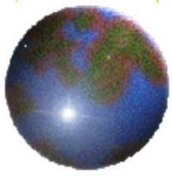


Leadership in a Multicultural Marketplace

John Hooker

Tepper School of Business, Carnegie Mellon University

Tepper School Alumni Meeting, London, December 2010



Multicultural marketplace

- 📍 A new economic order.
 - 📍 **Multiple** economic power centers.
 - 📍 Based on **cultural comparative advantage.**
 - 📍 **Cross-cultural skills** of increasing importance.





Multicultural marketplace

- Result: cultural diversity.
 - **Relationship**-based vs. **rule**-based.
 - Understanding this is the **key** to operating globally.

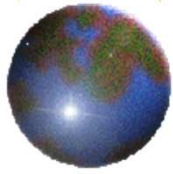




Outline

- 📍 A new economic order
- 📍 Operating across cultures
 - 📍 Roots of cultural diversity
 - 📍 Business practices
- 📍 Information technology
- 📍 A multicultural future

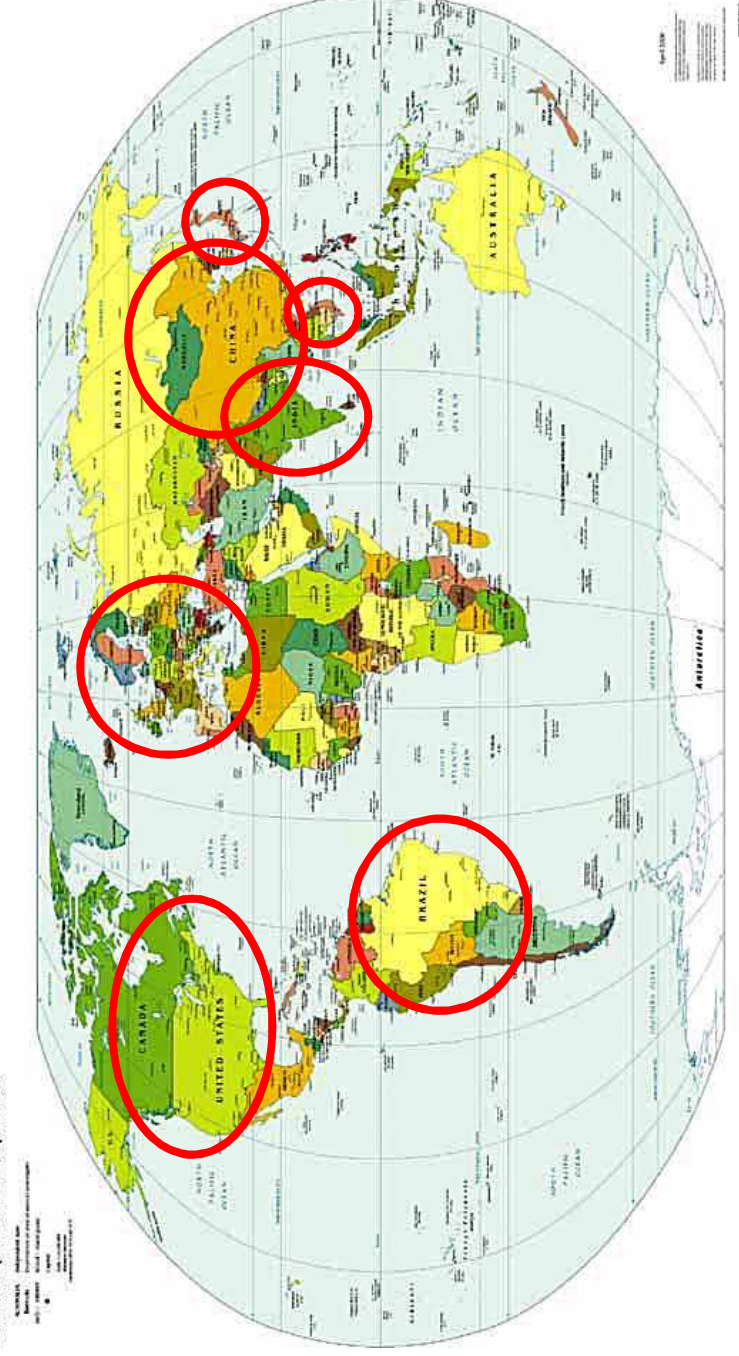




A new economic order

🌐 Movement toward a **multi-polar equilibrium**.

Political Map of the World, April 2000





A new economic order

- Based on **comparative cultural advantage**.
 - Much more than “outsourcing.”
 - Many countries have cheap labor.
 - Only a few have become economic powerhouses.



