

Steps to Leadership

The Center for Asia-Pacific Exchange

Before you begin

How do you think globalization has affected the roles of leaders? What kind of qualities are expected from global leaders?



LEADERSHIP AND GLOBALIZATION: CROSS-CULTURAL CHALLENGES OF LEADERSHIP

RICHARD L. HUGHS, ROBERT C. GINNETT, & GORDON J. CURPHY

Key Terms:

Profound: going far beneath what is obvious; of deep meaning

The following chapter comes from the text, *Leadership: Enhancing the Lessons of Experience* in which the authors use empirical studies, anecdotes, and leadership skills to enhance the reader's real-life leadership experiences.

Overview of the chapter:

- ❖ Common characteristics of Japanese management practices and philosophies
- ❖ Four leadership challenges of Americans working in Japanese transplant companies.
- ❖ Analytic and holistic approaches to management practices defined.

The third new context of leadership involves what may be called globalization. The term globalization refers to the many ways in which the world is getting smaller and we are all becoming increasingly interdependent with everyone else in it. In many ways the whole world is becoming one community, or global neighborhood (Barnum, 1992), whether we like or not. Astronauts have described the **profound** experience of looking at Earth from space and being struck by the responsibility all humans share in caring for this relatively small and fragile planet. In a similar vein, Carl Sagan reflected on the twentieth anniversary of man's landing on the moon by noting that, "Getting to the moon was perhaps not as important as seeing

ourselves from it." At the same time, technological advances have radically and irreversibly expanded our spheres of interaction. Advances in telecommunications technology put us in instant touch with people around the world. The operations of multinational companies span political boundaries.

For all these reasons, leadership in the 21st century will involve working closely with others from 'foreign' cultures. In previous chapters, we looked at the difficulties within a single culture of working with individuals having different personalities and values. The leadership challenge of working with people from different cultures can be even more demanding.

Key Terms:

Salient: prominent; obvious

Ferret: to search out, discover, or bring to light

Fatalism: the belief that what will happen has already been decided and cannot be changed



Culture refers to those learned behaviors characterizing the total way of life of members within any given society. Cultures differ from one another just as individuals differ from one another. To outsiders, the most **salient** aspect of any culture typically involves behavior—the distinctive actions, mannerisms, and gestures characteristic of that culture. Americans visiting Thailand, for example, may find it curious and even bothersome to see male Thais hold hands with each other in public. They may react negatively to such behavior since it is untypical to them, and laden with American meaning (e.g., 'It's okay for women to hold hands in public, but men just shouldn't do that!'). Salient as such behaviors are, however, they are also just the tip of an iceberg. The 'mass' of culture is not so readily visible, just as most of an iceberg lies beneath the water. Hidden from view are the beliefs, values, and myths which provide

context to manifest behaviors (Kohl, 1984). A clear implication for business leaders in the global context, therefore, is the need to become aware and respectful of cultural differences and cultural perspectives. Barnum (1992) pointed out the importance of being able to look at one's own culture through the eyes of another.

Consciously or unconsciously they will be using their own beliefs as the yardsticks for judging you, so know how to compare those yardsticks by **ferreting** out their values and noting where they differ the least and most from yours. For example, if their belief in **fatalism** outweighs your belief in accountability, there will be conflicts down the road. This is a severe problem in the Middle East, for instance, and affects management styles in companies and even the ability to market life insurance, which is frowned upon in communities where Muslim observances are strong (p. 153).

JAPANESE AND AMERICAN MANAGEMENT PRACTICES

Globalization and internationalization have posed a number of leadership challenges for corporations. In order to gain insight into these challenges, we will focus on how two specific countries are adapting to their increasing business partnerships: Japan and the United States. More specifically, we will look at the mutual learning and adaptations which have accompanied what may be called "Japanese transplants,"

manufacturing plants owned by a Japanese parent company but located in the United States.

Working in a Japanese transplant often requires a greater adjustment for American workers than the simpler transition from one American owned and managed company to another. American workers in Japanese transplants must do more than just adapt to new (but often unsurprising) policies and supervisors; they must also adapt to what has been called the Japanese management style. While Japanese companies vary in how completely they practice this style, it is different enough from common management practice in the United States to characterize it this way. Here are some common Japanese management practices and philosophies (Graen & Wakabayashi, 1990; Johnson, 1988):

- Major investment in employee on-the-job training and education. Emphasis on team cooperation and group harmony.
- Shallow organizational hierarchies.
- Mandatory morning exercise for all employees.
- Emphasis on long-term market position rather than short-term profit.
- Company uniforms.
- Morning pep talks by supervisors. Emphasis on company loyalty.
- No direct orders from supervisors to employees.

Key Terms:

Lateral: toward, on, or coming from the side

Rationale: the reason or explanation for something

- One dining room for all employees, whatever their rank in the company.
- Comprehensive implementation of Total Quality philosophy and practices.
- Extensive **lateral** communication.
- Bottom-up, consensual decision making.
- Vague job descriptions.
- Absence of unions.
- After-work socializing with fellow employees to foster cohesiveness and company loyalty.

