

The Impact of Global Economy upon Leadership

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Abstract: Due to the reason of the more pronounced globalization of the business world, we can no longer ignore the powerful cultural side of leadership. In other words, there are differences between leading styles considered as accepted by a national culture or another. For example, I come from Netherlands – in Dutch, the word meaning leader is leader. But this word may be written in two ways: either using the short diphthong „ei”, or with the long one ”ij”, although the pronunciation is the same. When written with „ij” it means „martyr”. This superposition of meanings is sending a message: any Dutch leader who is trying to put him forward too much, is rapidly „cut”. In the Dutch world, at work or in other cases, it is not accepted to put you forward – or this is considered something of bad taste.

Keywords: leadership, manager, globalization.

1. The leadership in global context

Due to the reason of the more pronounced globalization of the business world, we can no longer ignore the powerful cultural side of leadership. In other words, there are differences between leading styles considered as accepted by a national culture or another. For example, I come from Netherlands – in Dutch, the word meaning leader is **leider**. But this word may be written in two ways: either using the short diphthong „ei”, or with the long one ”ij”, although the pronunciation is the same. When written with „ij” it means „martyr”. This superposition of meanings is sending a message: any Dutch leader who is trying to put him forward too much, is rapidly „cut”. In the Dutch world, at work or in other cases, it is not accepted to put you forward – or this is considered something of bad taste¹.

Although a very efficient leading style in a country may be extremely unsuitable for another one, people are not always aware that there would be any cultural difference.

Regarding the different leading models and to the differences between cultural norms, we notice that in this world which tends to be more global, more convergent tendencies start to crystallize. Thus, the following features and aptitudes would be useful to „global leaders” this meaning the leaders acting in a multi-cultural environment:

- charisma;
- skills for team work;
- opening towards changes;
- interest in political and social – economical life of other countries;
- capacity to establish good connections with people belonging to other cultures;
- adaptability to new situations;
- adaptability to work in a multi-cultural team, etc.

¹ Kets de Vries, M.R.F. și Perzow S., Handbook of Carater Studies, 2000, New York, I.U.P.

But, the same way the personal qualities increase the chances for success of a global leader; there is also a set of organizational qualities which are the success grounds of a company on the international market. Generally, an organization that has huge success in international plan has the following characteristics²:

- there is a high number of employees of other nationalities than that of the organization;
- big investments are being made outside the origin country;
- an extensive decentralization of power is manifesting itself within subsidiaries;
- foreign managers are well represented in the organization's board;
- the members of the executive have an abundant experience in activities developed outside the country;
- the members of the organization are convinced that international experience is essential in career;
- the organization is open as much as possible to quick promotions of the employees of other nationalities, etc.

In order to test the candidates' skills for the jobs outside the country there are some procedures (formal or informal procedures) in the major part of global organizations. Often, eh candidates are being chosen based on their performances inside the organization which is in their origin country, after they declare they want to work in an international environment. The chosen candidates, go then for a training program were they grow up in the predominant organizational culture – which, in the best case, acts like a sort of spring board that offers them support and encouragement for their future career of “global leaders”. The most important factor of their formation as the best “global leaders” for the international environment is one of the five essential elements of leadership outside the boundaries: the tradition, travel, training, transfer and the team spirit. In order to have access to this five elements, the ones aiming at the global leader position has to identify and eliminate a certain number of obstacles.

The grounds of forming some exceptional competencies of leadership at global level is build even since childhood by the experiences influencing the templates of cultural socialization and they are influenced by them at the same time. The early managerial experience and the experience resulted from international projects does not create the competencies for leading in international environment but only develops them. Thus, we could state that if an individual is deprived of this basis created in childhood, the training he would receive inside the organization for a job outside the country would be of less use. So, we may state that the organizations should first inspect very carefully the origin and the training of any possible “global leader”, analyzing also his experiences during childhood or during school, and not only the route and the performances in his career.

It matters very much also the culture of the community in which the child is integrated. For example, the children who grow up in a trust, equality or collectivity oriented society – a society characterized by inter-dependence and lack of any paranoia feature – have more chances to become good leaders, able to build trust and to impart a feeling for the global organizational community.

Also, the persons who grow up in a culture oriented towards “to do”, this meaning towards merit instead of “to be” oriented culture, this meaning towards the innate rights, have much more chances as leaders in an international environment.

Consequently, the global leaders have to create multi-cultural communities, creating an organization culture that goes beyond the differences between people and which contains

² Judge T.A., Bono J.E., relationship of core self evaluation traits, 2001, J.A.P., 86(3), 80-95

certain „guiding marks” – values and aptitudes – that can be easily understood by the employees of different cultural groups. Thus, the development program of global leaders does not focus exclusively on understanding and accepting cultural diversity but goes further, making people aware that they need a common organizational culture.

2. Grounds of Principle Based Leadership

The paradigm of principles based leadership was diffused for the first time by Stephen R. Covey at the beginning of 1980, within the institute for principles based leadership, in which the author was making the First Studies of Covey concerning that subject have appeared in Excellence magazine and later on, they materialized in the work having the title „Principle-centered Leadership”, published by Covey in 1990 and which appeared in Romanian language in 2001, under the title of Ethics of the efficient leader or Principles based leadership³.