A new economic order

- ➊ Based on **comparative cultural advantage**.
 - ❑ Much more than “outsourcing.”
 - ❑ Many countries have cheap labor.
 - ❑ Only a few have become economic powerhouses.
- ➋ Such as...
 - ❑ Japanese quality.
 - ❑ Korean manufacturing.
 - ❑ Chinese entrepreneurship.
 - ❑ Indian information technology.
 - ❑ Western technological innovation.



A new economic order

🌐 Japanese quality

🏢 Continuous improvement

- Group oriented, rather than requiring individual reward.
- Maintain group harmony by honoring everyone's ideas.
- Long time horizon.
- *Nemawashi*



Hanko stamp

Traditionally a part of
nemawashi



A new economic order

■ Superior operations management

- Just-in-time inventory management
- *Kanban* systems minimize rework, maximize flexibility.
- Lean manufacturing, reduced setup times.



Toyota factory in Japan



A new *economic order*

❏ Superior operations management

- Just-in-time inventory management
- *Kanban* systems minimize rework, maximize flexibility.
- Lean manufacturing, reduced setup times.

❏ Outgrowth of *keiretsu* (formerly *zaibatsu*).

- Old-boy networks, trust relationships.
- *Keidanren*.



Toyota factory in Japan

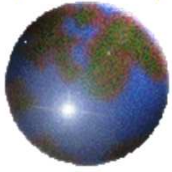


A new economic order

- Korean Manufacturing
 - Initially an imitation of Japanese *zaibatsu*.
 - High power distance culture allowed Park Chung Hee to create the *chaebol*.
 - Cozy relationship between leading industrial families and the government
 - Allowed Korea to build major private corporations in a relationship-based culture.



Park Chung Hee
Korean dictator 1961-79



A new economic order

🏢 Loyalty to the boss.

- Paternal relationship.
- Bottom line and short-term profitability are secondary.



LG



DAEWOO



HYUNDAI



SSANGYONG

Korean chaebol



A new economic order

- ❏ Loyalty to the boss.
 - Paternal relationship.
 - Bottom line and short-term profitability are secondary.
- ❏ Highly disciplined, hierarchical groups.
 - Organized by age.



LG



DAEWOO



HYUNDAI



SSANGYONG

Korean chaebol



A new economic order

- ❏ Loyalty to the boss.
 - Paternal relationship.
 - Bottom line and short-term profitability are secondary.
- ❏ Highly disciplined, hierarchical groups.
 - Organized by age.
- ❏ Highly competitive, masculine culture.
 - Strong national solidarity.



Korean chaebol



A new economic order

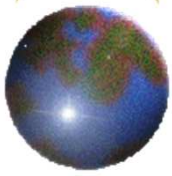
🌐 Chinese entrepreneurship

🏢 A cultural trait of coastal Chinese

- Particularly speakers of *Yuè* (Cantonese), *Mǐn* (Fujianese), and *Wú* (Shanghaiese) dialects.



Guangzhou

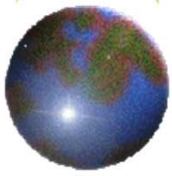


A new economic order

- Chinese entrepreneurship
 - ▣ A cultural trait of coastal Chinese
 - Particularly speakers of *Yuè* (Cantonese), *Mǐn* (Fujianese), and *Wú* (Shanghaiese) dialects.
 - ▣ Uncertainty tolerant culture.



Guangzhou



A new economic order

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Yuè (Cantonese),
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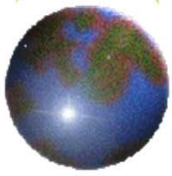
🏢 Uncertainty tolerant culture.

🏢 Self-esteem tied to wealth and status.

- “To be rich is glorious” (Deng Xiaoping).



Guangzhou



A new economic order

🌐 Chinese entrepreneurship

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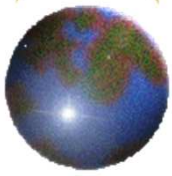
🏢 Self-esteem tied to wealth and status.

- “To be rich is glorious” (Deng Xiaoping).

🏢 Competitive, masculine culture.



Guangzhou



A new economic order

☒ Relationship-based business.

- Family-based investment financed the boom.
- *Guānxi* is a time-tested mechanism.
- World's largest economy for 8 of last 10 centuries, soon to be again.



President Hosni Mubarak of Egypt with Chinese Trade Minister Bo Xilai, who headed a delegation of 150 Chinese businessmen.



A new economic order

☒ Relationship-based business.

