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Martha L. Maznevski , Henry W. Lane , Vanessa Hasse , Rikke Kristine Nielsen
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Introduction

Welcome to *International Management Behavior: Global and Sustainable Leadership*, ninth edition!

This book is not just a book about global business. It is about *people who conduct business – and manage other types of organizations – in a global environment.* It discusses and explores typical situations that managers encounter: the problems and opportunities; the frustrations and rewards; the successes and failures; the decisions they must make and the actions they must take.

International management is not an impersonal activity, and it should not be studied solely in an impersonal way. It is important to understand trade theories, to be able to weigh the pros and cons of exporting versus licensing, or to understand the advantages of a joint venture versus a wholly owned subsidiary. But eventually theory must give way to practice; strategizing and debating alternatives must give way to action. Working globally means interacting with colleagues, customers, and suppliers from other countries to achieve a specific outcome. We focus on these interactions, on getting things done with and through other people in an international context.

Globalization means that one does not have to travel to another country to be exposed to situations of cultural diversity. For example, consider a manager in Boston who worked for Genzyme, one of the world's leading biotech companies. This company was founded in Boston in 1981 and was acquired by Sanofi SA from France in 2011. Now the American manager may travel to France frequently or interact with French managers when they come to Boston. This same manager possibly interacts with several other Boston-based companies that are also now foreign owned. They may have an account with Santander Bank (from Spain), purchase insurance from John Hancock (owned by Manulife Financial of Canada), and buy groceries from Stop & Shop (owned by Ahold Delhaize of the

Netherlands). And managers from these firms, in turn, also are likely to be experiencing working with their Canadian, Spanish, and Dutch counterparts.

In most parts of the world, even domestic organizations have substantial cultural diversity among their employees. Some countries have long histories of immigration, such as Canada, the United States, and Brazil. With recent upheavals in many parts of the world, migrants and refugees have become more common. There can be considerable diversity within domestic workforces, and many managers experience working with cultural diversity as part of their daily routine. Multicultural and diverse employee groups are now the norm, not the exception. Managers and students in all these countries will find the material in this book (mapped in Figure I.1) useful and important in these situations – without their ever having to leave their home base.

Reflect to Accelerate Learning

Throughout this book you will come across reflection questions or exercises that invite you to pause and think, digest, and put into perspective the information you have just read and apply it to your own situation. You are encouraged to use reflection to accelerate learning. These questions are general springboards to connect you personally with course material. You can find more inspiration about reflection as a vehicle for deep and critical learning in:

- Cunliffe A. L. (2004). On becoming a critically reflexive practitioner. *Journal of Management Education*, *28*, 407–426.
- Cunliffe, A. L. (2016). "On becoming a critically reflexive practitioner" redux: What does it mean to be reflexive? *Journal of Management Education*, *40*(6), 740–746.
- Schön, D. A. (1983). *The reflective practitioner: How professionals think in action*. Basic Books.

Focus on the Voyage

This book is based on the philosophy that learning is a lifelong, continuous process. Although the book contains many recommendations about how to interact and manage in other cultures, rather than simply provide what appear to be the "answers" about the way to act in global management situations and an illusion of mastery, we hope it stimulates and facilitates even more learning about other

