

PART 1

Global Managers: Challenges and Opportunities

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Excerpt
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1

Global Managers in a Changing World

LEARNING OBJECTIVES

- Examine the changing business environment.
- Examine the changing management environment.
- Explore different global management career options, both at home and abroad.
- Review learning strategies for developing multicultural competence and global management skills.

CHAPTER OUTLINE

• The Changing World of Business	<i>Page</i> 6
• MANAGEMENT APPLICATION 1.1 Local Consequences of Global Connectivity	9
• The Changing World of Management	10
• Global Managers at Home and Abroad	15
• MANAGEMENT APPLICATION 1.2 Dermot Boden, Expatriate	16
• MANAGEMENT APPLICATION 1.3 Mary Gadams, Global Entrepreneur	18
• MANAGEMENT APPLICATION 1.4 Roos Dekker, Home Country Manager	19
• Multicultural Competence	20
• MANAGER'S NOTEBOOK: Developing Global Management Skills	24
• Chapter Review	25

In the future, the ability to learn faster than your competitors may be the only sustainable competitive advantage.¹

Arie de Geus
Royal Dutch Shell

During a dinner meeting in Prague between marketing representative Hiroko Numata and her Czech host, Irena Novák, confusion quickly emerged when the Japanese guest went off to find the restroom. She began to open the door to the men's room when her host stopped her. "Don't you see the sign?" Novák asked. "Of course I do," Numata responded, "but it is red. In our country, a red-colored sign means it's the ladies' room. For men, it should be blue or black." Novák returned to her table, remembering that she too had looked at the sign but had focused on what was written, not its color. She wondered how many other things she and her Japanese colleague had seen or discussed but interpreted very differently.²

Hiroko Numata and Irena Novák face the same challenge that is shared by many others. We live in a contradictory and turbulent world, in which there are few certainties and change is constant. Over time, we increasingly come to realize that much of what we think we see around us can, in reality, be something entirely different. We require greater perceptual insight just as the horizons become cloudier. Business cycles are becoming more dynamic and unpredictable, and companies, institutions, and employees come and go with increasing regularity. Much of this uncertainty is the result of economic forces that are beyond the control of individuals and companies. Much results from recent waves of technological change that resist pressures for stability and predictability. Even more results from the failures of individuals and corporations to understand the realities on the ground when they pit themselves against local institutions, competitors, and cultures. Knowledge is definitely power when it comes to global business and, as our knowledge base becomes more uncertain, companies and their managers seek help wherever they can find it.

Considering the amount of knowledge required to succeed in today's global business environment and the speed with which this knowledge becomes obsolete, it is the thesis of this book that mastering learning skills and developing an ability to work successfully with partners in different parts of the world may well be the best strategy available to managers who want to succeed. Business and institutional knowledge is transmitted through interpersonal interactions. If managers are able to build mutually beneficial interpersonal and multicultural relationships with partners around the world, they may be able to overcome their knowledge gaps. *The aim of this book, then, is to develop information, learning models, and global skills that managers can build upon to successfully pursue their job responsibilities, corporate missions, and careers in the global workplace.*

As managers increasingly find themselves working across borders, their list of cultural contradictions continues to grow. Consider just 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. Many Central American organizations do not define Belize as part of Central America, despite the English-speaking country’s shared border with Guatemala and southern Mexico. 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 fills in her name on a form 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. 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. The head of Nigeria’s Niger Delta Development Corporation was fired from his job after it was discovered that he had paid millions of dollars of public money to a local witch doctor to vanquish a rival. Finally, dressing for global business meetings can be challenging: 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 is the color of mourning in many parts of Asia.

When confronted by such examples, many observers are dismissive, suggesting that the world is getting smaller and that 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 may be incorrect, however. *The world is not getting smaller; it is getting faster, and managers ignore this fact at their own peril.* Many globalization pressures are currently bypassing – and, indeed, in some cases actually accentuating – divergent local customs, conventions, and business practices, if for no other reason than to protect local societies from the ravages of economic warfare. What this means for managers is that many of these and other local customs will likely be around for a long time, and wise managers will prepare themselves to capitalize on these differences, not ignore them.

With this in mind, in this chapter we begin our exploration of management across cultures by exploring four key topics aimed at laying the foundation for developing global management skills:

- the changing nature of business, with new relationships, challenges, and uncertainties
- the changing nature of management, with new strategies, responsibilities, and opportunities
- the diversity of global managers, with different skill sets, locations, and responsibilities
- a learning strategy for developing multicultural competence and global management skills.

The Changing World of Business

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; and so forth. Everything is in motion, and opportunities abound.

