126, no. 5 (1992): 507–19.

Other variables affect the perceived meaning of work and how it satisfies various needs, such as the relative wealth of a country. When people have a high standard of living, work can take on a meaning different from simply providing the basic economic necessities of life. Economic differences among countries were found to explain variations in attitudes toward work in a study by Furnham et al. of over 12,000 young people from 41 countries on all five continents. Specifically, the researchers found that young people in Far East and Middle Eastern countries reported the highest competitiveness and acquisitiveness for money, while those from North America and South America scored highest on work ethics and “mastery” (that is, continuing to struggle to master something).²⁶ Such studies show the complexity of the underlying reasons for differences in attitudes toward work—cultural, economic, and so on—which must be taken into account when considering what needs and motivations people bring to the workplace. All in all, research shows a considerable cultural variability affecting how work meets employees’ needs.

The Needs Hierarchy in the International Context

How can a manager know what motivates people in a specific country? Certainly, by drawing on the experiences of others who have worked there and also by inferring the likely type of motivational structure present by studying what is known about the culture in that region.

People’s opinions of how best to satisfy their needs vary across cultures also. One clear conclusion is that managers around the world have similar needs but show differing levels of satisfaction of those needs derived from their jobs. Variables other than culture may be at play, however. One of these variables may be the country’s stage of economic development. With regard to the transitioning economy in Russia, for example, a study by Elenkov found that Russian managers stress security and belongingness needs as opposed to higher-order needs, such as self-actualization.²⁷ Whatever the reason, many companies that have started operations in other countries have experienced differences in the apparent needs of the local employees and how they expect work to be recognized. Mazda, of Japan, experienced this problem in its Michigan plant.

Japanese firms tend to confer recognition in the form of plaques, attention, and applause, and Japanese workers are likely to be insulted by material incentives because such rewards imply that they would work harder to achieve them than they otherwise would. Instead, Japanese firms focus on group-wide or company-wide goals, compared with the American emphasis on individual goals, achievement, and reward.

When considering the cross-cultural applicability of Maslow's hierarchy of needs theory, then, it is not the needs that are in question as much as the ordering of those needs in the hierarchy. The hierarchy reflects the Western culture where Maslow conducted his study; he concluded that people progress from satisfying basic needs on to satisfying belongingness and esteem needs, and then to self-actualization needs.²⁸ However, different hierarchies might better reflect other cultures. For example, Eastern cultures focus on the needs of society rather than on the needs of individuals. It is difficult to observe or measure the individual needs of a Chinese person because, from childhood, these are intermeshed with the needs of society. Clearly, however, along with culture, the political beliefs at work in China dominate many facets of motivation. As the backbone of the industrial system, cadres (managers and technicians) and workers are given exact and detailed prescriptions of what is expected of them as members of a factory, workshop, or work unit. This results in conformity at the expense of creativity. Workers are accountable to their group, which is a powerful motivator. Because being "unemployed" has not been an option in China traditionally, it is important for employees to maintain themselves as cooperating members of the work group.²⁹ Money is also a motivator, stemming from the historical political insecurity and economic disasters that have perpetuated the need for a high level of savings.³⁰

Although more cross-cultural research on motivation is needed, one can draw the tentative conclusion that managers around the world are motivated more by intrinsic than by extrinsic factors. Considerable doubt remains, however, about the universality of "Western" theories because it is not possible to take into account all of the relevant cultural variables when researching motivation. Different factors have different meanings within the entire cultural context and must be considered on a situation-by-situation basis. The need to consider the entire national and cultural context is shown in the *Comparative Management in Focus: Motivation in Mexico* feature, which highlights motivational issues for Mexican workers and indicates the meaning of work to them.



COMPARATIVE MANAGEMENT IN FOCUS

Motivation in Mexico

In Mexico, everything is a personal matter; but a lot of managers don't get it. To get anything done here, the manager has to be more of an instructor, teacher, or father figure than a boss.

ROBERT HOSKINS,

Manager, Leviton Manufacturing, Juarez

To understand the cultural milieu in Mexico, we can draw on research that concludes that Latin American societies, including Mexico, rank high on both power distance (the acknowledgment of hierarchical authority) and on uncertainty avoidance (a preference for security and formality over risk). In addition, they rank low on individualism, preferring collectivism, which values the good of the group, family, or country over individual achievement.³¹ It is important for managers to recognize that Mexican society is very hierarchical, with a clear power structure for family, religion, business, politics, and other areas of life. People are accorded respect according to their age, sex, and rank or position.³²

The Mexican culture, generally, is "being-oriented," compared to the "doing-oriented" culture that prevails in the rest of North America; business takes a back seat to socializing.³³ Integral to the being-orientation is the high-context and implicit communication style of most Mexicans; much takes place on the level of non-verbal cues, and the assumption of unspoken communication is based on the personal relationships and trust developed with colleagues. Implicit communication is also based on the importance attached to respect, whereas any conflict would lose face for all concerned.³⁴ On the other hand, they maintain a small personal space with others and are a "touching" society. They are also frequently very expressive and passionate communicators. In addition, that being-orientation leads to a rather fluid attitude towards time, whereas relationships and commitment to individuals frequently take precedence over scheduled time commitments.³⁵

MAP 11-1 Mexico–North America



It is said that Mexicans “work to live” compared to those in the United States, for example, who “live to work.” One reason for that is that in Mexico the family is of central importance; loyalty and commitment to family and friends frequently determine employment, promotion, or special treatment for contracts. Decisions and actions are usually based on what is good for the family and the group. Unfortunately, it is this admirable cultural norm that often results in motivation and productivity problems on the job by contributing to very high absenteeism and turnover, especially in the *maquiladoras*. This high turnover and absenteeism are costly to employers, thereby offsetting the advantage of the relatively low labor cost per hour. “Family reasons” (taking care of sick relatives or elderly parents) are the most common reasons given for absenteeism and for failing to return to work.³⁶ Workers often simply do not come back to work after vacations or holidays. For many Mexican males, the value of work lies primarily in its ability to fulfill their culturally imposed responsibilities as head of household and breadwinner rather than to seek individual achievement. Machismo (sharp role differentiation based on gender) and prestige are important characteristics of the Mexican culture.

As a people, speaking very generally, Mexicans are very proud and patriotic; *respeto* (respect) is important to them, and a slight against personal dignity is regarded as a grave provocation.³⁷ Mexican workers expect to be treated in the same respectful manner that they use toward one another. As noted by one U.S. expatriate, foreign managers must adapt to Mexico’s “softer culture;” Mexican workers “need more communication, more relationship-building, and more reassurance than employees in the U.S.”³⁸ The Mexican people are very warm and have a leisurely attitude toward time; face-to-face interaction is best for any kind of business, with time allowed for socializing and appreciating the Mexicans’ cultural artifacts, buildings, and so forth. Taking time to celebrate a worker’s birthday, for instance, will show that you are a *simpático* boss and will increase workers’ loyalty and effort. The workers’ expectations of small considerations that seem inconsequential to U.S. managers should not be discounted. In one *maquiladora*, when the company stopped providing the annual Halloween candy, the employees filed a grievance to the state arbitration board—the Junta de Conciliación y Arbitraje.

Personal relationships are of utmost importance to the Mexican people, usually taking priority over work goals. Trust in friends and family takes precedence over purely business relationships, so that networking through personal contacts is the best way to do business. Following are some general guidelines on the Mexican culture to guide “foreign” managers in Mexico:

- Family and friends are first priority; maintaining those relationships and trust takes precedence over “outsiders” and so are important for business success.
- Works to live; scheduling and time management is secondary.
- Fatalistic, based on strong religious influence.
- Nationalistic; importance of history and tradition.
- Work harmony is important; sensitive to conflict situations; need to maintain “face.”
- Very proud; status is evidenced by title, position, and formality in dress and etiquette.

Most managers in Mexico find that the management style that works best there is authoritative and paternal. Paternalism is expected; the manager is regarded as *el patrón* (pronounced “pah-trone”), or the father figure, whose role it is to take care of the workers as an extended family.³⁹ Employees expect managers to be the authority; they are the “elite”—power rests with the owner or manager and other prominent community leaders. Frequently, if not told to do something, the workers will not do it, nor will they question the boss or make any decisions for the boss.⁴⁰ Nevertheless, employees perceive the manager as a person, not as a concept or a function, and success often depends on the ability of a foreign manager to adopt a personalized management style, such as by greeting all workers as they arrive for their shifts.