- Family-based investment financed the boom.
- *Guānxi* is a time-tested mechanism.
- World's largest economy for 8 of last 10 centuries, soon to be again.

☒ Making inroads into South America, Africa, Middle East.

- More comfortable with Chinese relationship-based business style than Western rule-based transparency.



President Hosni Mubarak of Egypt with Chinese Trade Minister Bo Xilai, who headed a delegation of 150 Chinese businessmen.



A new economic order

🌐 Indian information technology

🏠 Inner discipline

- Get control of one's mind rather than the environment.
- Modern form: intellectual discipline, academic competition.



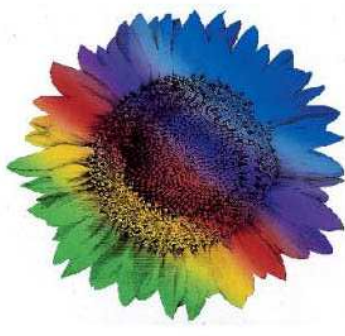
IIT Mumbai



A new economic order

Networking.

- Good for business.
- Efficient way to absorb technical knowledge.



WIPRO
Applying Thought



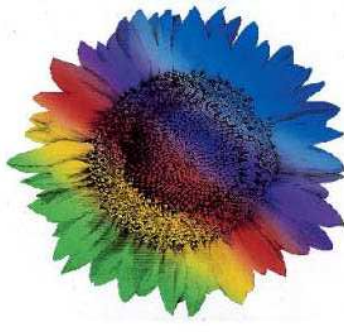
A new economic order

❏ Networking.

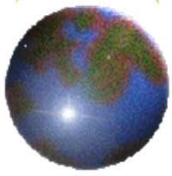
- Good for business.
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- Well suited to academic discourse, information age.



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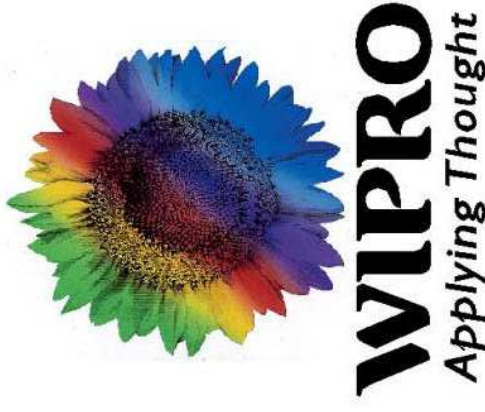
- Good for business
- Efficient way to absorb technical knowledge.

❏ A verbal culture.

- Well suited to academic discourse, information age.

❏ Case study: Software development.

- No need for technology, but well equipped to create it.
- Inner discipline vs. external engineering.

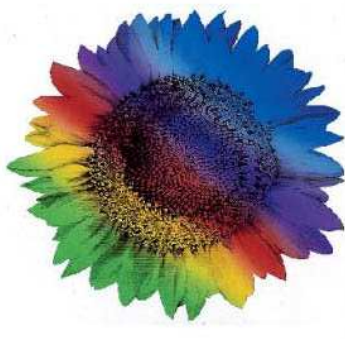




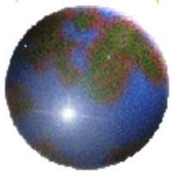
A new economic order

❏ Indians may see themselves as
Westernizing/globalising

- There is a reliance on rationality, as in the West.
- But Indians are **Indianising**.

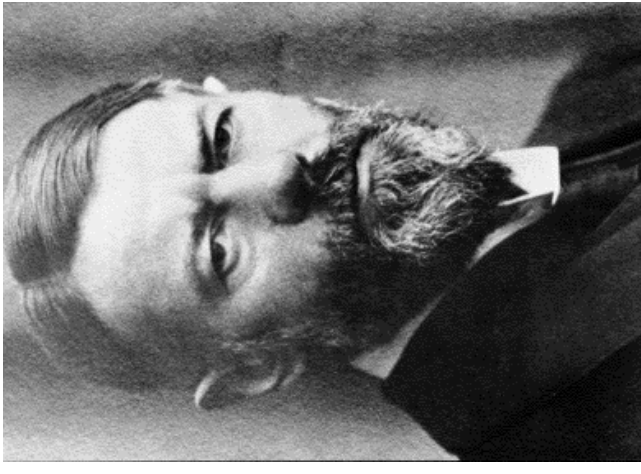


WIPRO
Applying Thought

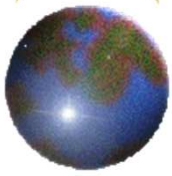


A new economic order

- Western technological innovation
 - Manipulation of nature.
 - Secular world (from Middle East).
 - Greek rationality.

