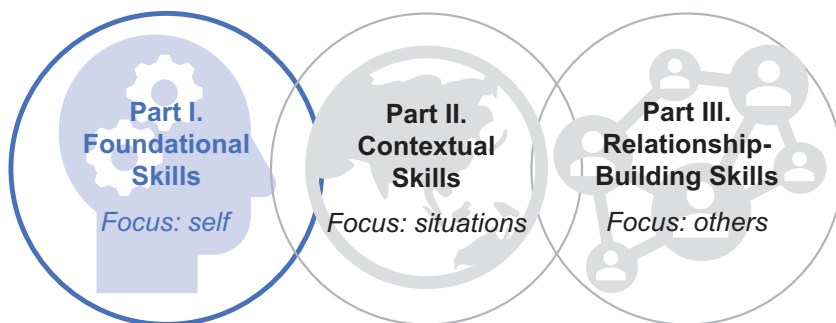


# PART I

## Foundational Skills for Global Managers



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## 1

# Global Managers in a Changing World

## LEARNING OBJECTIVES

- Expand our understanding of the changing business and geopolitical environment in which today's managers work.
- Explore the evolution from managers to global managers, and its impact on managerial preparation and behavior.
- Explore different global management career options, both at home and abroad.
- Establish a baseline for global management knowledge and understanding.

## CHAPTER OUTLINE

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*A competitive world offers two possibilities. You can lose. Or, if you want to win, you can change.*

Lester Thurow, *The Zero-Sum Society*<sup>1</sup>

## Global Managers at Work: Dermot Boden, Mary Gadams, and Roos Dekker

Global managers come in all shapes and sizes. Some reside in distant countries; some live at home; and some seem to live in airplanes. But while their locations and job responsibilities may vary widely, their core skills remain similar. They are both ambassadors of their home countries and companies and students of their new surroundings. They live at the crossroads of cultural differences, which makes them unique from other managers. And with this uniqueness comes a responsibility to adequately prepare for the work ahead. In a very real sense, Thurow offers them the ultimate managerial challenge.

A good example of such a manager can be found in Dermot Boden, an expatriate originally from Ireland who took a job with LG Electronics in South Korea. When the consumer electronics giant determined to become more globalized in its outlook and business practices, it set about recruiting several highly experienced foreign executives and placing them in positions of power where they could lead a fundamental cultural change.<sup>2</sup> These changes would then supposedly cascade down through the organization from the top. Boden was one of their first hires and was given a three-year contract as the company's new chief global marketing officer. He had formerly built an impressive marketing career at Pfizer, rising to vice president and general manager in its Japanese headquarters. His new job would be to rebrand LG products with an exciting new image. At the same time, LG hired several other global executives, mostly from Europe, and soon Boden and his colleagues represented one-quarter of LG's top management team.

Moving to Seoul, Boden and his colleagues approached their new jobs with enthusiasm. To bring attention to LG as a "hip" brand, Boden sought out partnerships with Formula 1 racing teams and initiated the "Life is Good" branding campaign, a play on the company's initials, LG. Customers began to pay more attention to the brand. Within a year, however, Boden and his colleagues ran into trouble as LG's Korean executives began to chafe at changing their local customs and ways of doing business. Complaints emerged that the foreigners' management style created too much conflict and insufficient respect for Korean traditions. The more assertive management style of the new foreign executives had run afoul of the existing culture. After three years on the job, the contracts of Boden and his colleagues were not renewed, and they left the company. LG returned to an all-Korean C-suite, and Boden went on to become the chief brand officer at Citigroup.

Mary Gadams is a global entrepreneur who has lived in the United Kingdom, Spain, China, France, United States, Hong Kong, and South Korea, working mostly in investment banking. Seeking a career change, she founded RacingThePlanet to sponsor 7-day, 250-kilometer marathons in the world's most hostile environments.<sup>3</sup> Her team works out of a small Hong Kong office, but the company operates in Mongolia's Gobi Desert, Chile's Atacama Desert, Egypt's Sahara Desert, and Antarctica. The inaccessibility of these areas makes the races more attractive to

participants and audiences and strengthens the brand. But RacingThePlanet isn't just about running; it is also about creating a global lifestyle brand that Gadams uses to sell backpacks, emergency supplies, clothing, and other merchandise. In addition, the company generates content for its multimedia division, which sells videos for websites and GPS mapping systems.