Generally speaking, many Mexican factory workers doubt their ability to personally influence the outcome of their lives. They are apt to attribute events to the will of God, or to luck, timing, or relationships with higher authority figures. For many, decisions are made on the basis of ideals, emotions, and intuition rather than objective information. However, individualism and materialism are increasingly evident, particularly among the upwardly mobile high-tech and professional Mexican employees.

Corrective discipline and motivation must occur through training examples, cooperation, and, if necessary, subtle shaming. As a disciplinary measure, it is a mistake to directly insult a Mexican; an outright insult implies an insult to the whole family. As a motivation, one must appeal to the pride of the Mexican employees and avoid causing them to feel humiliated. Given that, “getting ahead” is often associated more with outside forces than with one’s own actions; the motivation and reward system becomes difficult to structure in the usual ways.

Past experiences have indicated that, for the most part, motivation through participative decision-making is not as effective as motivation through the more traditional and expected autocratic methods.

With careful implementation, however, the mutual respect and caring that the Mexican people have for one another can lead to the positive team spirit needed for the team structure to be used successfully by companies. One example is GM's highest-quality plant in the world in Ramos Arizpe, near Saltillo, Mexico.⁴¹ Although a study by Nicholls, Lane, and Brechu concluded cultural constraints are considerable when it comes to using self-managing teams in Mexico, the Mexican executives surveyed suggested that the relative success depends on the implementation. The conflicts are between the norms of behavior in self-managed teams typical of U.S. and Canadian culture (such as initiative and self-leadership and bottom-up decision making), and typical values in Mexican business culture (such as resistance to change, adherence to status roles, and top-down hierarchical structure). These differences in work-role norms seem to create a behavioral impasse, at least initially, when it comes to the potential for setting up self-managed teams.⁴²

Although self-managed teams require individual leaders to take risks by spearheading team initiatives, those behaviors, according to the survey of Mexican executives, "are in sharp contrast to the behavioral norms of the paternalistic and hierarchical tradition of managers and workers in the Mexican work place." The workers expect the managers to give instructions and make decisions.⁴³ The business culture in Mexico is also attributable to prevailing economic conditions in Mexico, which include low levels of education, training, and technical skills. The Mexican executives surveyed gave some suggestions for implementing work teams and cautioned that the process of implementation will take a long time. They suggested the following:

- Foster a culture of individual responsibility among team members.
- Anticipate the impact of changes in power distribution.
- Provide leadership from the top throughout the implementation process.
- Provide adequate training to prepare workers for teamwork.
- Develop motivation and harmony through clear expectations.
- Encourage an environment of shared responsibility.⁴⁴

For the most part, Mexican workers expect that authority will not be abused but rather that it will follow the family model in which everyone works together in a dignified manner according to their designated roles.⁴⁵ Any event that may break this harmony, or seems to confront authority, will likely be covered up. This may result in a supervisor hiding defective work, for example, or, as in the case of a steel conveyor plant in Puebla, a total worker walkout rather than using the grievance process.⁴⁶ Contributing to these kinds of problems is the need to save face for oneself and to respect others' place and honor. Public criticism is regarded as humiliating. Employees like an atmosphere of formality and respect. They typically use flattery and call people by their titles rather than their names to maintain an atmosphere of regard for status and respect.

A context of continuing economic problems and a relatively low standard of living for most workers help explain why Maslow's higher-order needs (self-actualization, achievement, status) are generally not very high on most Mexican workers' lists of needs. In discussing compensation, Mariah de Forest, who consults for American firms in Mexico, suggests the following:

*Rather than an impersonal wage scale, Mexican workers tend to think in terms of payment now for services rendered now. A daily incentive system with automatic payouts for production exceeding quotas, as well as daily/monthly attendance bonuses, works well.*⁴⁷

Global economic problems and cutbacks in auto manufacturing in 2009 have also affected Mexico, making money a pressing motivational factor for most employees. Benefits that most workers cannot afford are prized. For example, since workers highly value the enjoyment of life, many companies in Mexico provide recreation facilities—a picnic area, a soccer field, and so forth. Bonuses are expected regardless of productivity. In fact, it is the law to give Christmas bonuses of 15 days of pay to each worker. Fringe benefits are also important to Mexicans; because most Mexican workers are poor, the company provides the only source of such benefits for them. In particular, benefits that help to manage family-related issues are positive motivators for employees to at least show up for work. To this end, companies often provide on-site health care facilities for workers and their families, nurseries, free meals, and even small loans in crisis situations.⁴⁸ In addition, those companies that understand the local infrastructure problems often provide a company bus to minimize the pervasive problems of absenteeism and tardiness.

The foregoing statements are broad generalizations about Mexican factory workers. Increasing numbers of American managers are in Mexico because the NAFTA has encouraged more U.S. businesses to move operations there. For firms on U.S. soil, managers may employ many Mexican-Americans in an intercultural setting. As the second-largest and fastest-growing ethnic group in the United States, Mexican-Americans represent an important subculture requiring management attention as they take an increasing proportion of the jobs there.

Research shows that little conclusive information is available to answer a manager's direct question of exactly how to motivate in any particular culture. The reason is that we cannot assume the universal applicability of the motivational theories, or even concepts, that have been used to research differences among cultures. Furthermore, the entire motivational context must be taken into account. For example, Western firms entering markets in both Russia and Eastern Europe invariably run into difficulties in motivating their local staffs. Most workers have been accustomed to working under entirely different circumstances and usually do not trust foreign managers. Typically, then, the work systems and responsibilities must be highly structured because workers in Eastern Europe and Russia are less likely to use their own judgment in making decisions and because managerial skills are less developed.⁴⁹ Russia for example, while rapidly becoming "Westernized" in the big cities, still presents foreign managers challenges regarding motivation and leadership styles, as discussed in the accompanying Under the Lens feature.



UNDER THE LENS

Managing in Russia—Motivation and Leadership Challenges

A principal rule in the [Russian] workplace is "Superiors know better."

SNEJINA MICHAILOVA⁵⁰

Russia has enjoyed considerable GDP growth in recent years. In spite of its political unpredictability and instability, Russia is thriving with opportunities for foreign investors because of its vast natural resources, its educated workforce, and a growing middle class of consumers. However, for foreign managers, there are considerable differences and challenges in how to adapt their styles to best motivate and lead employees, as well as leading the company.

A study by Michailova concluded that most Russian employees are still used to the management style that prevailed in a centrally planned economic system. This context resulted in vertically managed hierarchies, one-man authority, and anti-individualism. The continued prevalence of the authoritative, paternalistic leadership style restricts innovation and teamwork. The employees in the study experienced conflict when faced with different managerial styles from their Russian and Western managers in joint venture situations. Those employees were in traditional industries, were on average 45 years old, and were more motivated by the authoritarianism of their Russian managers than the attempts at empowerment by their Western managers. More importantly, the conflicting motivational techniques left them in a "double bind," as shown in Exhibit 11-2.⁵¹

From his studies of Russian managers, Carl Fey found that typically they "simply want employees to carry out designated tasks set by top management rather than to think creatively about those tasks."⁵² The employees themselves would say:

*You don't understand. Workers work and managers make decisions.*⁵³

The report notes that Per Kaufman, the general director of IKEA in Russia, is trying to create a flat and open organization with employee involvement. Kaufman notes that since most Russians feel more comfortable with strong leaders and little empowerment, then that is the easiest way to lead in Russia; however, he realizes that that approach will not develop employees or make them customer-focused.

From his interviews and research, Fey makes a number of suggestions for leaders. For example: employees must be given training and information about the company's challenges and goals and the

EXHIBIT 11-2 Conflicting Motivational Techniques in Western–Russian Joint Ventures

Western Managers to Russian Employees	Russian Managers to Russian Employees
Be independent; have initiative	Stick to the rules and procedures
Learn from mistakes and move on	Mistakes are not allowed and should be punished
Take the long-term perspective	Focus on the present
Be a team member	Stick to your own job and business

Source: Based on S. Michailova, "When Common Sense Becomes Uncommon: Participation and Empowerment in Russian Companies with Western Participation," *Journal of World Business* 37 (2002): 180–87.

reasons for them. Employees then must be encouraged to share ideas and concerns by providing multiple channels for them to do so without fear of reprisals, and there must be involvement by the managers. Constructive feedback must be given in a timely manner, and a reward system should be set up.⁵⁴

Additional insight can be gleaned from Fey and Stanislav Shekshnia, who have worked and consulted in Russia for 15 years, and recently interviewed 36 executives from foreign firms operating in Russia (examples are Ikea, Microsoft, SAP, Huawei, Cisco, and Ericsson). Their 2011 paper, based on those interviews, gave a number of recommendations, as discussed in the following paragraph.