Such practices strike many American workers as peculiar and in some cases simply wrong. Graen and Wakabayashi (1990) identified several leadership challenges faced by Japanese transplants because of this 'clash' of cultures and management practices. The challenges they identified included: (1) barriers to communication and cooperation created by language differences; (2) Japanese perceptions that American managers show too little company loyalty; (3) reluctance by American managers to embrace bottom-up, participative decision-making with subordinates, and (4) perceived loss of status among American managers resulting from the absence of office perks and

symbols. We will look at each of these more closely.

Perhaps the most obvious leadership challenge posed by globalization involves communication barriers resulting from language differences. Translators are not uncommon in transplant companies, but even then communication between Japanese managers and American workers can be too limited to deal with subtle nuances of meaning. What's more, the very existence of such language problems may well mask deeper, underlying cultural issues.

Second, Japanese managers also often express shock by what they see as the priority American managers place on their own self-interest and relative lack of commitment to the company and their co-workers. American managers are seen as placing their personal interests ahead of the company's. This lack of loyalty to the company makes it difficult for Japanese managers to trust American managers on many critical issues.

Third, even though the idea of participative management is commonplace today, American managers still seem to have difficulty accepting the degree to which Japanese management practice values subordinate participation in critical decision making. This seems especially true when the managers' solution to a problem may clearly be the best one. Why, a manager may think, should participation be allowed at

all in such a case? As Graen and Wakabayashi (1990) point out, however, "At a cognitive level, domestic American managers need to understand that the quality of a decision has two dimensions- technical adequacy and effective implementation-and that participation by those who will implement the decision strengthens the latter." Japanese managers seem much more comfortable with that kind of **rationale** than American managers in Japanese transplants.



A fourth problem area deals with what, by American standards, is a Japanese de-emphasis of executive "perks." The idea that rank should have its privileges is far more prevalent in American business than in Japan. This is evident in many ways, including the relatively high salaries paid to executives relative to other workers. Americans (at least corporate executives) seem relatively accepting of the multimillion dollar salaries (not to mention bonuses) that CEOs of major U.S. corporations often receive. This contrasts sharply, however, with the norm in Japanese companies. In fact, the ratio between the highest-paid and lowest-paid persons in American companies is typically much greater than it is in Japanese companies. Furthermore, greater

Key Terms:

Remuneration: an amount of money paid to someone for the work they have done

Subvert: to make (something) weaker or less effective

Constitute: to make up or form something

Culminate: to reach the end or the final result of something

Contingency: something (such as an emergency) that might happen

Bemoan: to complain

Aggregate: the total amount

"In many ways the whole world is becoming one community, or global neighborhood."

remuneration is not the only way American executives like to demonstrate their 'distance' from their subordinates. American executives also value other sorts of benefits and status symbols such as private and luxurious offices, keys to the executive washroom, and reserved parking places. Japanese companies, on the other hand, tend to de-emphasize such status differentials between leaders and workers, a de-emphasis that sometimes makes American managers in Japanese transplants feel they're missing out on something that is—at an emotional level, at least—their 'due.'

In summarizing their review of the respective experiences of Japanese and Americans in transplant companies, Graen and Wakabayashi (1990) noted that American and Japanese colleagues face different fears. Americans may fear that

adopting Japanese management practices could undermine the traditional American value of individualism. At the same time, the Japanese may fear that traditional American management practices—which emphasize minimal on-the-job education for workers, individual competition, obedience to rules, organizational hierarchies with a clear and powerful chain of command, clear job descriptions, and quarterly profit—may **subvert** the traditional Japanese value of teamwork.

Zonana (1988) offered an interesting example of quite contrasting perspectives on what **constitutes** 'good management' within American and Japanese companies. When a biotech company arranged its first joint venture with a Japanese firm, its management was amazed at how quickly and easily the negotiations proceeded. The company's previous joint ventures with U.S. firms typically involved negotiations which lasted for months and **culminated** in 40- or 50-page documents detailing every possible **contingency**. In contrast, the joint venture with the Japanese firm took only three days and required only a 2- or 3-page agreement.

Ouchi (1981) described another example of contrasting Japanese and American perspectives. American vice presidents of a Japanese bank operating in the United States frequently criticized Japanese in the company for not understanding the concept of business objectives. At the very same time, the company's Japanese

president **bemoaned** how poorly Americans understood the company's objectives. What was going on? Was this just a language problem? It turned out that the American managers wanted measurable performance targets provided to them. The Japanese president, however, believed it unnecessary to specify precise performance targets. He believed that if the managers truly understood the context of the bank's business (relationships with customers, competitors, etc.) then the appropriate actions for them to take would be abundantly clear and sufficient. As in the previous example, the Americans preferred much more explicit and specific guidance than the Japanese.

Yoshida (1989), a student of Deming's, suggested that such fundamentally different ways of defining "good management practice" are due to the very different cultural environments within which Japanese and American management practices have evolved. Yoshida described the contrasting practices of American and Japanese managers as analytic and holistic, respectively. The analytic approach, more characteristically American, is based on the view that if each part is perfect then the **aggregate** of the parts should be perfect too. Similarly, it is also assumed that if each part is understood, then the whole is understood too. Such an approach is "microscopic" in that it focuses on the parts rather than the whole, seeking to understand the whole by dissecting it into parts.

