

Chapter 10

Leadership Strategies in Cross–Culture Settings: Processes and Practices

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ABSTRACT

Leadership in cross-cultural settings has become more and more demanding in the current complex world. Globalization on one hand and local aspirations on the other is creating a need of new breed of leadership who can manage the workforce and organization spread across multiple cultures in a cohesive manner to produce sustained business results. This chapter presents a detailed inquiry of cultural issues and outlines the factors behind their emergence. It also provides a framework to understand the leader preparation required and best practices to be used to be successful. For students and academicians, the topics of this chapter would provide a theoretical roadmap as well as practical insights bringing out unique understanding of this important subject. For managers, this chapter is comprehensive insight laced with practical wisdom which is ready for implementation. The word leader is used to cover managers at all levels who have to manage diverse multi-cultural teams.

INTRODUCTION

Most organization of the current times has become global in nature. Global business has to face a number of issues like differences in socioeconomic, cultural, legal and political environments of the countries they operate in. Their workforce is usually located in different countries and the leaders are expected to interact with customers, suppliers, employees and other stake holders across several culturally diverse settings. Such cultural diversity poses challenge for a leader to drive superior performance from employees, develop confidence with customers and suppliers when he/she comes from a totally different cultural and social background. Leaders of such organization need to understand finer cultural nuances of working with people from diverse cultural background to be able succeed in their business objectives.

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In most cases face to face interaction which helps in developing a leader's relationship with the team, is not possible on a regular basis. Their team also works on different time zones hence they cannot get together for any immediate interaction for any critical situation leading to ineffectiveness of the leader. These issues lead to leadership failure which is detrimental for the organizational success.

Many global acquisitions as well as diversification to different markets have failed as the leadership was not able to manage the challenges of cultural diversity. Untrained leaders are not able to manage culturally diverse workforce. Similarly, members working in presents possesses deep theoretical underpinnings of leadership issues in cross-cultural settings. Inputs from leaders and team members working in the cross-cultural settings were taken for developing practices, processes and communication framework.

LEADERSHIP ISSUES IN CROSS-CULTURAL SETTINGS

Global corporations typically expand to gain global competitiveness by optimizing operational costs and exploiting market opportunities, which have come up due to liberalization and economic integration. However, if the leadership is not able to manage the cross-cultural issues arising out of such cultural diversity in the people, processes and strategies, then they are unlikely to succeed. The ambition to succeed as global players remains remotely realized due to their failure to understand and to adapt to the specific conditions of doing business in other countries. All this is simply because of their lack of intercultural competence and leadership skills. An example of the world-renowned retailer Wal-Mart withdrawing from Germany (Knorr & Arndt, 2012) after nine years of its operations in 2006 is case in point.

Story and Learning Task SALT: Wal-Mart in Germany—Was It a Cultural Mismatch?

Much has been written and speculated about World largest retailer Wal-Mart's exit from Germany in 2006 after nearly nine years of its existence. Wal-Mart entered German market in 1997 after but stopped its operations in 2006. In this process it withdrew its claim from lucrative \$370 billion retail market. For a common observer this exit was shrouded in mystery as many believed that America and Europe have similar cultural and political past. So a large format highly successful retail giant of America was expected to do well in Germany as well.

Some Researchers (Hamza & Nizam, 2016) pointed out that there are underlying differences between American and German culture specifically on three parameters of the Hofstede model (Hofstede, 2011) namely uncertainty avoidance, power distance and Individualism. Lack of understanding of such cultural differences and adopting certain ill-suited practices from the host country (America) to the target country's (German) led to poor sales, high employee turnover and many other issues that finally saw Wal-Mart exiting the German market.

For example, German customers are considered to be efficient shoppers who prefer to spend less time within the large stores or prefer to shop at small neighborhood stores. But a typical Wal-Mart layout is to encourage shoppers spend more time and thereby buy more. Practices such as keeping premium products at the eye-catching shelves and the discounted products either at the bottom or the top of the shelves added to customer annoyance and considered time waster. German customers also did not like extensive use of plastic junk that is associated with Wal-Mart and prefer following "green" philosophy.

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