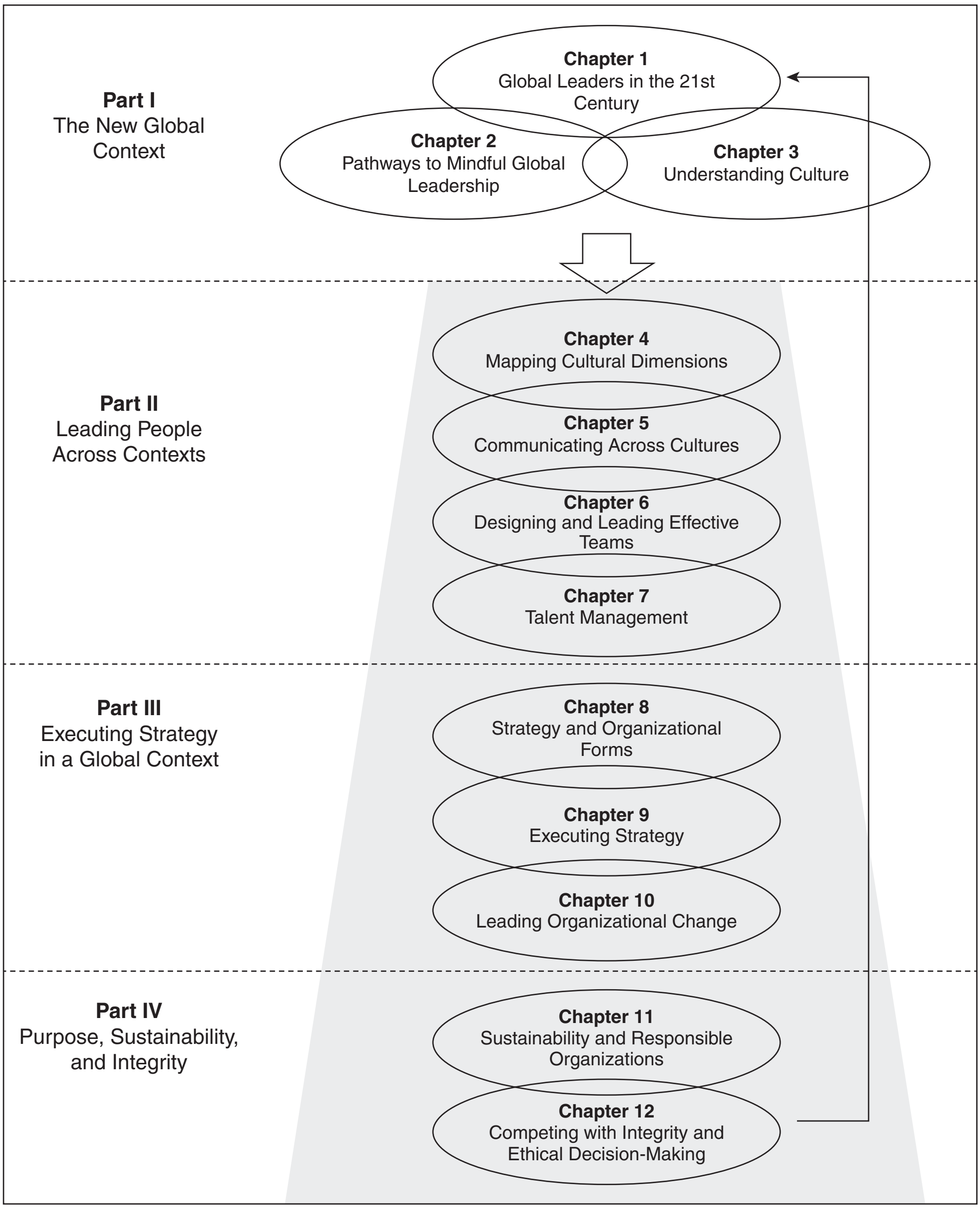

Figure I.1 Conceptual map of book contents.

cultures and how to work effectively with others. For some readers, the material in this book may represent a first encounter with different cultures. Other readers may have been exposed to different cultures through previous courses or personal experience. For those with prior exposure to other people and places, the journey continues with a new level of insight. For those without prior experiences, welcome to an interesting journey!

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1 Global Leaders in the 21st Century

> "It's a dangerous business, Frodo, going out your door. You step onto the road, and if you don't keep your feet, there's no knowing where you might be swept off to."
>
> — J. R. R. Tolkien, *The Lord of The Rings*

Key Learning Objectives

At the end of this chapter, students will be able to:

- Describe how the economic and political contexts of business are changing.
- Recognize that managing these interdependencies is a process of managing complexity.
- Discuss the relevance of mindfulness in global leadership.
- Explain what it means to be a global company.

Globalization: That Was Then, This Is Now

The phrase "That Was Then, This Is Now" comes from the book of that title by S. E. Hinton (1971) and is a popular expression indicating that things are continuously changing. The Greek philosopher Heraclitus, 2,500 years earlier, observed simply that change is the only constant. A brief review of the globalization trajectory will provide a snapshot of the "Then" before we focus on the "Now" and implications for current managers and organizations. The word "globalization" describes "the growing interdependence of the world's economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information" (Peterson Institute for International Economics, 2023).

Globalization is not a recent phenomenon. The World Economic Forum (WEF) has described international trade as happening as far back as the fifth century AD with the Silk Road and Spice Routes (World Economic Forum, 2019). Global trade continued to grow during the Age of Discovery (from the 15th to the 17th centuries) with explorers sailing the oceans, discovering new lands, and finding new trade routes connecting the East and West.

