

Henry W. Lane and Martha L. Mazneuski

International Management Behavior

Global and Sustainable Leadership



SEVENTH
EDITION

WILEY

“Those familiar with previous editions of this excellent text will find the 7th edition extensively revised. However, the focus on the human element of managing effectively across national and cultural contexts, a highlight of previous editions, has been maintained. This new edition provides immediate and practical guidance for managers. This application to practice, drawn from extensive research and the experiences of managers, is what sets this book apart. Anyone interested in knowing how to function effectively in a global business environment should keep this volume close at hand.”

**David C. Thomas, PhD, Professor of International Business,
Australian School of Business, Author of
*Cross-Cultural Management: Essential Concepts***

“Professors Harry Lane and Martha Maznevski are two of the most skilled, experienced, and insightful cross-cultural educators of our time. The seventh edition of *International Management Behavior* is subtitled *Global and Sustainable Leadership*, a topic that resonates well with what I consider important to convey to a student of today. Lane and Maznevski epitomize the subtitle by leading the way in sharing their teaching. We are provided with meaningful models which not only illustrate the text but are also bound to generate exciting discussions in class. This book is not to be missed!”

Lena Zander, Professor, Uppsala University, Sweden

“I recall when I encountered the first edition of *International Management Behavior*. It was like a cool drink on a hot day. The world suddenly seemed a better place. As I review the 7th edition, I marvel that the book still packs a punch and maintains what made it a stand-out book from the start — its overwhelmingly positive view of the world and of the potential for skilled managers to make a profound and positive difference. The changes in this edition are both needed and welcome; the world is rapidly changing and this edition has responded in kind. Anyone who absorbs and applies the wisdom between its covers will be well prepared to take their place among the best global managers.”

**Allan Bird, Brodsky Professor in Global Business,
D’Amore-McKim School of Business, Northeastern University**

“Since its first publication in 1988, *International Management Behavior* has been an indispensable resource for faculty teaching a wide variety of courses in international management, cross-cultural management and international organizational behavior. IMB has a number of strengths. It was one of the first texts to take a process and interactive approach to international management behavior. Its ‘MBI–Map–Bridge–Integrate framework’ foresaw research that was to come much later and has stood the test of time. The fact that its authors are active researchers as well as closely engaged with the world of practice makes this text current, rigorous and relevant. I recommend it unreservedly!”

**Nakiye A. Boyacigiller, Professor of Management, Sabanci University,
Istanbul, Turkey, President-elect, Academy of International Business**

International Management Behavior

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Global and Sustainable Leadership

Seventh Edition

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Dedication

To Joe DiStefano, who inspired and empowered our excitement for cross-cultural journeys. If we make a difference, it is in large part because you made a difference to us.

To all the friends who have helped me learn about their cultures, and my own.

Henry (Harry) W. Lane

To Julianna, Katie, Andrea and Hadley, to help them inspire the next generation.

Martha L. Maznevski

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Acknowledgments

The seventh edition of this book has involved a major revision of material from previous editions.

With Professor DiStefano's retirement and absence from this edition, Professors Lane and Maznevski start by acknowledging his historical contribution to this book and to their careers. In 1975, Professor DiStefano interviewed Professor Lane who was a doctoral candidate at the Harvard Business School, and recruited him to Canada. He became a colleague, co-author, and friend. In 1974 at the Ivey Business School (at the time the Western Business School), Professor DiStefano started one of the first cross-cultural courses anywhere, which became the genesis of this book. He was also the Chair of Professor Maznevski's Ph.D. thesis committee. In January 2000, Professor DiStefano joined IMD in Lausanne, Switzerland, and recruited Professor Maznevski to IMD in 2001.

Another person at the University of Western Ontario who became a colleague, co-author, and friend, was Professor Don Simpson. He deserves special recognition for introducing Professor Lane to Africa and helping him begin his "voyage of discovery" into the reality of functioning in other cultures and doing business internationally.