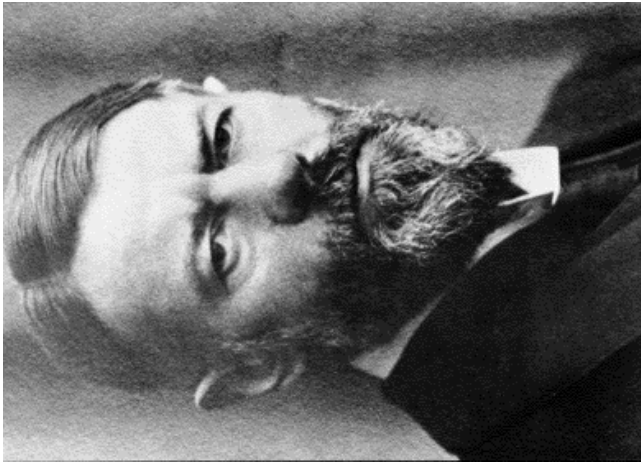


Max Weber



A new economic order

- Western technological innovation
 - Manipulation of nature.
 - Secular world (from Middle East).
 - Greek rationality.
 - Technology as coping mechanism
 - Controlling the environment rather than oneself.
 - Support from family, friends less important.



Max Weber

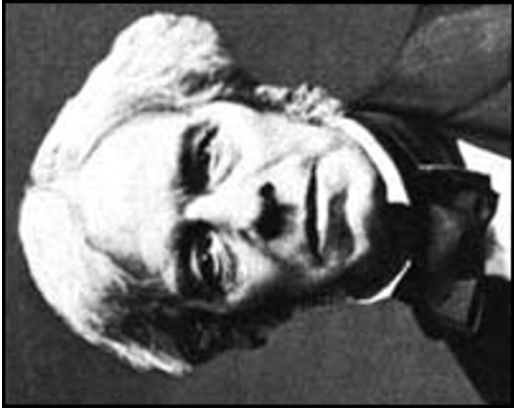


A new economic order

❏ Individualism.

- Individuals have the right to rethink everything.
- Students asked to reason from first principles.
- Do experiments, prove theorems.
- Individual expression, originality valued.

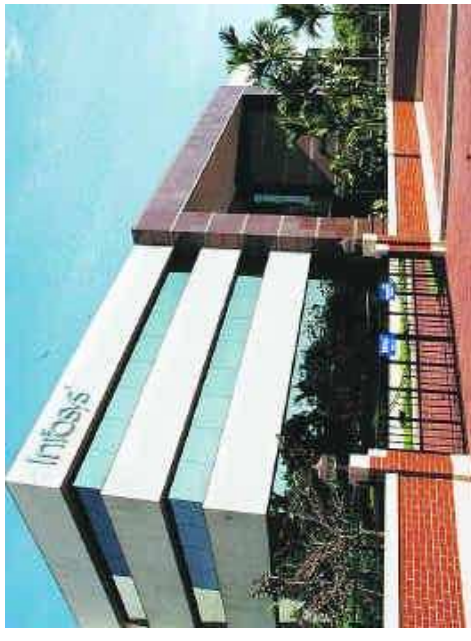
❏ Payoff: new ideas for technological coping mechanism.





Cultural deglobalization

- Economic basis
 - Successful countries will **retain and emphasize the cultural traits that bring them success.**
 - Including their behavioral norms.
 - They may **see** themselves as Westernising.



Infosys, Electronics City,
near Bangalore



Roots of cultural diversity

• Two types of cultures.

• **Rule-based** cultures

- Humans are autonomous, rational individuals.

• **Relationship-based** cultures

- Human existence is defined by its relatedness to others.
- Family, community.