Even from the beginning, Covey offers a definition of the principles: „Principles are natural laws going without saying and confirmed – they do not change themselves. They indicate the true “North” to our lives when we sail through the currents of environments we live in”⁴. Not only is the content of the principles expressed in these words but also their role. Although the principles manifest themselves under the form of values, ideas, norms and learning they do not have to be confused with them. Principles are objective and external and they act according to the natural laws, no matter what the conditions are, while the values are subjective and internal⁵. In order to eliminate confusions and for a correct understanding of the difference between principles and values, Covey resorts to a comparison. He assimilates the values with maps that are not the territories themselves but only subjective trials to describe them. But when the territories are in a permanent change, any map would be obsolete soon. That is why, in such situations we need principles compared to compasses, which direct and guide us in the direction we want. „A map based on values can provide an useful description but the compass, having the principles in its center, provides vision and direction.... An accurate map is a good administrative instrument while a compass set on the principles of the true North is a leading and power getting instrument”⁶.

The levels of principles based leadership – the above mentioned author establishes four such levels: personal, inter-personal, managerial, organizational, each of them referring in essence, either to the relation of the individual with himself or with others, or to a new series of needs felt by individuals (the need to work with other individuals, to prepare, to organize, to coordinate etc). Although each of these levels is highly important, in order to have success it is absolutely needed to work at all levels, not randomly but based on some principles. These are the following: the quality of being worthy of trust (at personal level); trust (at inter-personal level); power (at managerial level); alignment (at organizational level). The first principle (the quality of being worthy of trust) is based on the character and competence, this meaning on what you know as a person and on what you can do. The second principle (trust) is in Covey’s opinion, „the emotional bank account between two persons, which gives the possibility to have a working agreement from which both of them should win”⁷. The third principle (power) refers to the leader’s capability to become an aid source for his subordinates, to involve them in solving the tasks or in evaluating the results they have got, to make them responsible; to allow them to judge for themselves because „the knowledge they have overruns any measuring system”⁸. The last principle, (alignment), is like a

³ Mielu Zlate, *Leadership și management*, Ed. Polirom, Iași, 2004

⁴ Covey S.R., *Etica liderului eficient sau Conducerea bazată pe principii*, Ed, Allfa, București, 2001.

⁵ Idem, p.8

⁶ Ibidem, p. 9.

⁷ Ibidem, p. 22.

⁸ Ibidem.

corollary of all the others. If the leaders trust their subordinates, if the control and strict supervision will be replaced by self-confidence and self - supervision, then it is very likely for a common vision to appear, which is going to be aligned to the strategy, style and the existent or future organizational structure.

The effects of principles based leadership are very numerous, the most important ones being the following: safety (defined as the value, identity, emotional stability, personal strength feeling); orientation (which assures the direction we receive and follow in life); wisdom (which suggests the feeling of equilibrium, a deep understanding of the application modality of different elements and principles); power (capacity to act, strength, courage, vital energy to choose and decide)⁹.

The theory of principles based leadership is very interesting and urging: interesting by author's capacity to collect, systematize and then to frame a series of theoretical concepts, a multitude of observation data, even of personal experience; urging by the issues and the question marks it raises.

We do not have to loose from sight Covey's general intention which is worthy of being highlighted, namely the necessity of fundament the leadership on principles, or in other words, on laws and regularities whose knowledge and smart application is one of the factors of organizational efficiency. In essence, the principles based leadership is put in opposition by Covey with principles based management – „Principles are not practices”¹⁰. Unlike the leadership by the aid of practices, the leadership by the aid of principles needs another type of training but the reward consists in more technical knowledge, more creativity and responsibility shared at all levels of the organization¹¹. This way, in our opinion, principles based leadership represents a premise for transformational leadership.

3. Interactivity of Leadership Performance in a Global Economy

The globalization supposes many changes in economy, communication, political structures, in all fields of personal and organizational life – the most important of them would be the diversification and cultural convergence processes.

On one hand, some cultural elements become universal (such as language, communication ways), some values, some success solutions of the companies, ideas). On the other hand, an adaptation of companies to the local or national cultures specific elements takes place, fact that creates an interesting diversification inside multi-national companies.

Global economy is one in which the rules of organizations' functioning are the same, only the environment is different. In comparison to national economy, global economy is like the blocks in a provincial city compared to the sky scrapers in New York. Theoretically, they are also blocks; practically, between the 8th and the 80th floor we have a perspective difference... and also a difference in the oxygen available – that is why some local companies are suffocating or they have “height sickness” in a global economy.

Performance supposes the same types of challenges in the context of a national economy, as well as in the context of a global economy: efficiency, strategic approach, competition advantages.