Professors Lane and Maznevski have appreciated the support for their work on international business shown by their colleagues and research associates over the years at the Ivey Business School, Northeastern University, University of Virginia, and IMD.

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After the third edition Professor DiStefano moved to Hong Kong to launch the Ivey EMBA program there and acknowledges with thanks Ivey alumnus, Dr Henry Cheng, whose financial and personal support were so critical to the success of this effort and to the deepening of Professor DiStefano's understanding of Hong Kong and China.

In 1994, Professor Lane assumed responsibility for Ivey's Americas Program and that same year he began working with IPADE in Mexico and is very appreciative of the wonderful colleagues and friends he has made there over 20 years who have not only contributed to his education about Mexico and Latin America, but made it enjoyable to spend time there learning. In September 1999, Professor Lane moved to Northeastern University as the Darla and Frederick Brodsky Trustee Professor in Global Business. Professor Lane is grateful for their support and friendship.

In 1994, Professor Maznevski moved from Ivey to the McIntire School of Commerce at the University of Virginia. She thanks her colleagues there, in particular Dean Carl Zeithaml. The commitment of the school to making its programs global provided substantial support for her involvement in developing material for this book. Dean Zeithaml sponsored, both financially and with his enthusiasm, the first ION conferences and the genesis of a great network of colleagues.

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Last, but hardly least, we thank our families who have supported our learning and the publishing of what we have learned. This has meant time away from home, time spent alone writing, and time and energy devoted to the many visitors and friends from around the world who have shared our homes. All have been critical to our development. Our spouses, Anne and Brian have been more than patient; they have contributed significantly to our understanding and commitment, as have our children and grandchildren. We thank them all for their love and assistance. Notwithstanding this lengthy list of personal acknowledgments, we close with the usual caveat that we alone remain responsible for the contents of this book.

H. W. Lane
Boston, MA

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Lausanne, Switzerland
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INTRODUCTION

The real voyage of discovery consists not in seeking new landscapes, but in having new eyes.

—*Marcel Proust*

This book is for managers like Lars, a senior German manager who has worked and lived in many countries and is now in charge of operations at a multinational technical firm, working with his teams to develop and implement global strategies; like Magdi, a senior Lebanese manager who has also worked and lived in many countries and is now in charge of an important, but challenging, country organization for a global multinational company; and like Amanda, an American senior manager with a great track record in new product development and marketing at many important Silicon Valley firms, now with direct responsibility for international operations.

The book is also for young managers like Rachna, an Indian now in Europe, globally sourcing service contracts for a US-based multinational; like Jonatas, a Brazilian now in the Middle East, optimizing supply chain for a Europe-based specialty chemicals firm selling its product to Asia; like Rich, a Canadian who returned to his home country after working abroad, to innovate new practices in the oil industry; and like Kathie, just starting her career, intrigued about international management and eager to learn what it entails.

It's also for people like Jemilah, Ed, Feena, Judy and Jim: senior leaders in global NGOs who are actively trying to help the world while simultaneously revolutionizing their industry to make aid more effective. And it is for Jesper, Mahoto, Ernest and Saskia, young managers creating innovative ways to combine aid, development, and entrepreneurship to help people help themselves in countries with developing economies.

The book is also for people like Josefine, Mads, Veronica, and other senior leaders in human resources responsible for attracting, assessing, developing, and enabling all the people who manage their organizations internationally.

This book is not just a book about global business. It is about *people who conduct business – and manage other types of organizations – in a global environment*. It discusses and explores typical situations that managers encounter: the problems and opportunities; the frustrations and rewards; the successes and failures; the decisions they must make and the actions they must take.

Global business is not an impersonal activity, and it should not be studied solely in an impersonal way. It is important to understand trade theories; to be able to weigh the pros and cons of exporting versus licensing; or to understand the advantages of a joint venture versus a wholly-owned subsidiary. But, eventually theory must give way to practice; strategizing and debating alternatives must give way to action. Working globally means interacting with colleagues, customers, and suppliers from other countries to achieve a specific outcome. We focus on these interactions, on getting things done with and through other people in an international context.