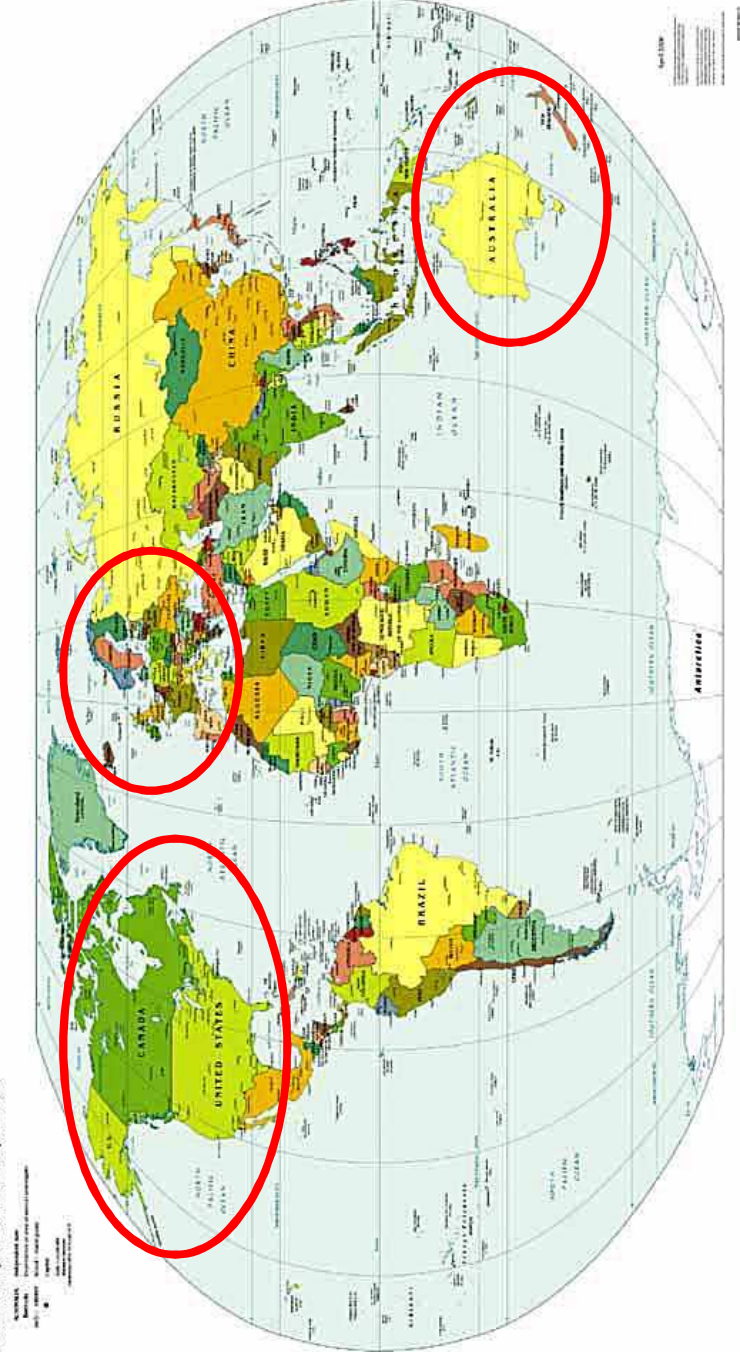


Filipino family



- *Rule-based* = life is organized primarily around **rules**.

