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Effective Leadership for Emerging Economies

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Literature Review

Research into the leadership and management styles in emerging economies sheds new light on the preferences of employees in terms of leadership. In Chinese culture, for instance, the employees expect paternalistic behaviour from their employers (Buttery and Leung, 1998), and it is assumed that the leaders in an organisation will take care of the needs of employees. Similarly, it is expected that employees will unquestionably demonstrate loyalty and obedience to their employers. In a Chinese organisation, employee attrition is not a major concern because, in contrast with Western work cultures, employees are expected to have lifelong commitment toward their leadership. Unlike Western organisations where conflict is encouraged, Chinese organisations value a conflict-free work environment which ensures a well-defined and consistent hierarchical structure. (Buttery and Leung, 1998). Indian organisations and employees also value a lifelong commitment and loyalty toward the leadership (Budhwar & Sparrow, 2002). Indian employees are not strongly motivated by job enrichment or reward management (Aycan et al. 1999). Furthermore, pay is not the most significant motivation for the majority of Indian employees. In Indian companies, leadership is expected to provide job security and benefits such as maternity leaves and career breaks (Aycan, 2005).

In non-Western work cultures, the leadership is expected to command power. Thus, an autocratic unconventional style of leadership is better suited to these teams, rather than a democratised, distributed leadership. Hierarchies are emphasised in all major non-Western organisations, and the leadership is expected to be benevolent (Kumar and Shankaran, 2007). Obtaining power is a stronger motivating factor than remuneration, and employee satisfaction is tied to having powerful leadership (Chatterjee, 2007).

As explained by Inyang (2008), it is essential for organisations to find an organisation culture and a style of management that is best suited for them, in light of a wider cultural context and a history of traditions. Thus, leadership and its associated values cannot blindly be applied across teams and organisations across geographies. This makes it difficult for rigid, process-driven leaders to adapt to globalisation, and has been a factor responsible for the rise of unconventional management philosophies and leaders.

Leadership and its impact on creativity, employee productivity and motivation has been extensively studied by Jung (2000). Mumford et al. (2002) combined leadership theory with research on creativity to state correlations between leadership styles and organisational performance.

Jaussi and Dionne (2003) have found that even as transformational leadership and an employee's intrinsic motivation is controlled, the creativity of employees bears a positive correlation with leader behaviour that is unconventional in nature. Their results also suggest that such idiosyncratic behaviour improves group cohesion, which in turn improves the intrinsic motivation of the group and improves its performance.

Expected, accepted and effective leadership values in China

Leadership values in China, and indeed, in other East and Southeast Asian countries such as South Korea, Japan and Malaysia, are heavily influenced by the ideas of Confucianism (Emery, 1999). Management in China emphasises continuity with, and learning from, the past, rather than planning for the future. As a result, the management of employees in China is as per the culturally accepted tenets of social interaction based on Confucian ideas (Adler, 2002).

Leadership in China is strongly hierarchical, and as a consequence, HR management in Chinese organizations is largely operates on a dominant-subservient relationship, unlike Western management where flatter and informal hierarchies have been found to be positively correlated with employee motivation and performance. By contrast, a top-down style of management is expected and accepted in the Chinese business environment (Berling, 1982). Such a style of management is associated with a sense of job security, with great emphasis on employee loyalty toward the leadership. As a consequence, a hierarchical approach to HR management and a concentration of power in the upper management is a greater source of employee motivation in China, as against taking the initiative and independent action. Employees and managers derive work satisfaction from a mutual relationship where an expectation of 'benevolence', in the form of lifelong employment, benefits and lenient appraisals, is provided by employee loyalty and minimal conflict regarding the decisions of the leadership (Lee, 2001). Indeed, for an employee to take the

initiative to share ideas with management would be seen as fostering disagreements, and discouraged. Organisations in China experience low levels of conflict, but as a consequence, also experience lower productivity and poor adaptability to change (Buttery and Leung, 1998).

The Chinese business environment accepts HR management based on managerial perceptions and strength of personal relationships, rather than objective Western-style management based on clearly defined processes. The Chinese style of management can be summed up by the Confucian values of *guanxi* (honour and reputation) and *renqing* (personal feelings). Emphasis is placed on interpersonal relationships and the history of a business relationship, rather than legal contracts and terms of service or employment. This can range from using money to establish relations with the bureaucracy in what would legally be termed as bribes, to allowing leeway in performance in order to allow an individual to 'save face' (*mianzi*) – that is, foster relationships (*guanxi*) by emphasizing *renqing* over objective assessments of performance, as are common in Western business management (Wang et al, 2005).