DEVELOPING INTERNATIONAL MANAGERS: RESEARCH-GROUNDED, PRAGMATICALLY-TESTED

We have developed, refined, and tested the perspectives in this book for over 40 years with undergraduates, graduate students, and practicing executives of all levels around the world. Combining conceptual knowledge and contextually based skill-building provides an effective learning package. In addition to drawing on the research of others, we have conducted our own research on the issues and skills relevant to international management, as well as how best to train global managers.

Management focus. We take a problem-solving approach to international business. International business activities are complex situations in which both business and cultural factors are often simultaneously embedded. The skills needed to cross boundaries cannot be isolated from business realities, and appreciating various and multiple influences on behavior can make a difference in outcome and performance.

Behavioral focus. The human element in managing effectively across cultures is just as important as, and sometimes more important than, the technical or functional elements. However, most managers have developed stronger technical or business skills than boundary-spanning interpersonal and cultural skills. They need to complement these strong technical backgrounds with the behavioral skills; if they don't, they may never get the opportunity to use the business or technical skills.

Process focus. Related to the behavioral orientation is a process orientation – behaving, interacting, learning, and moving forward to meet objectives. This perspective is an important contributor to success in a global market. In other words, leading well in an international setting is not just about having the right characteristics or competences, it's about the dynamics of knowing how to adapt quickly and effectively. Often, good international management is less about “finding a solution or making a decision” and more about “identifying and embarking on a process.”

Intercultural focus. The material in this text focuses primarily on the interaction between people of different cultures in work settings. This intercultural orientation is distinct from a comparative approach, in which management practices of individual countries or cultures are examined and compared. We will often report on cultural comparisons, but we will focus on what happens at the intersection. This is the interface that provides both the greatest challenges and the most interesting opportunities.

Culture-general focus. This book is intended for a wide variety of managers and international staff who must function effectively in a global environment; therefore, we do not concentrate deeply on particular cultures, countries or regions. A culture-general perspective provides a framework within which country-specific learning can take place more rapidly as necessary. It helps to know what questions to ask and how to interpret the answers received when conducting business globally or helping others to do the same. It helps the learner become more effective at learning and adapting to other cultures. We do provide specific examples of cultures, countries and regions: not enough to take the place of in-depth culture-specific training for people who are assigned to a particular place, but enough to enhance the impact of that training.

OUTLINE OF THE BOOK: FOLLOWING THE CHALLENGES AND OPPORTUNITIES

The four parts of this book follow the main categories of challenges and opportunities we see international managers experiencing most frequently.

Part 1 is made up of Chapter 1, The Global Manager. This chapter explores the role of people who manage others in a global environment, and what makes it different from “regular” management. It introduces a global mindset, a global leadership competences model, and a set of principles for leading. These three elements set the organizing framework for the rest of the book.

Part 2 consists of three chapters that look at the individual and interpersonal sides of global management. Chapter 2 discusses culture and its effect on people and their behavior, Chapter 3 describes a model for interacting effectively across cultures, and Chapter 4 focuses on global teams and networks.

Part 3 moves the discussion from the individual to the organizational level. Chapter 5 focuses on strategy execution in a global context. Chapter 6 examines the challenge of complexity facing global managers and issues in recruiting and developing the people in this talent pool. Chapter 7 provides guidance on managing change in global organizations.

Part 4 has two chapters on competing with integrity in global business. Chapter 8 focuses on ethics at an individual level and Chapter 9 looks at corporate sustainability issues.

The chapters combine our own research and experience and that of many others. This is not a typical textbook in that we do not provide a review of all the research in

the field. Other resources do that well. We focus here on the research that provides the most immediate practical guidance for managers, and present it in ways that have proven to be helpful for practice. We provide many examples throughout the book to help readers see how others have applied the lessons, and generate ideas for applying the ideas and behaviors themselves. Most of our examples come directly from the experience of managers we've worked closely with, and we've tried to capture the flavor, feeling, and tempo of these people and the places in which they live and work. They may not be as recognizable as leaders who capture headlines in the press, but we provide more behavioral and reflective insights. We find they provide great role models.