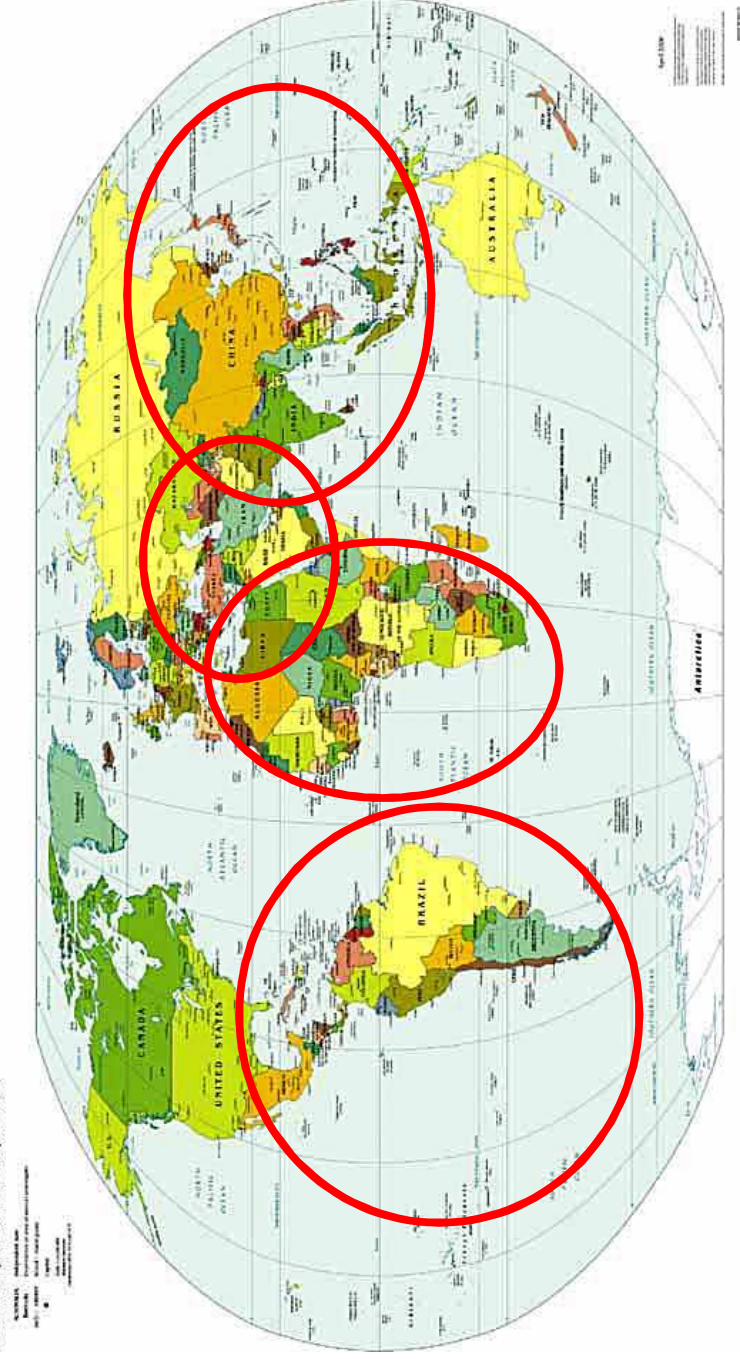
Political Map of the World, April 2000





📍 *Relationship-based* = life is organized primarily around **personal relationships**.

Political Map of the World, April 2000

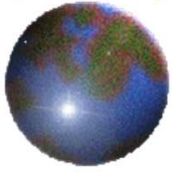




Roots of cultural diversity

- Rule-based cultures
 - Autonomous individuals must have equal status.
 - Ethic of justice, equality, human rights.
 - Grounded in rationality





Roots of cultural diversity

📍 Rule-based cultures

- 📍 Autonomous individuals must have equal status.
- Ethic of justice, equality, human rights.
- Grounded in rationality

📍 ...and equal authority

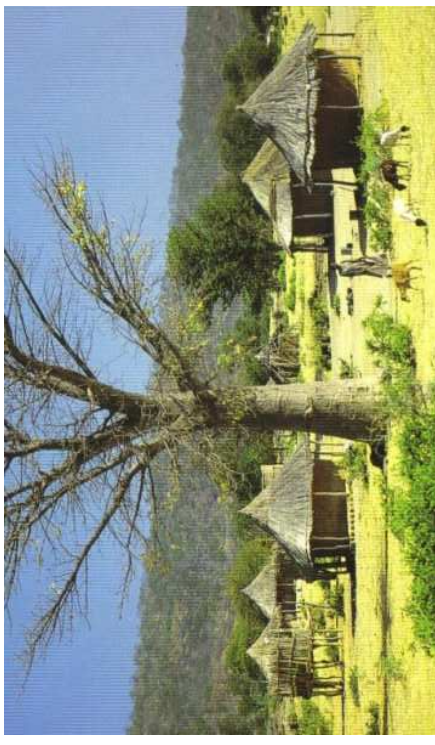
- Allegiance to persons rather than rules.
- The rules must be self-evident and therefore **universal**.



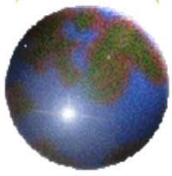


Roots of cultural diversity

- Relationship-based cultures
 - Persons do not exist apart from their participation in a larger unit.
 - Family, ancestors, community, even the universe as a whole.



Shona village, Zimbabwe

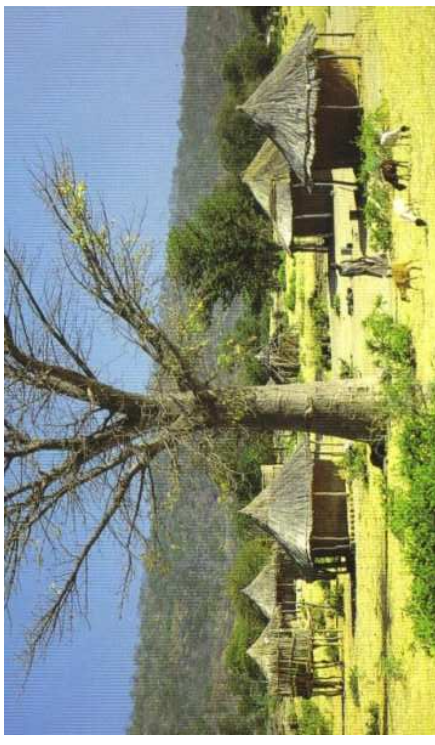


Roots of cultural diversity

• Relationship-based cultures

- Persons do not exist apart from their participation in a larger unit.
 - Family, ancestors, community, even the universe as a whole.
- An ethic of care.