Despite the challenges created by inherent differences with the Western approach, values adopted in the Chinese approach to business can offer opportunities for more effective business management. The Chinese emphasis on employee obedience allows leadership to rapidly respond to changes in the business environment, so long as managerial decisions do not contradict employee expectations such as *guanxi* and *mianzi*. Training and development of employees in specialised roles is made possible by a low rate of employee attrition and the expectation of lifelong service. The philosophy of *guanxi* can also be leveraged for hiring new employees, with internal referrals making talent acquisition more efficient.

Expected, accepted and effective leadership values in India

The Indian business environment differs from those of other countries in some significant ways. For example, most Indian companies are managed by families. This is true even for large multinational conglomerates such as the Tata Group and Reliance Industries. As a consequence, despite the Indian adoption of Western HR management processes such as performance appraisals, incentivised benefits and

fostering of intra-organisation communication, the Indian business environment remains highly hierarchical (Hofstede, 1980). Some important reasons for this are the legacy of a pervasive caste system and its consequent emphasis on inheritance of job roles and power, a history of colonialism and a lengthy experience with government-controlled, socialistic enterprises prior to a relatively recent liberalisation of the Indian economy (Aycan et al, 2000).

For these reasons, the Indian work culture ranks high on hierarchy and collectivism. As a consequence, employees in India are more strongly motivated by power, over Western motivating factors such as higher remuneration or East Asian values such as obedience to the leadership. As a hierarchical work culture which scores on the higher end of the power distance scale, power is a valuable motivator for leadership (Kumar and Shankaran, 2007).

In the Indian business environment, leadership is expected to motivate employees by tangible and intangible benefits that go beyond pay compensation. Thanks to a recent history of government-owned enterprises, employee benefits such as schools for the children of employees, flexible holidays, discounted rates for products from other businesses in the conglomerate, medical facilities, housing and employment security.

In contrast with Western leadership which lays emphasis on individuality, family interests and continuity of business with the involvement of the families are the most important values for Indian leaders. By extension, Indian companies also emphasise on employee loyalty, with promotions influenced by the years of service provided by an employee and the quality of relationships. As with the Chinese business environment, interpersonal relationships are more important than employee performance. In addition to long-term employment, employees are motivated by opportunities for training and development (Kuvaas and Dysvik, 2009). This seems in contrast with the Western approach, wherein training and development are treated as prerequisites for continued employability. However, the Indian emphasis on training and development may be explained by its being viewed as a way to enhance job security and the prospects of promotion and consequently, greater power in the future. It may also be explained by Indian culture, in

which a legacy of the Hindu religion and a caste system mean that higher education and wider knowledge are sources of prestige.

By contrast, the implementation of other Western processes, such as performance appraisals, reward management and job enrichment tends to be half-hearted on part of the leadership, and is not a strong motivator for employees. With a culture of power and compensation based on personal relationships and longevity of service, Indian leaders view performance appraisals as being relevant only to a certain section of employees and above a certain position in the organisation hierarchy.

In order to ensure effective HR management in the Indian business environment, managers may discard ineffective practices such as frequent and periodic appraisals, and emphasise on motivators such as training and development of employees (Pillania, 2006). Encouraging employees to set goals and make decisions in their work is also an extension of the cultural importance placed on power. Monetary compensation and performance-based incentives are not as effective as employee benefits and facilities for the well-being of their families. Effective employee management in Indian organisations can be achieved by a recognition of the same.

Expected, accepted and effective leadership values in African countries

Leadership and management techniques that have been found to be effective in the African business scenario are in striking contrast with management in Western as well as Asian countries. Inyang (2008) explains that traditionally, African businesses did not operate by wages, because African industrial and agricultural production was centred around families and the community. Therefore, assets and produce were treated as the common property of communities and not individuals. This successful economic system was destroyed by colonialism and the subsequent division of Africa into territories with no regard to ethnic or cultural differences. Western management practices were imposed on the African social system in order to produce skilled labour for the bureaucracy and colonial administration, with mixed success.

This history of the undermining of cultural values and the imposition of foreign ideas can explain a number of factors which affect employee motivation and leadership traits in the African work environment. Unlike Western employees, employees in Africa are not motivated by wages, because wage compensation is in contrast with deep-rooted traditional values. In a similar manner, an authoritative, top-down leadership, as is valued in China and India, and is positively correlated with employee motivation and loyalty, is marked by its absence in African culture. The culture of Africa is community-based, with shared resources and authority.