In this edition, we have not provided full-length teaching cases. If you are a professor using this book for a class or a consultant using it to develop others, please see our website www.wiley.com/go/lan7e for sample syllabi, annotated suggestions for teaching cases, and resources for teaching and developing global leaders.

Globalization means that one does not have to travel to another country to be exposed to situations of cultural diversity. For example, consider a manager in Boston who works for Genzyme which is one of the world's leading biotech companies. This company was founded in Boston in 1981 and was acquired by Sanofi SA from France in 2011. Now the American manager may be frequently travelling to France or interacting with French managers when they come to Boston. This same manager possibly interacts with a number of other local Boston companies that are also now foreign-owned. He or she may have an account with Citizens Bank (owned by the Royal Bank of Scotland Group plc) or Sovereign Bank (owned by Santander from Spain); purchase insurance from John Hancock (owned by Manulife Financial of Canada); and buy groceries from Stop & Shop (owned by Royal Ahold NV of the Netherlands). And managers from these companies are also likely to experience working with their Scottish, Canadian, Spanish and Dutch counterparts.

In countries with long histories of immigration, such as Canada, the United States, and Brazil, there is considerable diversity within the domestic workforce and many managers experience working with cultural diversity as part of their daily routine. Managers in all of these countries find the material in this book is also applicable in these situations and has been useful – without them ever having to leave their home base.

FOCUS ON THE VOYAGE

This book is based on the philosophy that learning is a life-long, continuous process. Rather than provide an illusion of mastery, we hope it stimulates and facilitates even more learning about other cultures and how to work effectively with others. For some readers, the material in this book may represent a first encounter with different cultures. Other readers may have been exposed to different cultures through previous courses or personal experience. For those with prior exposure to other people and places, the journey continues with a new level of insight. For those without prior experiences, welcome to an interesting journey!

PART **1**



CHAPTER 1

The Global Manager

It has become cliché to say that today's managers, wherever they are, must be internationally-minded. We have been saying it since the first edition of this book in 1988, and it seems to be more imperative with each year. In the twenty-first century, being a global leader is no longer a nice-to-have capability, it is a must-have for those who want to create value for their organizations. Recently we asked a group of executives from several countries, "How important is it for you to be a global leader – a leader who has expertise working effectively across countries?" Here are some typical responses:

Christine, head of a key product division in an industrial product firm's largest country market, Germany: "My customers are all in Germany and so is my team, so you would think my job is all in Germany. But our company is headquartered in Scandinavia and our plants are in several different locations around Europe. When we have challenges serving our customers, the people I need to work with are mostly outside of Germany and those are the interactions that make the biggest difference in my business. Maybe even more important, my new ideas come from outside of Germany. The German market is mature, saturated, we and the customers all know what to expect. It's when I work with people in the international arena that I learn how to build my business better within Germany."

Ho Yin, corporate director of human resources of a Singapore-based conglomerate's utility businesses: "You might expect that a business involved in generating, distributing and retailing electrical power is fundamentally local. But as we extend our reach to Australia, India, Southeast Asia and China, we need to identify and adopt the best practices in the industry worldwide. Regulators expect us to provide reliable service at competitive prices. To do this we need managers beyond our solid base of technical experts; people who are experienced at dealing with ideas and people from many countries and cultures, and who can lead in demanding circumstances in

many different countries. Finding and developing such people is perhaps our biggest challenge.”

Jesper, a Swedish social entrepreneur working in Kenya: “My not-for-profit provides solar-powered lamps to off-grid rural areas in Kenya to empower children to study.¹ My funders mostly come from the developed world, and I have close partnerships with colleagues in places like the US and Switzerland – individuals and companies – for this funding. The quality and price of the lamps is critical, so we ran an extensive global search and ended up with lamps sourced from China. The other part of my job is helping new investors come to Africa, both through investment funds I help to run, and providing advice for ethical business entry. My job is clearly global and I love that. The opportunities are enormous when you can bring the world together to address local challenges. It’s clear to me that others are seeing those opportunities too.”