- Self = the collective.
- Take care of family, friends.
- Cronyism, nepotism can be high moral virtue.



Shona village, Zimbabwe



Business practices

- Rule-based cultures.
 - Long, detailed contracts.
 - Inflexible.
 - Enforced by legal system.

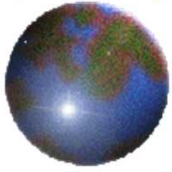




Business practices

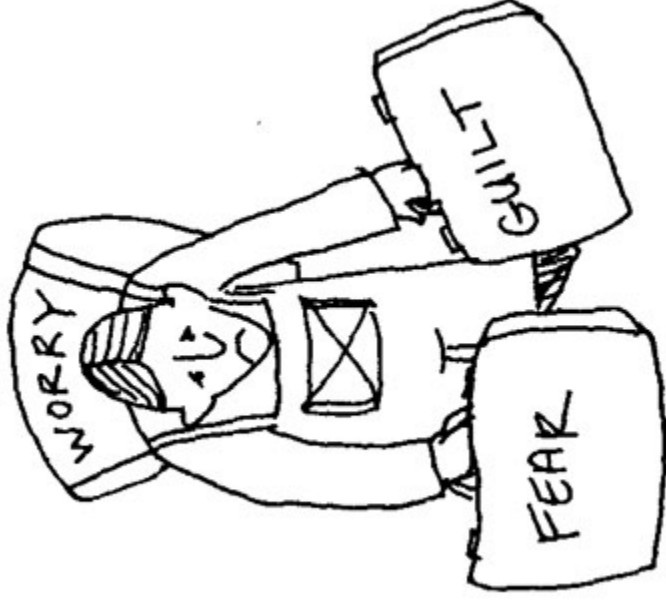
- Rule-based cultures.
 - Organizations run by the rules.
 - Rather than boss's judgment in particular cases.





Business practices

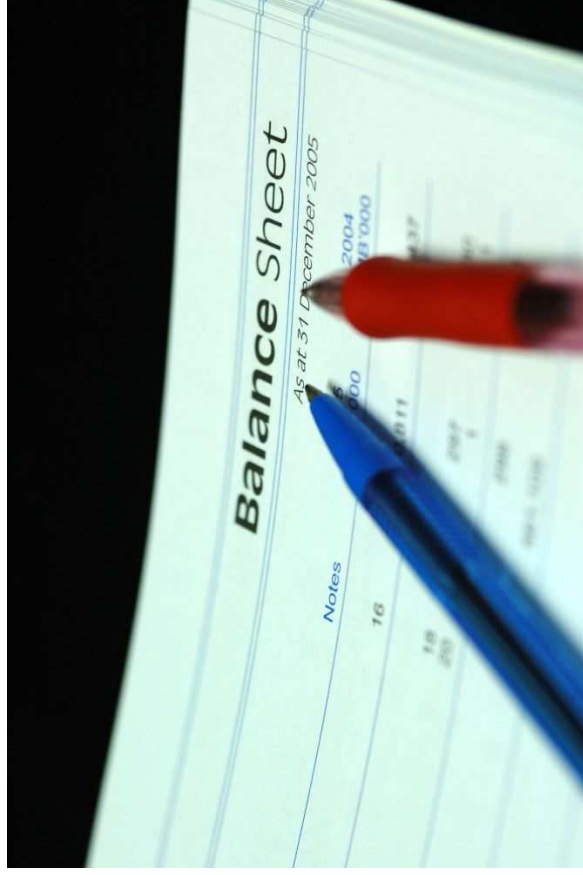
- Rule-based cultures.
 - Light supervision.
 - Compliance based on guilt, fear of being caught.





Business practices

- Rule-based cultures.
 - Transparency possible and necessary in business.
- Impractical to work through friends, family.
- Public information necessary.





Business practices

- Relationship-based cultures.
 - Compliance based on respect for significant others.
 - Behavior norms are transmitted by authority figures.





Business practices

- Relationship-based cultures.
 - Norms are implicit in the cultural context.
 - Organizations built around persons, infrastructure based on negotiation.





Business practices

• Relationship-based cultures.

• Organization run by the boss.

- There may be rules and procedures, but the boss makes case-by-case decisions.