Finally, Roos Dekker is a global logistics coordinator for a major multinational in the Netherlands. Dekker is a global manager who never leaves home. Her responsibilities include coordinating global logistics for the company's healthcare products, including supplies and product deliveries to and from Latin America and Southeast Asia. Most of her work is conducted virtually. Dekker traces her heritage back to Indonesia and Dutch colonial times. Her family migrated to the Netherlands in the 1960s in search of greater economic stability. She was born and raised in the Netherlands and attended local schools but still lives in her own multicultural world. At work, she speaks Dutch, but with her family she speaks Bahasa Indonesian. Her favorite meal is *reistafel*, an Indonesian tradition consisting of rice and many side dishes. While she has traveled throughout Europe, she has never left the continent. In addition to Dutch, she speaks German, English, and a little French, in addition to Bahasa Indonesian. Dekker took the logistics coordinator job because she enjoys working with people from different cultures, sees herself as a good problem-solver, and has good communication skills. She also studied logistics and supply chain management as part of her business degree at Nijmegen and was confident this would help her in her daily challenges. Still, she understood that global travel would be problematic given her two young children. In her job, she is in daily contact with supply chain managers across the globe – all from her base in the Netherlands. And when the pandemic hit, most of her work could be conducted from home.

These three global managers, with very different backgrounds and career paths, raise several intriguing questions. What do they have in common? How are they different? How did they get to where they are today? And, most importantly, what can we learn from these examples to help develop our own careers?

## Changing World of Business

We live in a turbulent world in which there are few certainties, and change is constant. Business cycles are becoming more dynamic and unpredictable, and companies, institutions, and employees come and go with increasing regularity. At the same time, today's business world is filled with concepts that didn't exist ten or twenty years ago, like social media, cryptocurrencies, fintech, and block-chains. Waves of technological innovation interfere with stability and predictability. Much of today's uncertainty is the result of economic forces that are beyond the control of individuals and companies. Even more uncertainty results when individuals and corporations fail to understand local institutions, competitors, and cultures. Global knowledge is definitely power when it comes to global business, which is why we study cross-cultural management.

As more managers find themselves working across borders, they encounter cultural contradictions that some find interesting and others find annoying. Let's consider a few examples. Most French and Germans refer to Europeans as “we,” while many British refer to Europeans as “they.” To some Europeans, Japan is part of the “Far East,” while to some Japanese, Europe is part of the “Far East”; it all depends on where you are standing. Criticizing heads of state is a favorite pastime in many countries around the world, but criticizing the king in Thailand is a felony punishable by fifteen years in jail. Every time Nigerian-born oncologist Nkechi Mba signs her name somewhere, she is politely told to write her name, not her degree. In South Korea, a world leader in IT networks, supervisors often assume employees are not working unless they are physically sitting at their desks in the office. Premium Godiva-brand Belgium chocolate purchased in North America is made in Türkiye.<sup>4</sup> When you sink a hole in one while playing golf with friends in North America and Europe, it is often customary for your partners to pay you a cash prize; in Japan, you pay them. Finally, dressing for global business meetings requires knowledge and sensitivity: wearing anything made of leather can be offensive to many Hindus in India; wearing yellow is reserved for the royal family in Malaysia; and white, not black, is the color of mourning in many parts of Asia.

When confronted by examples like these, some manager observers assume that since the world is getting smaller, many of these “troublesome” habits and customs will likely disappear over time as globalization pressures work to homogenize how business is done – properly, they believe – across national boundaries. This, however, is incorrect. *The world is not getting smaller; it is getting faster, and managers ignore this fact at their own peril.* Some globalization pressures are currently bypassing – or in some cases accentuating – divergent local customs, conventions, and business practices, and many local cultures are fighting back to protect themselves from the ravages of global economic competition and media. Therefore, local customs and beliefs will likely be around for a long time. Wise managers will learn to understand and capitalize on these differences, not ignore or criticize them.

### Challenges of Globalization

Much of what is being written today about the changing global landscape is characterized by a sense of energy, urgency, and opportunity. We hear about developing global leaders, building strategic alliances, launching global product platforms, leveraging technological breakthroughs, first-mover advantages, global venturing, outsourcing, sustainable supply chains, and, most of all, making money. Action – and winning – seem to be the operational words. Discussions about global business assume a sense of perpetual dynamic equilibrium. We are told that nothing is certain except change, and that winners are always prepared for change. We are also told that global business is like white water rafting – always on the edge. Everything is in motion, and opportunities abound.