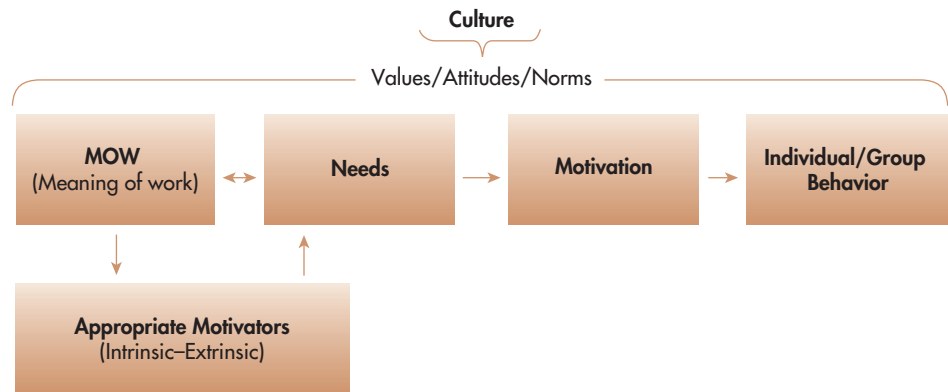
Foreign managers can provide meaning for employees by practicing authoritative, not authoritarian, leadership. The researchers conclude that Russians are motivated by powerful, charismatic leaders who reflect leaders in their history, and so they respect managers who they perceive to have the authority of proven competence. The employees expect foreign managers to be more competent than local managers, and if that expectation is met, they are then more motivated.⁵⁵ In addition, because of Russia's tradition of limited empowerment of employees and severe punishment for mistakes, Fey and Shekshnia concluded that considerable motivation and success can be achieved by gradually creating an empowered organization. This means that managers should encourage employees to make decisions and to allow them to make mistakes without criticism; in this way employees will gradually understand and accept the value of empowerment.⁵⁶ Recall that the GLOBE study found that Russian culture was among the least "Performance Oriented" and the least "Future Oriented."⁵⁷ Hopefully, since that time, Russia's transitioning society and the influence of more proactive management processes and leadership will have more positive outcomes for business there. In the past, the owner and manager were usually the same, and little value was placed on management techniques such as motivating. Further, as noted in an interview with Russian entrepreneur Ruben Vardanian, Russian companies have traditionally not considered employees very important—to the extent that there have been no HR people on boards, and no real HR systems in place.⁵⁸ Because of the continuing level of uncertainty in Russian society, the main motivation for employees and managers is still often just to work for a large company—and thus to feel secure.

In another study by Puffer and McCarthy in 2011, the authors determined that Russian leaders rely on informal personal networks to conduct business due to the weak legitimacy of the country's formal institutions. Therefore, it is important for Western leaders in Russia to realize that it is informal networks and institutions that drive business and decision-making in Russia. Through those networks people are hired as board members, and contacts with officials are made to speed up the bureaucratic permissions process for business. "Foreign" leaders are likely to experience a lack of trust by Russians toward them, creating a barrier to communication and therefore to motivation and leadership; they will need to take time to develop relationships and build trust with employees and others in their business and personal interactions while there.⁵⁹ In particular, it is essential to develop a network of contacts with people in government agencies at all levels. The Russian word "svyazi" means "connections" and refers to having friends in high places, which is often required to cut through red tape.⁶⁰

In sum, motivation is situational, and savvy managers use all they know about the relevant culture or subculture—consulting frequently with local people—to infer the best means of motivating in that context. Furthermore, tactful managers consciously avoid an ethnocentric attitude in which they make assumptions about a person's goals, motivations, or work habits based on their own frames of reference, and they do not make negative value judgments about a person's level of motivation because it differs from their own.

Many cultural variables affect people's sense of what is attainable, and thus affect motivation. One example is how much control people believe they have over their environment and their destiny—whether they believe that they can control certain events, and not just be at the mercy of external forces. Although people in the United States typically feel a strong internal locus of control, others attribute results to, for example, the will of God (in the case of Muslims) or to the good fortune of being born in the right social class or family (in the case of many Latin Americans). For example, whereas most Westerners feel that hard work will get the job done, many Hong Kong Chinese believe that outcomes are determined by *joss*, or luck. Clearly, then, managers must use persuasive strategies to motivate employees when they do not readily connect their personal work behaviors with outcomes or productivity.

The role of culture in the motivational process is shown in Exhibit 11-3. An employee's needs are determined largely by the cultural context of values and attitudes—along with the national variables—in which he or she lives and works. Those needs then determine the meaning

EXHIBIT 11-3 The Role of Culture in Job Motivation

of work for that employee. The manager's understanding of what work means in that employee's life can then lead to the design of a culturally appropriate job context and reward system to guide individual and group employee job behavior to meet mutual goals.

Reward Systems

"The rewards must be 100 percent street-level local," says Derek Irvine, Globoforce's vice president, client strategy and consulting. "Our motto is: 'Think global, thank local.'"

WORKFORCE MANAGEMENT,
SEPTEMBER 2011.⁶¹

Incentives and rewards are an integral part of motivation in a corporation. Recognizing and understanding different motivational patterns across cultures leads to the design of appropriate reward systems. In the United States, there are common patterns of rewards, varying among levels of the company and types of occupations and based on experience and research with Americans. Rewards usually fall into five categories: financial, social status, job content, career, and professional. The relative emphasis on one or more of these five categories varies from country to country. In Japan, for example, reward systems are based primarily on seniority, and much emphasis is put on the bonus system. In addition, a distinction is made there between the regular workforce and the temporary workforce, which usually traditionally comprises women expected to leave when they start a family. As is usually the case, the regular workforce receives considerably more rewards than the temporary workforce in pay and benefits and the allocation of interesting jobs.⁶² For the regular workforce, the emphasis is on the employee's long-term effectiveness in terms of behavior, personality, and group output. Rewarding the individual is frowned on in Japan because it encourages competition rather than the desired group cooperation. Therefore, specific cash incentives are usually limited. In Taiwan, recognition and affection are important; company departments compete for praise from top management at their annual celebration. O. C. Tanner, a consultant firm on such matters, found in their research, for example, that:

clocks or watches, popular gifts in the U.S. for employees celebrating a workplace anniversary, are taboo in Asian countries because timepieces are reminders of mortality. In France, O. C. Tanner learned that workers tend to scoff at effusive gratitude and view thank you notes with skepticism.

WORKFORCE MANAGEMENT,
SEPTEMBER 2011⁶³

In contrast, the entire reward system in China is very different from that of most countries. The low wage rates are compensated for by free housing, schools, and medical care. While egalitarianism still seems to prevail, the recent free-enterprise reform movements have encouraged *duo lao, duo de* ("more work, more pay"). One important incentive is training, which gives workers more power. One approach used in the past—and one that seems quite negative to Americans—is best illustrated by the example of a plaque award labeled "Ms. Wong—Employee of the Month." While Westerners would assume that Ms. Wong had excelled as an

employee, actually this award given in a Chinese retail store was for the worst employee; the plaque was designed to shame and embarrass her.⁶⁴ Younger Chinese in areas changing to a more market-based economy have seen a shift toward equity-based rewards, most likely resulting from a gradual shift in work values.⁶⁵

No doubt culture plays a significant role in determining the appropriate incentive and reward systems around the world. Employees in collectivist cultures such as Japan, Korea, and Taiwan would not respond well to the typical U.S. merit-based reward system to motivate employees, because that would go against the traditional value system and would disrupt the harmony and corporate culture.

Leading

Research results label French captains of industry as “autocrats,” Germans as “democrats,” and British as “meritocrats.”

DDI, LEADERS ON LEADERSHIP SURVEY.⁶⁶

This section on leadership (and the above quote) prompts consideration of the following questions: To what extent, and how, do leadership styles and practices around the world vary? What are the forces perpetuating that divergence? Where, and why, will that divergence continue to be the strongest? Is there any evidence for convergence of leadership styles and practices around the world? What are the forces leading to that convergence, and how and where will this convergence occur in the future? What implications do these questions have for cross-cultural leaders?

The task of helping employees realize their highest potential in the workplace is the essence of leadership. The goal of every leader is to achieve the organization’s objectives while achieving those of each employee. Today’s global managers realize that increased competition requires them to be open to change and to rethink their old culturally conditioned modes of leadership.

THE GLOBAL LEADER’S ROLE AND ENVIRONMENT

“I don’t want to change Sony’s culture to the point that it’s unrecognizable from the founder’s vision,” he observed. “That’s the balancing act.” He thought for a moment and then concluded, “You can’t go through a Japanese company with a sledgehammer.”