Business practices

- Relationship-based cultures.
 - Courtesy, face saving avoids disputes.
 - More important to be nice than to be right.
 - Japanese example.





Business practices

- Relationship-based cultures.
 - Reliance on personal trust rather than the system.
 - Working agreement, business relationship rather than explicit contract





Business practices

- Relationship-based cultures.
 - Close supervision.
 - Compliance based on shame, loss of face.
 - Transparency difficult and less important in business.
- Work with family and friends.

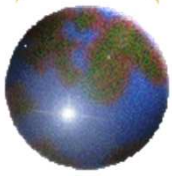
关系



Information technology

- Deglobalization.
 - Communication technology **reinforces** cultural divergence.
 - Rather than homogenizing the world.





Information technology

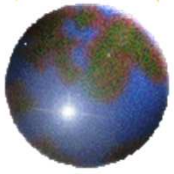
- 📍 Deglobalization.
 - 📍 Communication technology **reinforces** cultural diversity.
 - Rather than homogenizing the world.
 - 📍 In two ways:
 - Market **microsegments**
 - Support for both **relationship-** and **rule-based** cultures



 Market microsegments
 Satellite channels.

- Easy to set up
- Can cater to every ethnic group
 - 350+ Arabic-language channels





Information technology

🌐 Culturally-specific websites.

- e.g., 275+ Google sites

GoogleTM
hrvatski

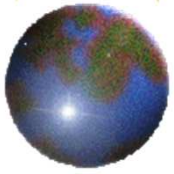
GoogleTM
谷歌

GoogleTM
ಕುಗ್ಲೆ

GoogleTM
తమిళం
Telugu

GoogleTM
हिन्दी

GoogleTM
கமீட்டி



Information technology

- Support for high-context communication
 - Connectivity
 - Close supervision





Information technology

Mobile phones.

- Constant contact with associates.
 - After Finland, took off in Asia.
- Close and constant supervision
 - By parents.
 - By employers.



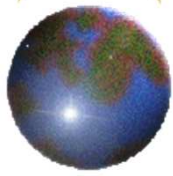


Information technology

Text messaging, etc.

- Smart phones
- Instant messaging
- Email

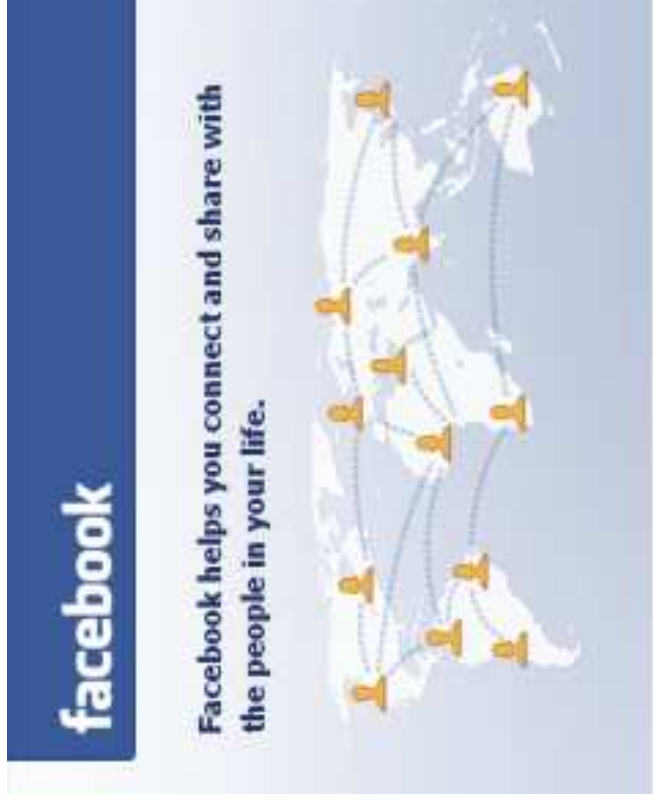




Information technology

🌐 Networking websites.

Rule-based



Facebook © 2008 English

Relationship-based

orkut^{beta}

Connect with friends and family using scraps and instant messaging
Discover new people through friends of friends and communities

Wildly popular in Brazil.

About Advertising Developers Terms Find Friends Privacy Help



Stability

- Relationship-based approach is more stable.
 - Asian financial crisis.
 - China, Taiwan escaped it.
 - Family-based finance.
 - Current financial crisis.





The future of business

- 🌐 Multicultural marketplace.
 - ⚙️ Powered by **cultural comparative advantage.**
 - ⚙️ Enabled by **information technology.**
 - ⚙️ Perhaps greater **stability.**