These observations can be captured in one word: **globalization**, the expansion of markets and the reduction of impediments to the free exchange of goods,

services, and assets. Looking for an example? Consider a US-based automobile company, such as Ford or GM, seeking a steady supply of semiconductors for their assembly lines across the United States. Where do they get their supplies? Many of these chips are originally designed in California by companies such as Intel or AMD.<sup>5</sup> These designs are then sent to Taiwan to companies such as Taiwan Semiconductor Manufacturing Company to fabricate. The chips are then sent to the Philippines or Indonesia for final assembly. Then, back to the auto companies in the US. Now, think of this process being replicated millions of times each year across the world and you have a good idea of the realities – and challenges – of globalization.

The impact of globalization can be seen on multiple levels. On a *geopolitical level*, the economies of many countries, including India and China, continue to grow exponentially, yielding both positive and negative outcomes. Increased interest in human rights can also be seen in some countries, as witnessed by South Africa's efforts to shed the vestiges of its old apartheid system and build a new, stronger economy based on more egalitarian principles. New science-business partnerships have also expanded. For example, the Netherlands, with a population of 17 million, now produces twice as much food using half as many resources compared to just twenty years ago. As a result, it is now the world's second biggest exporter of agricultural products by value, behind the United States.<sup>6</sup> Globalization has also been a great source of economic opportunity for workers in lower-wage countries, for increased education and training, for specialized workers in crucial support fields like IT, and for countries whose development sky-rocketed because they were able to provide raw materials or trained employees to global companies. And throughout the world, there is a swelling demand by consumers for access to higher quality, lower-cost goods and services, often seen as a marker of improved quality of life.

At the same time, however, critics complain that too much power has shifted from nation states to large global firms due in part to substantial earnings, tax evasion, and lobbying. Google's profits, for example, are larger than the combined capital of over half the countries in the world. This power shift has resulted in a backlash of right-wing protectionist politics throughout the world and actions like Brexit, the United Kingdom's withdrawal from the European Union (EU).<sup>7</sup> Many governments around the world are becoming anocracies, as opposed to autocracies; that is, governments that mix democratic and autocratic features, such as democratically elected governments run by near-absolute rulers.

Meanwhile, environmental degradation and loss of habitat have increased as new factories are built, sometimes without adequate regulations, and many more goods are shipped around the world. Almost 80 percent of goods are transported by ships, whose cargo volume increased from 4 to nearly 10.7 billion tons between 1990 and 2020.<sup>8</sup> People whose jobs were moved abroad experienced enormous social repercussions and, in some cases, poverty. As a result, globalization is viewed in some regions as a threat to economic prosperity, to political sovereignty, and to cultural integrity, that has produced winners and losers.<sup>9</sup> India and East

### Exhibit 1.1 World Economic Forum's top-ten global risks

1. Failure to enact serious climate actions (e.g., climate change denial, inability or unwillingness of countries and institutions to take the challenge seriously)
2. Extreme weather events (e.g., fires, floods)
3. Biodiversity loss (e.g., loss of habitat, extinction of endangered species)
4. Social cohesion erosion (e.g., increased violent conflicts, social injustice)
5. Economic insecurity (e.g., job loss, low wage rates, lack of suitable job skills)
6. Infectious diseases (e.g., pandemics)
7. Human environmental damage (e.g., fossil fuels, excessive logging, air and sea pollution)
8. Natural resource crisis (e.g., excessive mining, long-term droughts, water pollution)
9. Debt crisis (excessive borrowing at both individual and national levels)
10. Geo-economic confrontation (e.g., technology overreach, geopolitical risks, increasing economic disparities)

Source: Based on World Economic Forum, *Global Risks Report 2022*.