HOWARD STRINGER,

CEO SONY CORPORATION,

QUOTED IN ORGANIZATIONAL DYNAMICS, 2011.⁶⁷

The greatest competitive advantage global companies in the twenty-first century can have is effective global leaders. Yet this competitive challenge is not easy to meet, as observed by the astute British-born leader Howard Stringer when asked to take over as CEO of Tokyo-based Sony Corporation and revitalize its competitive position. People tend to rise to leadership positions by proving themselves able to lead in their home-country corporate culture and meeting the generally accepted behaviors of that national culture. However, global leaders must broaden their horizons, both strategically and cross-culturally, and develop a more flexible model of leadership that can be applied anywhere—one that is adaptable to locational situations around the world.⁶⁸

The critical factors necessary for successful leadership abroad have come to be known as the “Global Mindset.” Typically that mindset compares with the traditional mindset in the areas of general perspective, organizational life, work style, view of change, and learning.⁶⁹ Harvard Business School authors Javidan et al. describe a leader with a global mindset as having three major qualities:

- Intellectual capital: the general knowledge and capacity to learn, including global business savvy
- Psychological capital: the openness to differences and capacity to change, such as a thirst for adventure
- Social capital: the ability to build trusting relationships with and among people who are different from you, including intercultural empathy and diplomacy.⁷⁰

EXHIBIT 11-4 The Global Mindset of Successful Leaders⁷¹

Personal work style	High “cultural quotient” (CQ) Open-minded and flexible Effective cross-cultural communicator and collaborator Team player in a global matrix Supports global objectives and balances global with local goals and practices
General perspective	Broad, systems perspective Personal autonomy and emotional resilience Change is welcomed and facilitated Enables boundaryless organizations Operates easily in cross-cultural and cross-functional environments Global learning is sought and used for career development

Other researchers describe the attributes in terms of the manager’s personal work style and general perspective; they articulate some of the typical actions and attitudes of a leader with a global mindset as shown in Exhibit 11-4.

One successful leader with a “global mindset” is Carlos Ghosn, a French businessman and CEO of Nissan and Renault, as well as the chairman and CEO of the Nissan-Renault alliance. He was born in Brazil of Lebanese parents and educated in France. While at Renault, he was sent to Japan to turn around the ailing auto company, Nissan, which he did very successfully, surprising everyone that he could work so well within the intricate culture of Japanese business. Ghosn was voted man of the Year 2003 by *Fortune* magazine’s Asian edition; he also sits on the boards of Alcoa, Sony, and IBM. This global leader and multicultural manager conveyed his high CQ when interviewed by *Newsweek*:

*Companies are going global, but the teams are divided and scattered all over the planet. . . . You have to know how to motivate people who think very differently than you, who have different kinds of sensitivities, so I think the most important message is to get prepared to deal with teams who are multicultural.*⁷²

Further information regarding leadership effectiveness abroad was found by Morrison, Gregersen, and Black; their research involved 125 global leaders in 50 companies. They concluded that effective leaders must have global business and organizational savvy. They explain global business savvy as the ability to recognize global market opportunities for a company and having a vision of doing business worldwide. Global organizational savvy requires an intimate knowledge of a company’s resources and capabilities in order to capture global markets, as well as an understanding of each subsidiary’s product lines and how the people and business operate on the local level. Morrison, Gregersen, and Black outline four personal development strategies through which companies and managers can meet these requirements of effective global leadership: travel, teamwork, training, and transfers (the four “T’s”).⁷³

Travel, of course, exposes managers to various cultures, economies, political systems, and markets. Working on global teams teaches managers to operate on an interpersonal level while dealing with business decision-making processes that are embraced by differences in cultural norms and business models. Although formal training seminars also play an important role, most of the global leaders interviewed said that the most influential developmental experience in their lives was the international assignment. Increasingly, global companies are requiring that their managers who will progress to top management positions must have overseas assignment experience. The benefits accruing to the organization depend on how effectively the assignment and repatriation are handled, as discussed in Chapter 10. There are many top leaders in the world, for example, who have had their start with both a homegrown training and an “international assignment” in India, which provided them with considerable skills to operate in the global marketplace, as illustrated in the accompanying box *Under the Lens: Global Leaders from India*.



UNDER THE LENS

Global Leaders from India⁷⁴

India's globalized business elite seem to owe much of their multiculturalism to the conditions in which they grew up. It is notable that there are more Indian CEOs in the S&P 500 companies than any other nationality except American. Well known are PepsiCo's Indra Nooyi, Citigroup's Vikram Pandit, Motorola's Sanjay Jha, and ArcelorMittal's Lakshmi Mittal. But among the numerous articles about home-grown successful global business executives, two stand out because they are brothers—Ajay and Vindi Banga. Vindi attended IIT, the elite engineering school in India; Ajay graduated in economics from Delhi's prestigious St. Stephen's College. They both went on to get an M.B.A. in marketing from the Indian Institute of Management in Ahmedabad, five years apart. Vindi became a top executive at the global giant Unilever, and then became a partner at a private equity firm. Ajay, the younger brother, went from heading up Citigroup's Asian operations to CEO of MasterCard . . . "all without a degree from a Western business school and without abandoning his Sikh turban."⁷⁵ The *Times of India* named Ajay one of the top ten CEOs of 2011. He is known for his extensive network of contacts around the world, and he spent his first months at MasterCard travelling around the world to meet with clients, employees, and regulators. His experience was considered invaluable since the company directors considered Asia and Latin America as prime growth prospects.

If one wonders what kind of environment and upbringing produces so much success, one only has to look at the Banga brothers. They were raised in a Sikh family with a very demanding father, who is a retired lieutenant general in the Indian army, and they were constantly moving to a new post. But, more than that . . .

It could be because today's generation of Indian managers grew up in a country that provided them with the experience so critical for today's global boss. Multiculturalism? Check. Complex competitive environment? Check. Resource-constrained developing economy? You got that right. And they grew up speaking English, the global business language.

*Time, August 2, 2011.*⁷⁶

Indian managers learn to work around the bureaucratic culture of myriad local, state, and national permits, often having to go to 80 different agencies for permission. This, together with being raised in a multiethnic, multifaith, multilingual society, makes them naturals for the diverse global business environment. India is ranked 134th by the World Bank for ease of doing business, resulting in the necessity to develop and draw upon considerable transnational networks. In addition, those getting accepted to the extremely selective universities such as IIT have already shown their mettle for hard work and competition. Adding to that, their adaptability—so crucial to global business—has become natural as a result of working around a resource-constrained and bureaucratic system.

For other Indian globalists, such as Gautam Adani, the power mogul, the answer was simple: "the easiest and most profitable way to meet India's rising demand for electricity is to avoid the obstacles, divisive political confrontations and practical inefficiencies of India. In the spirit of the workaround ethos typical of India's private sector, Mr. Adani is working around the subcontinent itself."⁷⁷ Mr. Adani's plan is to be sufficiently vertically integrated so as not to have to rely on the creaking infrastructure of the Indian state. Among other assets, he owns coal mines in Indonesia and Australia, an Indian power plant, and the private Mundra port. He is yet another example of one of India's most successful exports—global, multicultural managers—produced by the oft-dysfunctionality of the Indian state.

Effective global leadership involves the ability to inspire and influence the thinking, attitudes, and behavior of people anywhere in the world. The importance of the leadership role cannot be overemphasized, because the leader's interactions strongly influence the motivation and behavior of employees, and ultimately, the entire climate of the organization. The cumulative effects of one or more weak managers can have a significant negative impact on the ability of the organization to meet its objectives.

Managers on international assignments try to maximize leadership effectiveness by juggling several important, and sometimes conflicting, roles as (1) a representative of the parent firm, (2) the manager of the local firm, (3) a resident of the local community, (4) a citizen of either the host country or of another country, (5) a member of a profession, and (6) a member of a family.⁷⁸

The leader's role comprises the interaction of two sets of variables—the content and the context of leadership. The content of leadership comprises the attributes of the leader and the decisions to be made; the context of leadership comprises all those variables related to the particular situation.⁷⁹ The increased number of variables (political, economic, and cultural) in the context of the managerial job abroad requires astute leadership. Some examples of the variables in the content and context of the leader's role in foreign settings are given below.⁸⁰ The multicultural leader's role thus blends leadership, communication, motivational, and other managerial skills within unique and ever-changing environments. We will examine the contingent nature of such leadership throughout this section.