The WEF article posits four phases to what we call globalization today, or the start of true global trade. Globalization 1.0 emerged in the 19th century as Great Britain ruled global commerce through its technological innovations like the steam engine and refrigerated cargo ships. The article quotes the economist, John Maynard Keynes, as saying, "The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole Earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep." That sounds almost like ordering from the equivalent of present-day Amazon.

After World War II, and coinciding with economic booms in the United States and the reconstruction of Europe, came Globalization 2.0. The United States sprang to the forefront of the industrialized world, and China began an open-door policy in 1978 to achieve economic growth. China attracted significant foreign investment to specialized economic zones such as open coastal cities (Kobayashi et al., 1999). American and Western European companies primarily began "going international" during that time.

Globalization 3.0 emerged during the late 1980s. The Uruguay Round of the General Agreement on Tariffs and Trade (GATT), 1986–1994, led to major reductions in tariffs and created the World Trade Organization. Countries began creating free trade agreements, and companies hastened to become global. With the fall of the Berlin Wall in 1989 and the demise of the Soviet Union two years later, optimism prevailed. In 1992, Francis Fukuyama published his book, *The End of History and the Last Man*, suggesting that the ideological contest between liberal democracy and communism had been resolved. Democracy, with its market economies, was perceived as the superior political-economic form of social organization (Fukuyama, 1992). Companies began expanding operations internationally to reduce costs and began establishing global supply chain networks.

Globalization became one of the biggest buzzwords in business and in business schools. Proponents saw it reducing poverty, improving living standards, and permitting learning about and understanding other cultures, thus drawing the world closer together. To many academics and executives, globalization simply became primarily about the production and distribution of products. Opponents, however, saw a negative side. An anti-globalization movement developed that viewed globalization as corporate colonialism and as a vehicle for continued Western or American economic and cultural domination.

Ultimately, there have been positive and negative effects of globalization. On the positive side, globalization overall has increased wealth, reduced poverty, improved living standards, and spread innovations. However, the distribution of those gains has been uneven. Detractors claim that the rich have gotten richer and the poor poorer. In addition to a distortion in the distribution of wealth, we have also witnessed the appearance of a dark side of globalization as terror organizations and criminal enterprises globalized and cyberattacks with malware such as ransomware and denial of service became a major concern. The new global interdependence had both positive and negative features.

Trade liberalization opened borders across which capital and products moved more easily. Airline travel and reliable, inexpensive communication effectively reduced distances and minimized the impact of physical boundaries so that corporations could manage far-flung operations. Alliances and networks blurred the lines of organizational boundaries. The forces of deregulation, industry consolidation, and technology significantly reshaped corporate landscapes. The optimism accompanying "the end of history" in 1992 and the fervor of corporate expansion was not destined to last indefinitely.

Twenty-five years later, *The Economist* proclaimed that the global company was in retreat, noting that "The biggest business idea of the past three decades is in deep trouble. Companies became obsessed with internationalizing their customers, production, capital and management … Such a spree could not last forever; an increasing body of evidence suggests that it has now ended" (2017). Corporate profits had declined, their cross-border investment had fallen, and their proportion of international sales had shrunk. Additionally, the social and political attitudes, particularly in Europe and the United States, had shifted.

The free movement of labor across national boundaries, in the European Union (EU) for example, had led to concern over control of national borders and the perceived influx of immigrants. **Brexit** (the withdrawal of the United Kingdom from the EU), the rise of **populism** and **economic nationalism**, concern about immigration in the United States, the 2016 election of Donald Trump as President of the United States, and the increased popularity of right-wing parties in Europe seemed to be evidence of increasing unease with some of the by-products of globalization. These developments were in progress while the eighth edition was being written. It felt like a lot of changes were taking place.

But all that was "Then"; what about "Now"? What are the dimensions of the new global context facing managers? Even more potentially far-reaching changes are taking place now.