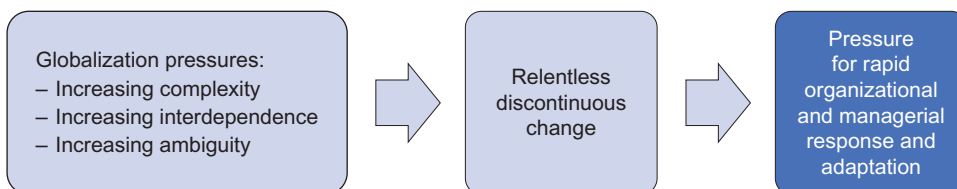
Asian countries, such as Vietnam, China, and South Korea have benefited greatly from globalization and rapidly developed, while sub-Saharan Africa has not.<sup>10</sup>

In an effort to summarize these challenges, the World Economic Forum's *Global Risks Report* identified what it considers to be the ten most important global threats, including a failure to address climate change, the erosion of social cohesion, and economic insecurity around the world (see Exhibit 1.1). In view of recent events, we may wish to add geopolitical and national security to this list. All have implications for global organizations and their managers.

The impact of globalization can also be seen on a *corporate level*. The new realities of global commerce have been a great source of opportunity for businesses that went global and expanded their markets; for workers in lower-wage countries; for specialized workers in crucial support fields like IT; and for countries whose development sky-rocketed because they were able to provide raw materials or trained employees to global companies. And as a key driver of globalization, consumers throughout the world had the opportunity to buy higher quality, lower-cost goods and services. At the same time, however, globalization has increased pressures on companies for greater technological innovation, product development, manufacturing prowess, and streamlined logistics and supply chains. Such efforts are, in turn, affected by global financing, international laws, political risk, contracts, and other legal matters. The challenge of working across cultural boundaries has also led to conflicts with global partners, misunderstandings with suppliers and distributors, mutual distrust among partners, delays, cost overruns, constant travel, and personal stress. A principal cause for many of these problems is cultural differences compounded by a lack of intercultural competence and an unwillingness to work together for the common good.

### Pressures for Change

There are many ways to understand the fundamentals of globalization, but for our purposes here we build on Henry Lane and Martha Maznevski's work on the



**Exhibit 1.2** Globalization pressures on managers and organizations

Source: Based on Henry W. Lane and Martha L. Maznevski, *International Management Behavior: Global and Sustainable Leadership*. Cambridge: Cambridge University Press, 2018.

challenges created by **globalization pressures** for companies and managers alike (see Exhibit 1.2). Four types of pressures can be identified.

**1. Increasing complexity.** First, global managers face not just a multiplicity of challenges, but a geometric increase in the number and types of these challenges. Increasing complexity is the norm. Globalization is not just about more; it's about more and different.<sup>11</sup> In many global markets, there are more and different competitors, customers, employees, governments, and other stakeholders. At the same time, competitors are always on the lookout for new ways of organizing and doing business, a pressure made considerably more difficult by the evolution of the Internet and Web-based businesses. People talk about gaining corporate competitiveness, but achieving this in the face of a moving target challenges even the best managers.

At the same time, workforce diversity is increasing, as are the voices of those who see themselves as marginalized in the new global economy. Research has long investigated the effects of cultural diversity on work teams and managerial effectiveness, and it has consistently demonstrated that the benefits of diversity outweigh the challenges. Yet, there is a growing discussion about privileged groups in society and the workplaces of most countries, as well as lost opportunities for both companies and certain groups of employees – women, cultural and ethnic minorities, those with physical limitations, and immigrants. Dominant groups can at times inadvertently ignore or blatantly discriminate against other groups in the workplace, as evidenced by the multitude of cultural and ethnic groups who routinely demonstrate and file legal challenges seeking a level playing field. Many companies struggle to learn how to build and manage diverse multicultural teams and work systems that can give them a leading edge and, at the same time, do the right thing and treat everyone fairly. The role of leaders in managing diverse teams, taking advantage of the benefits of diversity, and enabling diverse groups to thrive is obvious. The task, however, is not always an easy one and requires a set of complex skills, competencies, and expertise that we will address throughout this book.<sup>12</sup>

**2. Increasing interdependence.** Second, the global economy is moving inexorably towards increasing interdependence. Everything today seems to be related to everything else, often unintentionally and with no consideration of the consequences. The traditional import-export economy is rapidly being replaced by



global supply chains where products and services flow back and forth across borders through research facilities, manufacturers, vendors, assemblers, sales organizations, and so forth. As global companies are increasingly discovering, the demands of various stakeholder groups that were once treated as insignificant are now emerging as major forces that can no longer be ignored. Certainly, these stakeholders include sectors of the workforce, but they also include governments, technology partners, customers, human rights and environmental activists, and even angel investors. Accounting for this interdependence, industry leaders now routinely consider the *three p's of sustainability* – profits, people, planet – as central to every strategic move they make throughout each link of their supply chains.<sup>13</sup>