The Leader and the Job:⁸¹

- Leadership experience and technical knowledge
- Cultural adaptability
- Clarity of information available in host area
- Level of authority and autonomy
- Level of cooperation among partners, government, and employees.

The Job Context:

- Level of authority granted to leader
- Physical location and local resource availability
- Host professional contacts, and community relations
- Organizational structure, scope of internationalization, technology, etc.
- Business environment: social-cultural, political-economic, level of risk
- Systems of staffing, coordination, reward system and decision making, locally and in home office.

The E-Business Effect on Leadership

An additional factor—technology—is becoming increasingly pervasive in its ability to influence the global leader's role and environment and will, perhaps, contribute to a lessening of the differences in motivation and leadership around the world. More and more often, companies like Italtel S.p.A. are using technology such as the Intranet to share knowledge and product information throughout their global operations. In the case of Italtel, this required wide delegation and empowerment of their employees so that they could decentralize.

Individual managers are realizing that the Internet is changing their leadership styles and interactions with employees, as well as their strategic leadership of their organizations. They have to adapt to the hyperspeed environment of e-business, as well as to the need for visionary leadership in a whole new set of competitive industry dynamics. Some of these new-age leadership issues are discussed in the feature *Management in Action: Leadership in a Digital World*.



MANAGEMENT IN ACTION

Leadership in a Digital World

What does leadership mean in a digital world in which organizations are flexible and fluid and the pace of change is extremely rapid? What's it like to lead in an e-business organization? Jomei Chang of Vitria Technology describes it as follows: "There's no place to hide. [The Internet] forces you to be on your toes every minute, every second." Is leadership in e-businesses really all that different from traditional organizations? Managers who've worked in both think it is. How? Three differences seem to be most evident: the speed at which decisions must be made, the importance of being flexible, and the need to create a vision of the future.

Making decisions fast Managers in all organizations never have all the data they want when making decisions, but the problem is multiplied in e-business. The situation is changing rapidly and the competition is intense. For example, Meg Whitman, then-president and CEO of eBay, said, "We're growing at

40 percent to 50 percent per quarter. That pace absolutely changes the leadership challenge. Every three months we become a different company. In one year, we went from 30 employees to 140, and from 100,000 registered users to 2.2 million. At Hasbro [where she was previously an executive], we would set a yearlong strategy, and then we would simply execute against it. At eBay, we constantly revisit the strategy—and revise the tactics.”

Leaders in e-businesses see themselves as sprinters and their contemporaries in traditional businesses as long-distance runners. They frequently use the term “Internet time,” which is a reference to a rapidly speeded-up working environment. “Every [e-business] leader today has to unlearn one lesson that was drilled into each one of them: You gather data so that you can make considered decisions. You can’t do that on Internet time.”

Maintaining flexibility In addition to speed, leaders in e-businesses need to be highly flexible. They have to be able to roll with the ups and downs. They need to be able to redirect their group or organization when they find that something doesn’t work. They have to encourage experimentation. This is what Mark Cuban, president and co-founder of Broadcast.com, had to say about the importance of being flexible. “When we started, we thought advertising would be the core of our business. We were wrong. We thought that the way to define our network was to distribute servers all over the country. We were wrong. We’ve had to recalibrate again and again—and we’ll have to keep doing it in the future.”

Focusing on the vision Although visionary leadership is important in every organization, in a hyper-speed environment, people require more from their leaders. The rules, policies, and regulations that characterize more traditional organizations provide direction and reduce uncertainty for employees. Such formalized guidelines typically don’t exist in e-businesses, and it becomes the responsibility of the leaders to provide direction through their vision. For instance, David Pottruck, co-CEO of Charles Schwab, gathered nearly 100 of the company’s senior managers at the southern end of the Golden Gate Bridge. He handed each a jacket inscribed with the phrase “Crossing the Chasm” and led them across the bridge in a symbolic march to kick off his plan to turn Schwab into a full-fledged Internet brokerage. Getting people to buy into the vision may require even more radical actions. For instance, when Isao Okawa, chairman of Sega Enterprises, decided to remake his company into an e-business, his management team resisted—that is, until he defied Japan’s consensus-charged, lifetime-employment culture by announcing that those who resisted the change would be fired, risking shame. Not so amazingly, resistance to the change vanished overnight.

Source: S. P. Robbins and M. Coulter, Management, 7th ed. (Upper Saddle River, NJ: Prentice Hall, 2001), used with permission.

CROSS-CULTURAL RESEARCH ON LEADERSHIP

Numerous leadership theories focus in various ways on individual traits, leader behavior, interaction patterns, role relationships, follower perceptions, influence over followers, influence on task goals, and influence on organizational culture.⁸² Here it is important to understand how the variable of societal culture fits into these theories and what implications can be drawn for international managers as they seek to provide leadership around the world. Although leadership is a universal phenomenon, what makes effective leadership varies across cultures.

In addition to research studies that indicate variations in leadership profiles, the generally accepted image that people in different countries have about what they expect and admire in their leaders tends to become a norm over time, forming an idealized role for these leaders. Industry leaders in France and Italy, for example, are highly regarded for their social prominence and political power. In Latin American countries, leaders are respected as total persons and leaders in society, with appreciation for the arts being important. In Germany, polish, decisiveness, and a wide general knowledge are respected, with their leaders granted a lot of formality by everyone. Foreigners are often surprised at the informal off-the-job lifestyles of executives in the United States and would be surprised to see them pushing a lawn mower, for example.

Most research on U.S. leadership styles describes managerial behaviors on, essentially, the same dimensions, variously termed *autocratic* versus *democratic*, *participative* versus *directive*, *relations-oriented* versus *task-oriented*, or *initiating structure* versus *consideration*

continuum.⁸³ These studies were developed in the West, and conclusions regarding employee responses largely reflect the opinions of U.S. workers. The democratic, or participative, leadership style has been recommended as the one more likely to have positive results with most U.S. employees.

CONTINGENCY LEADERSHIP: THE CULTURE VARIABLE

Modern leadership theory recognizes that no single leadership style works well in all situations.⁸⁴ A considerable amount of research, directly or indirectly, supports the notion of cultural contingency in leadership. This means that, as a result of culture-based norms and beliefs about how people in various roles should behave, what is expected of leaders, what influence they have, and what kind of status they are given vary from nation to nation. Clearly, this has implications for what kind of leadership style a manager should expect to adopt when going abroad.

The GLOBE Project

Research by the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program comprised a network of 170 social scientists and management scholars from 62 countries for the purpose of understanding the impact of cultural variables on leadership and organizational processes. Using both quantitative and qualitative methodologies to collect data from 18,000 managers in those countries, representing the majority of the world's population, the researchers wanted to find out which leadership behaviors are universally accepted and which are culturally contingent. Not unexpectedly, they found that the positive leadership behaviors generally accepted anywhere are behaviors such as being trustworthy, encouraging, an effective bargainer, a skilled administrator and communicator, and a team builder; the negatively regarded traits included being uncooperative, egocentric, ruthless, and dictatorial.⁸⁵ Those leadership styles and behaviors found to be culturally contingent are charismatic, team-oriented, self-protective, participative, humane, and autonomous.

The results for some of those countries researched are shown in Exhibit 11-5. The first column (*N*) is the sample size within that country. The scores for each country on those leadership dimensions are based on a scale from 1 (the opinion that those leadership behaviors would not be regarded favorably) to 7 (that those behaviors would substantially facilitate effective leadership). Note that reading from top to bottom on a single dimension allows comparison among those countries on that dimension. For example, being a participative leader is regarded as more important in Canada, Brazil, and Austria than it is in Egypt, Hong Kong, Indonesia, and Mexico. In addition, reading from left to right for a particular country on all dimensions allows development of an effective leadership style profile for that country. In Brazil, for example, one can conclude that an effective leader is expected to be very charismatic, team-oriented and participative, and relatively humane but not autonomous.