Leading internationally is more complex today than it was a generation ago. At that time, “international managers” were a relatively small subset of managers, those who journeyed away from home as expatriates to do exciting things. They experienced hardship from (sometimes unexpected) foreign conditions, and rewards from generous expatriate compensation packages as well as fulfilling their need for growth and adventure.

With changes in arenas such as technology, finance, political systems, business models, air travel, and the media, most managers today work across national borders. Having a successful management career in any kind of business today requires effective international navigation. Moreover, international management today is rarely about just going from one culture to another. Typical international managers, like the executives quoted above, may travel to many different countries in any year, and frequently work with people from many different cultures at the same time. To be successful, they cannot simply learn about another culture and place, and adapt. The dynamics are much more complex.

In this chapter we discuss how the forces in the international environment are shaping the characteristics needed by global leaders. We explore what makes a leader’s task more or less global, and we comment on the relationship between management and leadership. Then we review the characteristics, competences, knowledge, and skills that effective global managers need, highlighting the global mindset and competences. The last section of this chapter addresses how to become an effective global leader: how to develop the global mindset and competences, and some principles for navigating well in global complexity. We conclude by showing how the different sections of this book can help you on your personal development journey.

More and more, managers are dealing with different cultures. Companies are going global, and teams are spread across the globe. If you’re head of engineering, you have to deal with divisions in Vietnam, India, China or Russia, and you have to work across cultures. You have to know how to motivate people who speak different languages, who have different cultural contexts, who have

different sensitivities and habits. You have to get prepared to deal with teams who are multicultural, to work with people who do not all think the same way as you do.²

As we stand at the dawn of the 21st century, we must ask ourselves if we can truly manage ourselves cross-culturally. This is the principal question. A decade ago, culture was not a particular issue, but the more we advance, the more managing people of different cultures and beliefs becomes the benchmark of an efficient company.³

*Carlos Ghosn, Chairman and CEO of Nissan Motor Company
and Chairman and CEO of Renault*

GLOBALIZATION: THE SETTING FOR INTERNATIONAL MANAGEMENT BEHAVIOR

What is globalization? The Stanford Encyclopedia of Philosophy states that “the term ‘globalization’ has quickly become one of the most fashionable buzzwords of contemporary political and academic debate” and most often is nothing more than a synonym for the spread of classical liberal, “free market” economic policies; the spread and dominance of “Westernization,” or even “Americanization” of political, economic, and cultural life; and the rise of new information technologies such as the Internet – all of which are bringing the world closer together.⁴ And there is often an unarticulated assumption that globalization is good.

We should remember, however, that globalization is a process and not a destination. In *The Lexus and the Olive Tree*, Thomas Friedman pointed out that in addition to politics, economics, technology, and culture, globalization involves issues of the environment and national security. Terrorism and pollution also have “gone global” and there can be negative aspects of globalization as well as positive, the “good and bad globalization”; and globalization can spread evil as well as good.⁵ On the negative side there are global criminal activities such as drugs and money laundering while on the positive there is the reduction of poverty and the increase of living standards. The Occupy movement focuses on the inequality associated with globalization, raising the voice of, in their words, “the other 99%” who are disenfranchised by globalization.⁶ Therefore we must be specific when we discuss globalization – the “globalization of what?”⁷

There is also an implicit assumption that globalization and global organizations are new phenomena. By some accounts, globalization is as old as mankind and began when people started migrating out of Africa.⁸ Globalization is an historical process: “Traveling short, then longer distances, migrants, merchants, and others have always taken their ideas, customs, and products into new lands. The melding, borrowing, and adaptation of outside influences can be found in many areas of human life.”⁹

The basic feature of globalization is that people, countries, and organizations all around the world have become more interdependent. More activities affecting more people’s lives have become more interdependent than ever before. In this book we focus primarily on the economic dimension of globalization and on companies that operate in many countries around the world and that attempt to integrate their global activities.