As with organisations in China that must understand Confucian values, companies that want to succeed in the African business scenario need to inculcate the cultural system of Ubuntu, or leadership by shared authority and a community-based work environment (Mangaliso, 2001). Unlike work cultures elsewhere, creativity in the African cultural scenario is not fostered by organisational conflict, but by minimising conflict. Therefore, in contrast with the Western concept of project teams and departmentalisation, the assets of a company need to be treated as the common property of employees across the hierarchy. In African cultures, individuality is discouraged and employees are motivated by a sense of belonging and community. Therefore, the management of companies in Africa need to create a work culture where people work together across teams and coordinate, and consensus is encouraged. Furthermore, unlike the Western approach to business, the personal lives of individuals should not be regarded as distinct from their work lives. A company's involvement in social and community activities that go beyond business development, and employee participation in them, is a strong motivating factor for employees. Thus, effective leadership in Africa can be ensured by fostering shared authority, encouraging community activities, working cooperatively across teams and emphasizing experiences and opportunities for participation in social contribution over competitive remunerations.

Challenges created by changing leadership values

The virtues of adopting the cultural practices of a country while managing business in that country need not be emphasised. However, the leadership of a company needs to take great care while incorporating the

successful practices of one culture into another cultural scenario – say, for instance, adopting *guanxi* into Western business management. In a rapidly changing business environment, the democratisation of decision-making and a dilution of power and accountability can result in decision-making paralysis.

In the Western business environment, a separation of business and community, of family and work is emphasised. Incorporating community-based practices or providing benefits such as educational facilities at the cost of process-based appraisals and monetary compensation can have negative repercussions on employee performance.

Job titles, authority and incentivised pay scales are important motivating factors for employees. These also render the process of career growth for employees into a predictable, transparent and well-defined process. It can be tricky to incorporate community-based management and sharing of resources, as per the values of Ubuntu, while ensuring the effectiveness of these measures. Similarly, a greater emphasis on personal relationships and mutual understanding across hierarchies, as is the case in Asian business practices, can dilute the effectiveness of formal employee appraisal and compensation systems.

Opportunities presented by incorporating cultural differences

In a globalised work environment, business leaders need to be capable of leading their companies in widely differing cultural environments with values that may at times seem counterintuitive to what they believe. However, the distinct philosophical approaches toward work, productivity and community building across the world offer opportunities for incorporating better management systems into business practices.

Work environments are becoming increasingly diverse – this is true not only for multinational corporations, but also for offices which employ people from a wide range of ethnic and cultural backgrounds. Thus, employees may have widely differing motivational factors and expectations from the leadership. Incorporating productive business practices from other cultures can therefore improve employee productivity for more employees.

Practices such as community building through Ubuntu, facilities for the families of employees as practiced in India and a benevolent leadership as expected in China has markedly positive impacts on productivity in their respective regions, but no negative impacts of these practices in Western society have been observed. There is no reason to believe that the business environment in a Western company that operates in a globalised environment will not benefit from community building and employee welfare activities.

Considering the wide diversity of cultural values in the modern work environment, business leaders may be ill equipped to respond to employee needs and effective business practices. Diversity is thus a facilitator of localised management and collective, distributed governance. This has successfully led to the research and effective business practices beyond the influence of the management hierarchy, and consequently, the diversification of business across geographies. Diverse cultural needs and business practices are thus catalysts of change and allow a company to remain competitive in rapidly changing and complex business environments.

Lessons from diversity in a globalised work environment

By examining the wide cultural differences across work environments in Western countries, China, India and Africa, it is clear that there are many leadership styles and management philosophies that can be effective in facilitating productivity in a company. In an irreversibly globalised world, it is becoming increasingly clear that the behaviour of people, and the factors that motivate them to behave productively, depend greatly on the cultural environments that they operate in. These, in turn, are a product of the history, traditions and past management practices of the country. What employees value in leadership and in their careers is not a given throughout the world, but depends on the social environment.

It is also increasingly clear that the productivity of employees also depends on the place that the company occupies in their community. Whereas a company is merely a business entity in a Western country, which produces goods and services, a company may be seen as an institution in China, a part of the family legacy in India, and an agent of change in the wider community in Africa. Business leaders who want to create

enduring legacies need to be sensitive to what values their management style stands for, and what the greater purpose of their business is.

As companies work in a globalised environment, they need to consider being more flexible, not only in terms of employee incentives and measures of productivity, but also in their core values of business practices. For example, the practice of *guanxi* in China is seen as a way of building lasting relations, although it would be classified as a criminal activity in a Western country. To be effective, business leaders need to understand and empathise with distinct value systems and understand that just as employee motivation and productivity cannot be measured by rigid systems, a company's values need to be flexible enough to mould into different cultural contexts.

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