The charismatic leader shown in this research is someone who is, for example, a visionary, an inspiration to subordinates, and performance-oriented. A team-oriented leader is someone who exhibits diplomatic, integrative, and collaborative behaviors toward the team. The self-protective dimension describes a leader who is self-centered, conflictual, and status conscious. The participative leader is one who delegates decision making and encourages subordinates to take responsibility. Humane leaders are those who are compassionate to their employees. An autonomous leader is, as expected, an individualist, so countries that ranked participation as important tended to rank autonomy in leadership as relatively unimportant. In Egypt, participation and autonomy were ranked about equally.⁸⁶

This broad, path-breaking research by the GLOBE researchers can be very helpful to managers going abroad, enabling them to exercise culturally appropriate leadership styles. In another stage of this ongoing research project, interviews with managers from various countries led the researchers, headed by Robert House, to conclude that the status and influence of leaders vary a great deal across countries or regions according to the prevailing cultural forces. Whereas Americans, Arabs, Asians, the English, Eastern Europeans, the French, Germans, Latin Americans, and Russians tend to glorify leaders in both the political and organizational arenas, those in the Netherlands, Scandinavia, and Germanic Switzerland have

EXHIBIT 11-5 Culturally Contingent Beliefs Regarding Effective Leadership Styles

Country	N	Charisma	Team	Self-Protective	Participative	Humane	Autonomous
Australia	345	6.09	5.81	3.05	5.71	5.09	3.95
Brazil	264	6.01	6.17	3.50	6.06	4.84	2.27
Canada	257	6.16	5.84	2.96	6.09	5.20	3.65
(English-speaking)							
China	160	5.57	5.57	3.80	5.05	5.18	4.07
Denmark	327	6.01	5.70	2.82	5.80	4.23	3.79
Egypt	201	5.57	5.55	4.21	4.69	5.14	4.49
England	168	6.01	5.71	3.04	5.57	4.90	3.92
Greece	234	6.02	6.12	3.49	5.81	5.16	3.98
India	231	5.85	5.72	3.78	4.99	5.26	3.85
Ireland	157	6.08	5.82	3.01	5.64	5.06	3.95
Israel	543	6.23	5.91	3.64	4.96	4.68	4.26
Japan	197	5.49	5.56	3.61	5.08	4.68	3.67
Mexico	327	5.66	5.75	3.86	4.64	4.71	3.86
Nigeria	419	5.77	5.65	3.90	5.19	5.48	3.62
Philippines	287	6.33	6.06	3.33	5.40	5.53	3.75
Poland	283	5.67	5.98	3.53	5.05	4.56	4.34
Russia	301	5.66	5.63	3.69	4.67	4.08	4.63
Singapore	224	5.95	5.77	3.32	5.30	5.24	3.87
South Korea	233	5.53	5.53	3.68	4.93	4.87	4.21
Spain	370	5.90	5.93	3.39	5.11	4.66	3.54
Sweden	1,790	5.84	5.75	2.82	5.54	4.73	3.97
Thailand	449	5.78	5.76	3.91	5.30	5.09	4.28
Turkey	301	5.96	6.01	3.58	5.09	4.90	3.83
USA	399	6.12	5.80	3.16	5.93	5.21	3.75

Note: Scale 1 to 7 in order of how important those behaviors are considered for effective leadership (7 = highest).

Source: Based on selected data from Den Hartog, R. House et al. (GLOBE Project) *Leadership Quarterly* 10, no. 2 (1999).

very different views of leadership.⁸⁷ Following are some sample comments made by managers from various countries:

- Americans appreciate two kinds of leaders. They seek empowerment from leaders who grant autonomy and delegate authority to subordinates. They also respect the bold, forceful, confident, and risk-taking leader, as personified by John Wayne in his movies.
- The Dutch place emphasis on egalitarianism and are skeptical about the value of leadership. Terms like *leader* and *manager* carry a stigma. If a father is employed as a manager, Dutch children will not admit it to their schoolmates.
- Arabs worship their leaders—as long as they are in power!
- Iranians seek power and strength in their leaders.
- Malaysians expect their leaders to behave in a manner that is humble, modest, and dignified.
- The French expect leaders to be “cultivated”—highly educated in the arts and in mathematics.⁸⁸

Subsequently, further conclusions were drawn from the GLOBE results by Javidan et al. as to which leadership variables are found to be universally effective, which are found to be universal impediments to effectiveness, and which are considered to be culturally contingent attributes. Their findings are listed in Exhibit 11-6, with the corresponding GLOBE dimension in parentheses.

Earlier Leadership Research

Other research also provides insight on the relative level of preference for autocratic versus participative leadership styles. For example, Hofstede’s four cultural dimensions (discussed in

EXHIBIT 11-6 Cultural Views of Leadership Effectiveness**Behaviors and Traits Universally Considered Facilitators of Leadership Effectiveness**

- Trustworthiness (integrity)
- Visionary (charismatic-visionary)
- Inspirational and motivating (charismatic-inspirational)
- Communicative (team builder)

Behaviors and Traits Universally Considered Impediments to Leadership Effectiveness

- Being a loner and asocial (self-protective)
- Non-cooperative (malevolent)
- Dictatorial (autocratic)

Culturally Contingent Endorsement of Leader Attributes

- Individualistic (autonomous)
- Status-conscious (status-conscious)
- Risk-taking (charismatic: self-sacrificial)

Source: Based on Mansour Javidan, Peter W. Dorfman, Mary Sully de Luque, and Robert J. House, “In the Eye of the Beholder: Cross Cultural Lessons in Leadership from Project GLOBE,” *The Academy of Management Perspectives* 20, no. 1 (2006): 75.

Chapter 3) provide a good starting point to study leader–subordinate expectations and relationships. We can assume, for example, that employees in countries that rank high on power distance (i.e., India, Mexico, the Philippines) are more likely to prefer an autocratic leadership style and some paternalism because they are more comfortable with a clear distinction between managers and subordinates rather than with a blurring of decision-making responsibility.

Employees in countries that rank low on power distance (Sweden and Israel) are more likely to prefer a consultative, participative leadership style, and they expect superiors to adhere to that style. Hofstede, in fact, concludes that participative management approaches recommended by many American researchers can be counterproductive in certain cultures.⁸⁹ The crucial fact to grasp about leadership in any culture, he points out, is that it is a complement to “subordinateship” (employee attitudes toward leaders). In other words, perhaps we concentrate too much on leaders and their unlikely ability to change styles at will. Much depends on subordinates and their cultural conditioning, and it is that subordinateship to which the leader must respond.⁹⁰ Hofstede points out that his research reflects the values of subordinates, not the values of superiors.

In another part of his research, Hofstede ranked the relative presence of autocratic norms in the following countries, from lowest to highest: Germany, France, Belgium, Japan, Italy, the United States, the Netherlands, Britain, and India. India ranked much higher than the others on autocracy.⁹¹

Expectations about managerial authority versus participation were also among the managerial behaviors and philosophies studied by Laurent, a French researcher. In a study conducted in nine Western European countries, the United States, Indonesia, and Japan, he concluded that national origin significantly affects the perception of what is effective management.⁹² For example, Americans and Germans subscribe more to participation than do Italians and Japanese; Indonesians are more comfortable with a strict autocratic structure. Managers in Sweden, the Netherlands, the United States, Denmark, and Great Britain believe that employees should participate in problem solving rather than simply be “fed” all the answers by managers, compared with managers in those countries on the higher end of this scale, such as Italy, Indonesia, and Japan. Laurent’s findings about Japan, however, seem to contradict common knowledge about Japan’s very participative decision-making culture. In fact, research by Hampden-Turner and Trompenaars places Japan as second highest, after Sweden, in the extent to which leaders delegate authority.⁹³ Findings regarding the other countries are similar, as shown in Exhibit 11-7. However, participative leadership should not mean a lack of initiative or responsibility.

Other classic studies indicate cross-cultural differences in the expectations of leadership behavior. Haire, Ghiselli, and Porter surveyed more than 3,000 managers in 14 countries. They found that, although managers around the world consistently favored delegation and participation,

EXHIBIT 11-7 Comparative Leadership Dimensions: Participation and Initiative

Managerial Initiative, Managers' Sense of Drive and Responsibility		Extent to Which Leaders Delegate Authority	
0 = low; 100 = high		0 = low; 100 = high	
USA	73.67	Sweden	75.51
Sweden	72.29	Japan	69.27
Japan	72.20	Norway	68.50
Korea	67.86	Singapore	65.37
France	64.64	Australia	61.22
Austria	62.56	Germany	60.85
New Zealand	59.46	France	53.62
Greece	58.50	Italy	46.80
UK	58.25	Spain	44.31
Norway	54.50	Portugal	42.56
Portugal	49.74	Greece	37.95

Source: Based on selected data from C. Hampden-Turner and A. Trompenaars, *The Seven Cultures of Capitalism* (New York: Doubleday, 1993).

those managers also had a low appreciation of the capacity and willingness of subordinates to take an active role in the management process.⁹⁴

In addition, several studies of individual countries or areas conclude that a participative leadership style is frequently inappropriate. Managers in Malaysia, Indonesia, Thailand, and the Philippines were found to prefer autocratic leadership, whereas those in Singapore and Hong Kong are less autocratic.⁹⁵ Similarly, the Turks have been found to prefer authoritarian leadership, as do the Thais.⁹⁶