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Reflection Question 1.1: Globalization in Your Personal or Professional Life

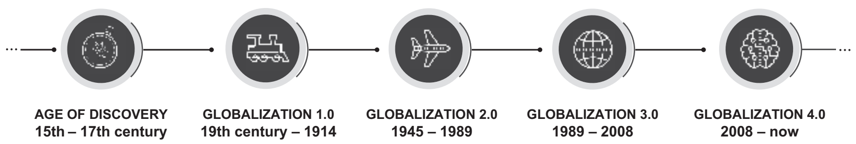
In your own experience, what are the ways you, your community, or your company/industry have been affected by globalization of trade, people, and information? How has it made things better? Worse? Different?

Contrary to *The Economist*'s statement above, the WEF believes we have entered Globalization 4.0 where digital goods and services will be the primary exports. The stages of globalization are summarized in Figure 1.1.

Globalization has not ended, but its form has changed, and it continues to evolve. Corporations may slow their global growth, but they will not simply abandon their international operations and crawl back into their domestic shells. They will most likely continue to use a mix of subsidiaries, supply chain networks, franchising, and digital expansion that best suits their business. Companies with e-commerce platforms, such as Amazon or Rakuten, will continue to grow globally.

The narrow economic perspectives such as the number of markets served, the global reach of the supply chain and sources of supplies, where parts of the company's value chain are located, or alliances to source intellectual capital (knowledge) describe only a part of the reality of globalization. Countries and organizations worldwide have become more interdependent, but not just economically. There are also human, cultural, and political aspects of globalization. When the borders opened, it was not just goods that flowed across them but also people, culture, and ideas.

If you were asked what the most significant global change affecting business has been since the *Economist* article in 2017, what would you say? As we are



Leading Nation(s)	Europe	Great Britain	U.S. and China	U.S.	U.S. and China
Form of Exports	Raw material / basic goods	Textiles / industrial goods	Factories	Global Supply Chain	Digital goods / services
Exports as % of World GDP	< 5%	6% → 14%	5% → 15%	15% → >20%	?

Figure 1.1 Stages of globalization.
Adapted from "A brief history of globalization", Peter Vanham, World Economic Forum, 2019.

writing this in 2023, one obvious answer might be Russia's invasion of Ukraine. This event resulted in more than 1,000 corporations from around the world curtailing their operations in Russia, whether closing them down completely, suspending them temporarily, or promising no future investments in the country (Sonnenfeld et al., 2022).

McDonald's is one high-profile example. It opened its first restaurant in Moscow's Pushkin Square in 1990. Thirty-two years later it announced that it was exiting Russia and would sell its more than 800 restaurants (McDonald's, 2022). That is a significant impact! The McDonald corporate website said:

> The humanitarian crisis caused by the war in Ukraine, and the precipitating unpredictable operating environment, have led McDonald's to conclude that continued ownership of the business in Russia is no longer tenable, nor is it consistent with McDonald's values.

There have been other prominent global changes, of course, including the rise of China as an economic and political rival of the United States, the continued rise of autocracy, the fallout from Brexit in the United Kingdom, and continuing conflict and uncertainty in the Middle East. The effects of climate change have been felt worldwide, but particularly in the Global South, which has not contributed as much as the Global North to conditions exacerbating it. Those effects include forest fire disasters in Europe and North America, floods in Australia, drought and starvation in East Africa, and extreme heat, monsoon rains, and flooding in South Asia, with the accompanying human migration: All of these have affected global businesses.

The COVID-19 pandemic was a significant event that created a global social and economic crisis. Millions of people died, millions more fell into extreme poverty, and public health systems and food systems were all negatively affected. People lost jobs and the ability to feed themselves and their families. The employment and supply chain disruptions created turmoil in developed and developing countries.

A major shift began to take place in the global, political economy. The predominant system for the past three-quarters of a century beginning with the GATT was based on **neoliberalism** (Faroohar, 2022). Characterized by global economic agreements, free trade, global supply chains, and multilateral institutions, neoliberalism blossomed after the collapse of the Soviet Union and the fall of the Berlin Wall. Some observers now suggest that with the rise of China, country diplomacy may shift to **realism**, which is characterized by the primacy of national interests and security (Li et al., 2022).

An example of realism may be China's **One Belt One Road Initiative**, now referred to as the **Belt and Road Initiative** (BRI). This is a massive infrastructure project initiated by the Chinese government in 2013 connecting 150 countries from East Asia to Europe (Council on Foreign Relations, 2023). The BRI would build new roads, railroads, ports, bridges, and power stations. It would be a modern recreation of the Silk Road, one of the original thoroughfares in the process of globalization. Some analysts see this as an example of China's continuing rise to economic and political power. China is underwriting the initiative through four state-owned banks (Chatham House, 2021), and there are concerns that some countries may have taken on too much debt, making them more dependent on China and susceptible to its influence.