That is not the type of problems that is modifying but their dimensions and amplitude. It is very hard for a local company to resist in the competition with a national manufacturer of the

⁹ Covey S.R., *Etica liderului eficient sau Conducerea bazată pe principii*, p.11, Ed. Allfa, București, 2001

¹⁰ Idem. p. 96

¹¹ Ibidem .

same products. The dual economy makes the national manufacturer to have a smaller marginal price and the local company can impose itself only by a superior quality, local specific of the products, performance management, entrepreneur creativity¹² etc.

And yet, globalization does not suppose only fusions, acquisitions, disappearance of local companies but also diversification and adaptation processes. As money are a motivation, the adaptation to global economy does not necessarily bring big advantages, is not a guaranteed factor of success; but the lack of adaptation is certainly a way towards failure.

More concrete, what adaptation in the context of a global economy presumes though for a modern organization and a professional leadership?

- Presence, visibility in the global economy, even for a local or regional organization. This “come out into the world” of the local or national companies forces them to higher efforts in order to build solid brands and a positive image and a higher transparency.
- Competitive prices and high adapted quality – the rate quality/price becomes essential and the competition is very tight. Each cost element is determined because often details are the ones which make the difference. Stocks reduction and rationalization of expenses for example, are obsessive preoccupations for global economy. The other element of the equation which is quality has to be adapted not only against competitors but also against different beneficiaries. For example, going on the Asian market with products adapted to the requirements of the Europeans or Americans would be, in most of the cases, a bankrupt strategy.
- Technology, efficiency, productivity – these determine essentially the prices. The companies cannot afford to produce expensive components, which the competitors produce cheaply on markets such as China or India, in their own country or to buy them from traditional suppliers – we may say the same thing about manual production versus automatic one. External and technological processes are two of the extremely visible ones that condition the success.
- At the same technological development level, the creativity is the one making the difference. The creative approach of technical and managerial problems may be a decisive competitive benefit.
- Human quality resources, stable and adapted to the context become a necessity especially for the decision posts in the multi-national companies. Multi-culture changes the data of the subject regarding the human resources, changes the training subjects and marketing and management approaches.
- Besides these findings that can raise worry, globalization does not imply only threats for organizations; each possible danger is at the time an opportunity for the bold companies. Without being easy, is not impossible for a local or national company to extend rapidly or to straighten, if it is in crisis, by finding some external clients, by identifying new niches on the market, by making some activities external.¹³

But what will companies in Romania do in a global economy? The most part of private Romanian companies are still relatively “small” for coming out in the European competition space. In Romania, the first national fusions and the first entries on the markets in the neighboring countries appear only now. The ex public big companies (Petrom, Sidex, Romtelecom, Dacia, BRD, BCR, etc) have already “surrendered” to some bigger foreign players, fact that has positive consequences but also imply significant risks.

Besides that, Romania has not a clear and positive country brand from which Romanian companies could benefit; we do not have coherent sector or global economical strategies.

¹² Goleman D., *Inteligența emoțională*, Ed. Economică, București, 2004, p. 64

¹³ M.Preda, *Comportament organizațional*, Ed. Polirom Iași, 2006, p.160

Globalization, as well as its most important step, which is the integration into European Union, seems to be for major part of Romanian organizations shows they could see passively on the TV and not major processes, decisive obstacles for their future. Inertia and the role too big of politics in economical and social life, which generated uncertainty and permanent change, as well as the lack of competence and experience in managers' planning, maintain the strategic planning horizon, for the most part of the Romanian organizations, to one year compared to 5-20 years for Americans and much more for the Japanese.

Research, consultancy, preoccupation for selection and motivation of internal human resources are elements that enter very hard or not at all in the life of our public and private companies. The decisions are often taken in a subjective manner, under pressure and under the auspices of improvisation and mediocrity. The quality of many products is poor even when the price is acceptable.

To continue in these coordinates will be obviously bankrupt for many of the Romanian organizations. They have to invest quickly in competent human resources, in market studies and internal organizational analyses, they have to learn from the competitors, mainly from the external ones, in order to avoid mistakes and finally to create competition benefits¹⁴.

These competition benefits for many of the Romanian companies have to come from differentiation. We are not so strong, so we have to find niches in which the specific of the products and the price to make the difference. The obvious advantages of the Romanian organization environment are: considerable natural resources, a certain exotism, a purity not-changed yet of places and people, small prices of the manpower, a certain type of creativity which can be directed in a positive way, opening, tolerance for foreigners and for other cultures.¹⁵

Ecological products, cultural tourism, rural and balneary, in which the organizational environment is essential, represent a development direction. The specific appreciated food products, having good chances to be "exported" in other cultures are another possible advantage in a competition. The domains including creativity (IT, biology, chemistry, technology research) can also create opportunities for the Romanian organizations to become competitive in the global economy.

Maybe all these opportunities will be valorized the best "at our home". In order to be able to become significant at a regional or global level, Romanian organizations have to impose themselves mainly at their home by work perseverance and creativity – which are essential and universal elements of performance inside the organizations.

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¹⁴ M.Vlăsceanu, *Psihosociologia organizațiilor și conducerii*, Ed. Paideia, București, 1993 p.56

¹⁵ M.Preda, *Comportament organizațional*, Ed. Polirom Iași, 2006, p.166