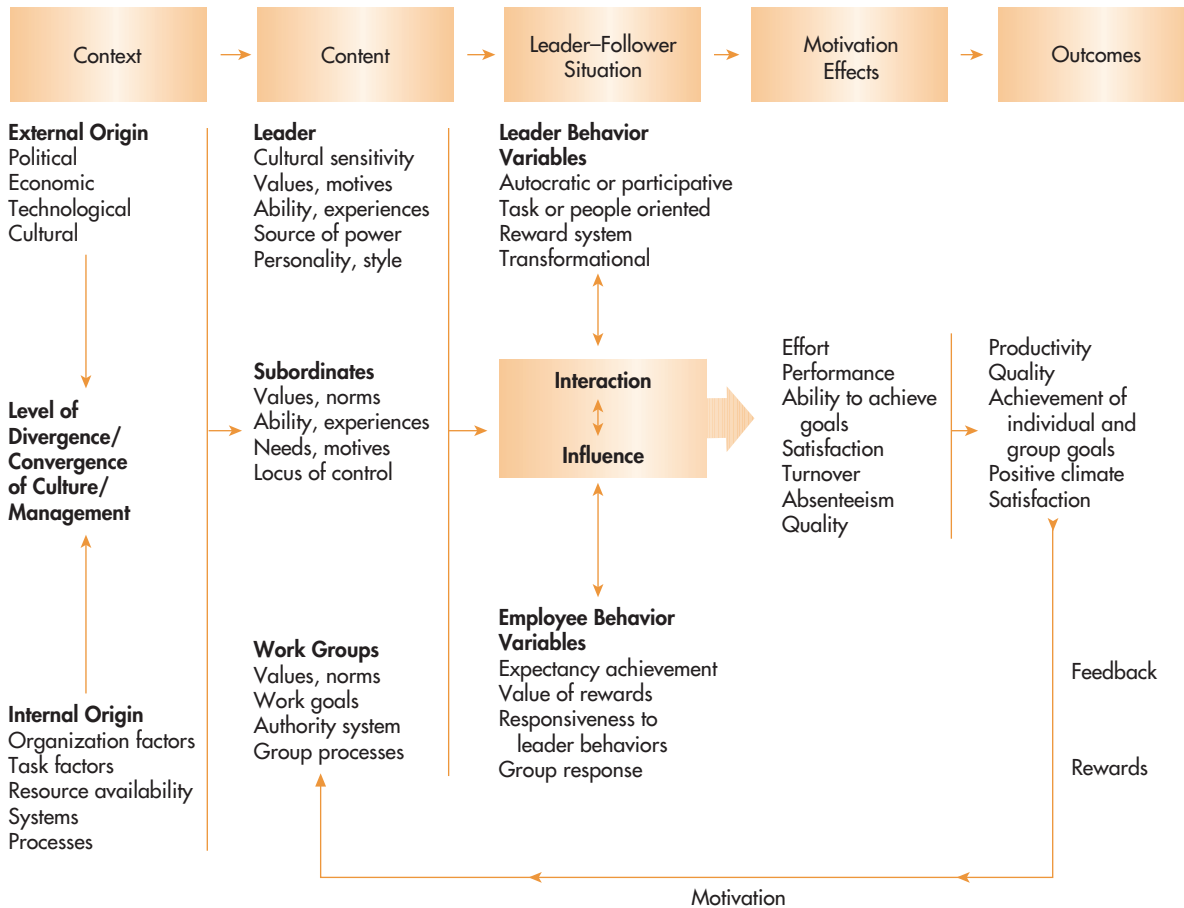
In the Middle East, in particular, little delegation occurs. A successful company there must have strong managers who make all the decisions and who go unquestioned. Much emphasis is placed on the use of power through social contacts and family influence, and the chain of command must be rigidly followed.⁹⁷

The effects of participative leadership can vary even in one location when the employees are from different cultural backgrounds—from which we can conclude that a subordinate's culture is usually a more powerful variable than other factors in the environment. Research that supports this conclusion includes a study conducted in Saudi Arabia that found participative leadership to be more effective with U.S. workers than with Asian and African employees, and a study in a U.S. plant that found that participative leadership resulted in greater satisfaction and communication among U.S. employees than among Mexican employees.⁹⁸

Exhibit 11-8 depicts an integrative model of the leadership process that pulls together the variables described in this book and in the research on culture, leadership, and motivation—and shows the powerful contingency of culture as it affects the leadership role. Reading from left to right, Exhibit 11-8 presents contingencies from the broad environmental factors to the outcomes affected by the entire leadership situation. As shown, the broad context in which the manager operates necessitates adjustments in leadership style to all those variables relating to the work and task environment and the people involved. Cultural variables (values, work norms, the locus of control, and so forth), as they affect everyone involved—leader, subordinates, and work groups—then shape the content of the immediate leadership situation.

The leader-follower interaction is then further shaped by the leader's choice of behaviors (autocratic, participative, and so on) and by the employees' attitudes toward the leader and the incentives. Motivation effects—various levels of effort, performance, and satisfaction—result from these interactions, on an individual and a group level. These effects determine the outcomes for the company (productivity, quality) and for the employees (satisfaction, positive climate). The results and rewards from those outcomes then act as feedback (positive or negative) into the cycle of the motivation and leadership process.

Clearly, then, international managers should take seriously the culture contingency in their application of the contingency theory of leadership: They must adjust their leadership behaviors

EXHIBIT 11-8 The Culture Contingency in the Leadership Process: An Integrative Model

according to the context, norms, attitudes, and other variables in that society. One example of the complexity of the leadership situation involving obvious contextual as well as cultural factors can be seen in the results of a study of how Russian employees responded to the participative management practices of North American managers. It was found that the performance of the Russian workers decreased, which the researchers attributed to a history of employee ideas being ignored by Russian managers, as well as cultural value differences.⁹⁹

As noted, leadership refers not just to the manager-subordinate relationship, but also to the important task of running the whole company, division, or unit for which a manager is responsible. When that is a global responsibility, it is vital to be able to adapt one's leadership style to the local context on many levels. Nancy McKinstry, an American leader in Europe, is very sensitive to that imperative. Since she moved to Europe, charged with the task of turning around the troubled Wolters Kluwer, the Dutch publishing group, she "has had plenty of experience of the way national and cultural differences can both bedevil and enliven business."¹⁰⁰ One immediate difference she noticed is that she is one of few women in senior management in Holland. That fact, added to the focus of the Dutch media on the executive as a person and the views of the employees, rather than the focus on the company, as in the United States, was surprising to her. As she continues her restructuring plan, Ms. McKinstry (whose physician husband commutes every two weeks between his hospital job in New York and his family in Amsterdam) has found that there is a misconception that she is going to apply an American, bottom-line leadership style. However, she says:

*There isn't that one-size-fits-all approach, not even within Europe. . . . If you have a product or a customer problem in France, there might be an approach that works extremely well. But if you took that same approach and tried to solve the exact same problem in Holland, you might fail.*¹⁰¹

NANCY MCKINSTRY,
CHAIRMAN AND CEO, WOLTERS KLUWER PUBLISHING GROUP, HOLLAND.¹⁰²

Ms. McKinstry explains that in southern Europe, there is far more nuance to what people are saying compared to northern Europe, and in particular compared to the direct, optimistic style of the U.S. She finds that they often don't want to say "No" to her, even though they may not be able to achieve what she is asking them. Her leadership approach is to listen hard and say "How are you going to go about meeting this goal?"¹⁰³

CONCLUSION

Because leadership and motivation entail constant interactions with others (employees, peers, superiors, outside contacts), cultural influences on these critical management functions are very strong. Certainly, other powerful variables are intricately involved in the international management context, particularly those of economics and politics. Effective leaders carefully examine the entire context and develop sensitivity to others' values and expectations regarding personal and group interactions, performance, and outcomes—and then act accordingly.