**3. Increasing ambiguity and environmental uncertainty.** Third, ambiguity and environmental uncertainty are rampant in global business today. How do managers get current and reliable information when conditions are continually evolving? How can they manage the uncertainty of not knowing when climate disasters will strike? And what data and media sources can they rely on? Environmental scientists generally agree on the causes and reality of global warming, although that is not the case with the general public.<sup>14</sup> Global insurance companies like Munich Re are also very explicit about the business risks of climate change, as shown on their website.<sup>15</sup> Accurate data exists, but the question is what can be done about the problem? People often discuss the tension between doing things right and doing the right thing, but this contradiction is exacerbated when the key ingredients to a decision – technologies, costs, politics, people, regulations, markets – cannot be predicted with anything approaching certainty.

**4. Relentless discontinuous change.** Finally, these three globalization pressures – complexity, interdependence, and ambiguity – converge to create a fourth pressure: relentless **discontinuous change**, or change that is largely unpredictable and for which planning is frequently of limited value. People often say that change is constant, but this misses the point. Today, when companies and their managers are concerned about inflation, they have to look beyond the impact of increased costs on prices leading to lower sales to also take into consideration possible market and global investment volatility and inflationary pressures against the backdrop of unpredictable supply chains and threats posed by labor challenges, environmental disasters, political crises, COVID-19 impacts, and new government regulations as countries also adjust to discontinuous change. Global business managers also have to keep abreast of rapid technological changes and disruptions. For instance, banks were not concerned about cyber security until the Internet made cyber theft possible. In sum, most modern business organizations are experiencing some form of discontinuous large-scale change that often requires immediate responses and skillful adaptation.

To see an example of how one company has responded to discontinuous change, let's look at Zara, an international Spanish clothing retailer that is famous for adapting its fashion much more quickly than the industry standard. The industry norm is to produce only two new collections a year (spring/summer and

fall/winter) based on the home office's predictions of clothing trends a year in advance. In contrast, Zara takes a bottom-up approach and tracks fads continuously by sending out scouts to see what people are wearing in malls and on the streets and polls store managers on customers' tastes. Zara can then produce a new collection in four weeks – from design to store delivery. This practice eliminates the risk of guessing incorrectly about what will be popular a year in advance – avoiding the need to mark down unpopular fashions and decreasing storage costs. Zara also benefits from having more customer traffic due to curiosity and fear of missing out on a chance to get new fashion before it sells out. The company also relies primarily on customer word-of-mouth instead of expensive advertising methods.<sup>16</sup>

One final note here. While a continuously changing environment can keep companies – and managers – on their toes, the results are not always positive. For instance, the evolution from email to text and Zoom and from landlines to mobile phones, for example, has made managers and other employees more accessible at more times and in more places than ever before. The increased number of employees working from home (or elsewhere), especially since the pandemic, has only exacerbated the rapidly disappearing separation between work and home. Stress levels are rising as a result. The importance of self-management and self-care are viewed as critical for global managers' effectiveness and well-being. In sum, the multiplicity of challenges and changes combines with global interdependence and environmental ambiguity to create a work environment that never sleeps.

## Globally Adaptive Organizations

In response to these changes, global organizations are also finding a need to adapt, and this too brings challenges. As management researcher Peter Drucker has noted, “The greatest danger in turbulent times is not the turbulence, but to act with yesterday's logic.”<sup>17</sup> With this in mind, companies, big and small, are increasingly turning their attention to reinventing themselves into more resilient entrepreneurial ventures that can adapt – and win – in the new, more globalized world of business. Many books and articles have been written about these new opportunities and new organizational formats, but most of them highlight seven key factors that characterize **globally adaptive organizations** (see Exhibit 1.3):<sup>18</sup>

- **Informed.** Increasingly, competitive global companies are working overtime to collect, screen, utilize, and distribute information to and from their surrounding environments. Simply put, today's organizations are better informed. The search for useful and timely information – on competitors, partners, technologies, customers, governments, and so forth – encourages companies to engage in more boundary-spanning activities, hire more information research staff, and troll the Internet. And as the world adopts electronics and social media as its principal mode of communication, the challenge for managers is both easier and harder.