At the same time, however, there is another, somewhat more troublesome side to this story of globalization that is discussed far less often, yet it is equally important. This side is characterized by seemingly endless conflicts with partners, continual misunderstandings with suppliers and distributors, mutual distrust, perpetual delays, ongoing cost overruns, political and economic risks and setbacks, constant travel, personal stress, and, in some cases, lost careers. Indeed, *over 50 percent of international joint ventures fail within the first five years of operation*. The principal reasons cited for these failures are cultural differences and conflicts between partners.³

Problems such as these have several potentially severe consequences for organizational success, especially in the area of building workable global partnerships. Although it is not easy to get a handle on all the changes occurring in the global environment, three prominent changes stand out: the evolution from intermittent to continual change, from isolation to increasing interconnectedness, and from biculturalism to multiculturalism (see Exhibit 1.1).

Continuous Change

Change is everywhere. Companies, products, and managers come and go. This turbulence increasingly requires almost everyone, from investors to consumers, to pay greater heed to the nature, scope, and speed of world events, both economically and politically. Details of contracts and agreements have become more important. Personal relationships in business, even though they are under increasing strain due to the pace and nature of global work, remain one of the last safe havens in an otherwise largely unpredictable world. Across this changing environment – indeed, as one of the principal causes of these changes – we can see the relentless development and application of new technologies, especially with regard to the digital revolution. Technology is largely held to be a principal driver of globalization and the key to national economic

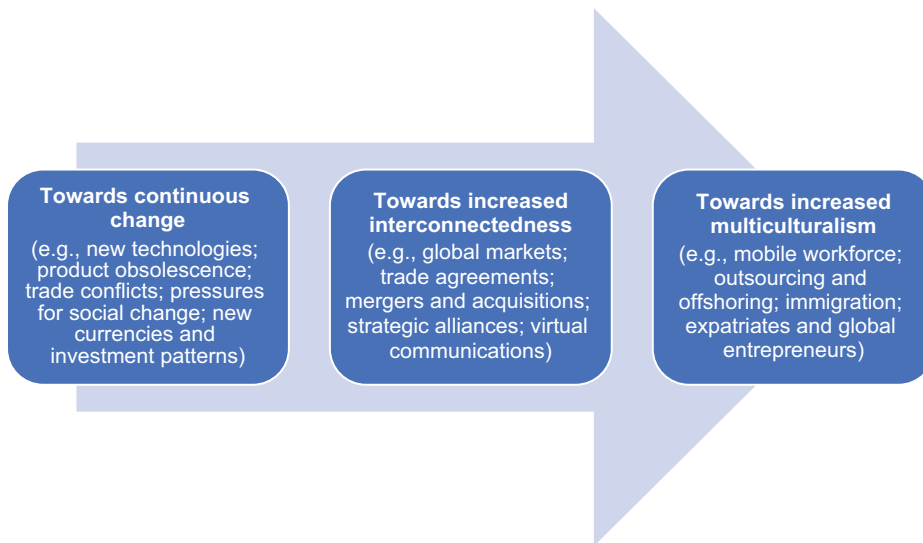


Exhibit 1.1 Changing world of business

development and competitiveness. At the same time, globalization has resulted in an increase in the transfer and diffusion of technological innovation across borders, as well as competition among nations to develop and adopt advanced technologies. As business becomes more global, the need for better and cheaper technology increases, pushing technological development to new heights.

Increased Interconnectedness

Globalization is not a debate; it is a reality. This is not to say that the challenges and potential perils of globalization are a recent phenomenon. Indeed, quite the contrary is true; globalization has always been a major part of commerce. What is new, however, is the magnitude of globalization today and its impact on standards of living, international trade, labor conditions, governments, social welfare, culture and community, and environmental sustainability. The economic and political power of India and China continues to grow exponentially, and both are struggling to manage the positive and negative consequences of growth and development. Russia is trying to reassert itself politically and economically in the world, overcome rampant corruption in its business sector, and reform its economic system in order to build local companies that can compete effectively in the global economy. Arab nations are struggling for greater democracy and human rights, while South Africa continues to struggle to shed the vestiges of its old apartheid system and build a new stronger economy based on more egalitarian principles. Brazil, once known for its leadership and economic strength as an emerging BRICS economy, is currently

8 Global Managers in a Changing World

retrenching due to recession and political turmoil.⁴ Throughout, there is a swelling consumer demand for high-quality but low-cost goods and services that challenge most governments and corporations. In a nutshell, welcome to today's increasingly global economy. What are the ramifications of this increase for organizations and their managers? What are the implications for developed and less developed countries? Is there a role for governments and public policy in this revolution?

Increased Multiculturalism

In the past, international business relied largely on expatriates who were sent by their companies to live and work in foreign countries, some of whom became bicultural as a result. Today, however, the increasing intensity and diversity that characterize the global business environment require managers to succeed simultaneously in multiple cultures, not just one, regardless of where they live. What exactly does this mean? **Multiculturalism** is the view that cultures, races, and ethnicities, particularly those of minority groups, deserve recognition of their differences within a dominant social culture.⁵ That acknowledgement can take the forms of recognition of contributions to the cultural life of the community as a whole, a demand for special protection under the law for certain cultural groups, or autonomous rights of governance in cultures. Multiculturalism is both a response to the existence of cultural pluralism in modern societies and a way of compensating cultural groups for past exclusions. It seeks the inclusion of the views and contributions of diverse members of society while maintaining respect for their differences and withholding the demand for their assimilation into the dominant culture. And, perhaps most important for companies, it provides an underutilized human resource in support of a company's mission and goals.