Summary of Key Points

1. Motivation and leadership are factors in the successful implementation of desired strategy. However, while many of the basic principles are universal, much of the actual content and process are culture-contingent—a function of an individual's needs, value systems, and environmental context.
2. One problem in using content theories for cross-cultural research, such as that created by Maslow, is the assumption of their universal application. Because they were developed in the United States, even the concepts, such as achievement or esteem, may have different meanings in other societies, resulting in a noncomparable basis of research.
3. Implicit in motivating an employee is an understanding of which of the employee's needs are satisfied by work. Studies on the "meaning of work" indicate considerable cross-cultural differences.
4. A reexamination of motivation relative to Hofstede's dimensions of power distance, uncertainty avoidance, individualism, and masculinity provides another perspective on the cultural contexts that can influence motivational structures.
5. Incentives and reward systems must be designed to reflect the motivational structure and relative cultural emphasis on five categories of rewards: financial, social status, job content, career, and professional.
6. Effective leadership is crucial to the ability of a company to achieve its goals. The challenge is to decide what is effective leadership in different international or mixed-culture situations.
7. The perception of what makes a good leader—both traits and behaviors—varies a great deal from one society to another. The GLOBE leadership study across 62 countries provides considerable insight into culturally appropriate leadership behaviors.
8. Contingency theory is applicable to cross-cultural leadership situations because of the vast number of cultural and national variables that can affect the dynamics of the leadership context. These include both leader-subordinate and group relations, which are affected by cultural expectations, values, needs, attitudes, perceptions of risk, and loci of control.
9. Joint ventures with other countries present a common but complex situation in which leaders must work together to anticipate and address cross-cultural problems.

Discussion Questions

1. What have you learned from the research on work centrality and the relative importance of work dimensions to people around the world?
2. What are the implications for motivation of Hofstede's research findings on the dimensions of power distance, uncertainty avoidance, individualism, and masculinity?
3. Explain what is meant by the need to design culturally appropriate reward systems. Give some examples.
4. Develop a cultural profile for workers in Mexico and discuss the management style you would use.
5. Describe the variables of content and context in the leadership situation. What additional variables are involved in cross-cultural leadership? What are the major elements of a "Global Mindset?"
6. Explain the theory of contingency leadership and discuss the role of culture in that theory.
7. How can we use Hofstede's four dimensions—power distance, uncertainty avoidance, individualism, and masculinity—to gain insight into leader-subordinate relationships around the world? Give some specific examples.
8. Describe the autocratic versus democratic leadership dimension. Discuss the cultural contingency in this dimension and give some examples of research findings indicating differences among countries.
9. Discuss how you would develop a profile of an effective leader from the research results from the GLOBE project. Give an example.
10. Can there be an effective "EU Leader"? Is this a realistic prospect? Discuss the factors involved with this concept. What role has the financial crisis in the Eurozone played in this concept?

Application Exercises

1. Using the material on motivation in this chapter, design a suitable organizational reward system for the workers in your company's plant in Mexico.
2. Choose a country and do some research (and conduct interviews, if possible) to create a cultural profile. Focus on factors affecting behavior in the workplace. Integrate any findings regarding motivation or work attitudes and behaviors. Decide on the type of approach to motivation you would take and the kinds of incentive and reward systems you would set up as manager of a subsidiary in that country. Use the theories on motivation discussed in this chapter to infer motivational structures relative to that society. Then decide what type of leadership style and process you would use. What major contingencies did you take into account?
3. Try to interview several people from a specific ethnic subculture in a company or in your college regarding values, needs, expectations in the workplace, and so on. Sketch a motivational profile of this subculture and present it to your class for discussion.

Experiential Exercise

Meet with another student, preferably one whom you know well. Talk with that person and draw up a list of leadership skills you perceive him or her to possess. Then consider your research and readings regarding cross-cultural leadership. Name

two countries where you think the student would be an effective leader and two where you think there would be conflict. Discuss those areas of conflict. Then reverse the procedure to find out more about yourself. Share with the class, if you wish.

Internet Resources

Visit the Deresky Companion Website at www.pearsonhighered.com/deresky for this chapter's Internet resources.

CASE STUDY

The Olympus Debacle—Western Leader Clashes with Japan's Corporate Leadership Style¹

In a public ousting rare in staid corporate Japan, Olympus on Friday demoted its British chief executive, Michael C. Woodford, after only six months in the job, citing a management culture clash with the company's mainly Japanese executive team.²

The success of Japan's Olympus was based largely on the corporate leadership system—consensus driven, government supported, and rife with cronyism—that was successful when Japan was one of the fast-growing economies in the world. The camera maker and medical-imaging company was largely protected in the folds of the keiretsu system in which Japanese corporations had cross-shareholdings and close cooperative ties. But the new CEO, Michael Woodford, a Briton with over 30 years at the company, was determined to expose some problems when he demanded an investigation into the \$687 million in advisory fees that Olympus paid to an unknown group of people for the \$1.9 billion purchase of the Gyrus Group of Britain. The advisory fee, which was 30 percent of the purchase price of Gyrus, has not since been traced. Woodford had demanded that chairman Tsuyoshi Kikukawa resign over a shameful situation involving \$1.3 billion in acquisition writedowns and fees to mysterious advisers. Shortly after his demands, Woodford was ousted as the company's president on October 14, 2011, after barely six months in the job.

Tsuyoshi Kikukawa, the 71-year-old chairman, blasted him for failing to hew to Japanese cultural practices. The board voted unanimously at a ten-minute meeting where Mr. Woodford was not allowed to speak. Take a bus to the airport, he was told.³

The outcome was predictable in light of the typical interweaving of boards and companies in Japan. Twelve of the 15 board members are Olympus executives who owe loyalty to Mr. Kikukawa and 60 percent of its shares are held either by Japanese institutions or by other

Japanese companies, none of which is likely to make waves. In fact, most Japanese companies tend to rely on personal intermediaries and relationships in business, thereby avoiding independent boards willing to raise tough questions.

Of course, Mr. Woodford's Western style of attacking the problem head on no doubt clashed with the typical Japanese implicit leadership style of discreet enquiries rather than exposing particular people. To the Japanese, management consensus means one does not question the big boss. Directors rise through the seniority-based advancement system, thereby ensuring everyone is in the old boys' club—which still rules. Although Chairman Kikukawa initially introduced Mr. Woodford with glowing reports, crediting him with the successful restructuring of European operations, and saying he represented the new global face of the company, Chairman Kikukawa later said that Woodford did not understand the Japanese corporate structure, frequently going around the hierarchy by going straight to employees with directives. Chairman Kikukawa said of Woodford that he did not understand the Japanese art of “nemawashi” consensus building, and that . . .

*he was unable to understand that we need to reflect a management style we have built up in our 92 years as a company, as well as Japanese culture.*⁴

For his part, Woodford later reported that Japan is one of the most impenetrable cultures. He admitted that he has a blunt style, but also said that his proposed restructuring included avoiding forced redundancies for cultural reasons. As of March 2011, Olympus's profit had declined 41 percent from the previous year, a situation that had prompted the hiring of Woodford to turn around the company. After his dismissal, Olympus stock dropped 18 percent, the largest drop since 1974, with shareholders concerned that the financial reforms that Woodford had promised would now not happen. Two weeks later Mr. Kikukawa resigned as company chairman after about fifty years with the company, without assuming any responsibility, but using the ritualised apologies that Japanese firms tend to use in order to attempt to close off a subject. Subsequently, in October 2011, the F.B.I. in the United States was investigating the exorbitant advisory fees that the Japanese company Olympus paid to a firm with links to the Cayman Islands, as well as other questionable deals that the audits had revealed regarding the syphoning off of Olympus money into other companies.

The boardroom conflict with Woodford is a rare one in Japan, where only few of the top major corporations, such as Sony Corp. and Nissan Motor Co., are run by expatriates.

*And so began a boardroom battle that has now cost both men their jobs, wiped out over half the company's stock-market value—and once again cast a harsh spotlight on seemingly grave lapses of corporate governance at a top-tier Japanese company.*⁵

The Olympus conflict and subsequent scandal were precipitated by a clash of cultural expectations from both parties. The situation highlights the problem of conflict between old-school business practices in Japan—where personal relationships sometimes take precedence over accepted accounting practices—and the modern management practices of due diligence expected by Westerners. Subsequently, in February 2012, Tsuyoshi Kikukawa, former chairman and president of the company, was among seven who were arrested and charged with falsifying financial statements.⁶ As a result of this scandal involving the cover-up of massive losses, the entire board resigned and Yasuyuki Kimoto, former executive at Sumitomo Mitsui bank, took over as chairman.⁷ In September 2012, three of those charged pled guilty to the \$1.7 billion accounting fraud and received up to 10 years in jail.⁸

Case Questions

1. How does the Japanese culture affect their corporate management style?
2. Discuss the differences between the leadership styles of the British and the Japanese.
3. What effect did the corporate governance composition at Olympus have on the company's problems?
4. Discuss how both Woodford and Kikukawa could have acted differently to resolve the problems that Woodford had uncovered.
5. Research what has happened with Olympus since this case was written in late 2012.

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