Key Terms:

Subtlety: a small detail that is usually important but not obvious

Novel: new and different

The holistic approach, more characteristic of the Japanese, is based on a very different point of view. It assumes that even if each part is perfect it does not necessarily follow that the whole will be perfect too. The fundamental assumption of this approach is that the whole is more than the sum of the parts.

Can these abstract notions of analytic and holistic approaches shed any light on the contrasting American and Japanese approaches to management exemplified above? Yoshida made an interesting case that they can. The essence of his argument was that Japanese management practices must be understood in the context of Japanese culture.

The common heritage and value system of the homogeneous Japanese population meant that the way one Japanese thought tended to resemble how other Japanese thought. This foundation of similar thinking provided the basis for a culture which implicitly encourages individuals to 'read between the lines' (Yoshida, p. 12).

An example is the Japanese haiku, or short poem, equivalent to only seventeen syllables in English. In this short space, a haiku expresses a profound idea. "By studying haiku, Japanese students are trained to perceive an entire atmosphere or

feeling by reading between the lines, that is, by paying attention to **subtleties** such as context and what is merely implied or suggested" (p. 13). Brush painting is another example of Japanese cultural expression which reflects an emphasis on capturing the *total feeling* about an object rather than the sort of *accurate rendition of details* more characteristic of Western art.



Yoshida suggested that the holistic approach characteristic of Japanese management practice must be appreciated in terms of Japan's unique underlying cultural context. Perhaps the Japanese managers' comfort level with a two- or three-page joint venture agreement for the biotech company mentioned above reflects the same sort of reading between the lines as required in haiku or brush painting. A similar point could be made for the bank president's belief that American managers should be able to discern their appropriate course of action simply by understanding their relationships with customers, employees, the community, and competitors; anything further shouldn't have to be spelled out for them in detail.

Johnson (1988) agreed that both Americans and Japanese will have to learn more about each other's

cultures in order to communicate effectively with each other in transplant companies but disagreed with the idea that differences between American and Japanese management practice are rooted in cultural differences.

The foundation of Japanese managerial practices rests on particular Japanese experiences, insights into production, theoretical developments, and institutional innovations that are just as significant for the rest of the world as the West's industrialism was for Japan at the end of the 19th century. Most of the institutions Japan has invented derive not from culture but from its experience of late industrialization. Japan avoided some of the rigidities of the early industrializers and put together the institutions of capitalism in **novel** ways (p. 42).

Whichever view proves to be more accurate, it seems clear that globalization will continue to pose challenges for leaders in multinational companies. We can confidently project that a variety of factors, including cultural differences and the lessons of maturing capitalism, will make leadership every bit as challenging in the future as it has been in the past.

We should add one final point about globalization. While we have focused on business examples, they represent only one dimension of globalization. Similar kinds of challenges exist in virtually any domain of international or intercultural interaction one can

Key Terms:

Behoove: to be necessary or proper for (someone)

think of: science, medicine, education, government, religion, and so on. For example, when missionaries in worldwide religious movements carry their beliefs to

other cultures, they sometimes unconsciously try to impose their own, particular national and cultural norms in that country, mistakenly assuming these are one-and-the-same with their religious beliefs. Similarly, they may unconsciously try to develop local religious leaders in their own (i.e., the missionaries) cultural image of

'good leadership'-and in a counterproductive way, oblivious to the norms of that society. Here, as we have stressed throughout the book, it **behooves** leaders to be aware of themselves, their followers, and their situations. It remains as true as ever that there are no simple recipes for leadership.

Comprehension Questions

1. How do the authors define "culture?"
2. List three Japanese management practices or philosophies from the article.
3. What are at least two problems that American workers face in transplant companies?
4. What is meant by the "analytic approach" to management? What is the "holistic approach?" Which one is usually associated with American management and which is associated with the Japanese?
5. What final message do the authors stress for leaders?

Reflection Questions

1. Of the two management styles mentioned above, the analytic and holistic approaches, which style appeals to you the most? Why?
2. Throughout the reading the authors emphasize the importance of being aware of cultural differences when dealing with businesses from different cultures. Compare and contrast one of the cultures from the reading with your own. If your culture is mentioned above, what other similarities or differences can you think of?

Source and Additional reading for those interested:

"Being an Effective Global Leader" from the Harvard Business Review (<https://hbr.org/2009/07/being-an-effective-global-lead>)

"Cultural Understanding and Global Thinking in Business" from The Huffington Post

(http://www.huffingtonpost.com/elizabeth-filippouli/cultural-understanding-and-global-thinking_b_4913212.html)

The Culture Map: Breaking through the Invisible Boundaries of Global Business by Erin Meyer

Leadership: Enhancing the Lessons of Experience by Richard L. Hughes, Robert C. Ginnett, and Gordon J. Curphy