The United States is concerned that BRI is a vehicle for China's military expansion as well as regional economic and political development. Some observers believe that the "America First" approach is a similar political tool, reflecting a shift to realism and economic nationalism. In 2019, the United States put Huawei, China's global technology company, on a trade blacklist and later prohibited firms from selling it semiconductor chips made with US technology. Such actions and concerns suggest that the world may need a new overarching system – one that better balances national global interests. However, the features of this new system are uncertain at the moment.

Shortages of personal protective equipment (PPE) and computer chips during the COVID-19 crisis were examples of the weakness of global systems that contributed to a resurgence of interest in economic nationalism. Global supply chains became **choke points** (Farrell & Newman, 2020), developing extensive bottlenecks during the COVID-19 pandemic. There was an initial reduction in the demand for goods at the beginning of the pandemic, and then, later, as COVID-19 eased in the United States and demand quickly escalated, there were crippling labor shortages (e.g., truck drivers, dock workers) as COVID-19 lockdowns continued in China.

One example of these choke points was experienced by first responders (police, fire, and emergency medical services personnel) and health care workers in the United States who all faced severe shortages of PPE at the outbreak of COVID-19 (Cohen & Rodgers, 2020). The disruption to global supply chains was a significant reason for these shortages, as most of the PPE was sourced from and manufactured abroad. Hospitals also lacked sufficient stocks, as they were incentivized to keep costs down. The sudden overwhelming demand by hospitals along with the demand in the marketplace by consumers depleted the stocks of suppliers quickly.

Computer chips (semiconductors) were another casualty of global supply chain disruption. Increased demand from the auto industry after a period of sales decline at the start of COVID-19, the acceleration of the **Internet of Things (IoT)**, and the rapid increase of 5G communication and cloud-based services were all significant contributors. Eighty-three percent of the world's chips came from Taiwan and Korea, and the producers there were not able to meet the demand (Schein, 2021). The lack of availability curtailed the manufacturing of automobiles. Peugeot and Mercedes-Benz started to ration their chips, saving them for their more expensive models. Renault installed old analog speedometers in lieu of digital ones. Porsche delayed delivery of its Macan SUV because it could not get the chip that controlled its 18-way seats (Ewing & Boudette, 2021). At one point in 2022, General Motors had about 95,000 cars in storage that it could not ship because of supply chain disruptions and semiconductor shortages.

These semiconductor shortages not only delayed the production and delivery of consumer products but also threatened the manufacture of high-tech weaponry critical for national defense and security. This was one reason behind the US Congress passing the Creating Helpful Incentives to Produce Semiconductors and Science (CHIPS) Act in 2022, providing up to $52 billion over five years for semiconductor initiatives in the United States.

As if global instability associated with a pandemic wasn't a sufficient challenge in the new global context facing managers, we can add cybersecurity risks and emerging considerations such as cryptocurrency and artificial intelligence to the picture.

What does all this mean for organizations and managers?

After all the unanticipated disruptions that have taken place in the last few years, you might best be advised to expect the unexpected and prepare yourself to manage in a global context aptly characterized by the organizational change theorist Peter Vaill's metaphor as "managing in permanent white water" – paddling to survive in your "organizational raft" in the turbulence and rocks in the changing global river (Vaill, 1996).

Global leaders in this new context should explore developing **resilience** – "the ability to prepare for and adapt to changing conditions and withstand and recover rapidly from disruptions" – rather than focusing solely on **efficiency** (Global Resilience Institute, 2023). However, there are trade-offs, as political scientist William Galston (2020) explains: "Efficiency comes through optimal adaptation to an existing environment, while resilience requires the capacity to adapt to disruptive changes in the environment." Developing resilience may mean duplicating critical systems **(redundancy)** and maintaining extra resources such as inventory and suppliers **(slack)**, which are antithetical to efficiency.

What might an outline of future global conditions look like? The National Intelligence Council publishes its Global Trends report every four years "to provide an analytic framework for policymakers early in each administration as they craft national security strategy and navigate an uncertain future. The goal is not