Local Consequences of Global Connectivity: Some examples

To better understand how the increasingly complex business environment can have local consequences and not just a global one, take a look at some recent examples:

- **Postal strike in Canada.** When unionized Canada Post workers went on strike for better wages and working conditions, their goal was to create sufficient customer hardships that would force management to settle.⁶ Local and international mail deliveries were halted for several weeks. As a result, millions of people who were accustomed to paying their bills through the mail simply converted to electronic bill pay. E-mails replaced traditional letter-writing. As a result, when the strike was settled, Canada Post had lost millions of customers

and the cost of delivering a letter had increased because of the reduced mail volume and increased delivery costs. Electronics had replaced people.

- **Food prices in Egypt.** Because of continued water shortages, Egypt annually imports 90 percent of its wheat from Russia. When wildfires and heat waves significantly reduced Russia's wheat crop, food prices in Egypt rose 30 percent. The results were disastrous for the Egyptian economy, while Russia lost valuable export revenue.⁷
- **Cashew processing in India.** For several hundred years, Kollam, an Indian Ocean port city, was the world's center for cashew processing.⁸ Cashews were shelled by hand, mostly by women. Kollam's near-monopoly on processing created wealth for some and stability for others. Wages were low and working conditions were poor. But when Indian workers began asking for improved wages and conditions, entrepreneurs in Vietnam saw an opening. They realized that cashew processing was essentially a manufacturing job in which mechanization might provide an edge. Inventing their own processing machines, Vietnam quickly began to capture much of the cashew market, eclipsing the Indian processors. Now, however, African entrepreneurs are visiting Vietnam, wishing to purchase cashew processing machines. The value chain is always moving.
- **Ethanol and tortillas in Mexico.** When the use of ethanol as an additive to gasoline production increased significantly in American and European markets, corn prices around the world skyrocketed, and the price of tortillas in Mexico, a staple food among Mexico's poor, nearly doubled. A short time later, however, the bottom fell out of the ethanol market as oil prices dropped and the price of corn fell.⁹ Then, a year later, oil prices skyrocketed again, as did the price of corn. Caught in the middle of all of this is the Mexican peasant, trying to survive. Unintended, yet nonetheless very real, consequences.
- **Trade barriers in the US.** When the US government increased import tariffs from other countries on steel and aluminum in order to secure more favorable trade terms, the affected countries quickly retaliated with trade barriers of their own, mostly against US agricultural products. As a result, American steel and aluminum companies prospered, while many American farmers were decimated.¹⁰

MANAGEMENT APPLICATION 1.1 Local Consequences of Global Connectivity

1. Based on your reading of these examples, did any of these countries have a way of buffering themselves from the global economic and technological changes that confronted them?

2. Was there an alternative solution for the head of Canada Post that would have been better for labor, management, and consumers?
3. What could the Egyptian government administrators have done to better protect their country's food supply? Why didn't they do this?
4. If you were hired as an outside consultant, what would you recommend that the Indian authorities do to rebuild the crumbling economy in Kollam?
5. In the case of Mexico, do foreign companies have an obligation, moral or otherwise, to consider the economic, social, or environmental ramifications of their actions beyond the confines of their own borders? Realistically, what, if anything, can executives do in such circumstances while still complying with their legal obligations to their stockholders?
6. Finally, if the US had a sound case to make against what they saw as unfair trade practices by other countries, was there a better and perhaps more effective way to go about this?

Taken together, these three global business challenges – continuous change, increased interconnectedness, and greater multiculturalism – illustrate just how difficult it can be to work or manage across cultures in today's complex, uncertain, rapidly evolving business environment. As management guru Peter Drucker noted, "The greatest danger in turbulent times is not the turbulence, but to act with yesterday's logic."¹¹ Furthermore, the old ways of communicating, negotiating, leading, and doing business are simply less effective than they were in the past. Thus, as noted earlier, the principal focus of this book is how to facilitate management success in global environments by becoming an effective global manager.

The Changing World of Management

What does all of this mean for managers? Things are changing here, too. For starters, gone are the days when most international managers prepared for long-term assignments in one country or, at most, one region at a time. Today these same managers must deal simultaneously with partners from perhaps a dozen or more different cultures around the globe. As a result, learning one language and culture may no longer be enough, as it was in the past. In addition, the timeline for developing business relationships has declined from years to months – and sometimes to weeks. This requires a new approach to developing managers.

This evolution from a principally monocultural or bicultural business environment to a more multicultural or global environment presents managers with at least