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.
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

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

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.

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.

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

Chinese entrepreneurship

A cultural trait of coastal Chinese

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

Uncertainty tolerant culture.

Self-esteem tied to wealth and status.

- “To be rich is glorious” (Deng Xiaoping).
A new economic order

Chinese entrepreneurship

A cultural trait of coastal Chinese

- Particularly speakers of Yue (Cantonese), Min (Fujianese), and Wu (Shanghaiese) dialects.

Uncertainty tolerant culture.

Self-esteem tied to wealth and status.

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

Competitive, masculine culture.
A new economic order

- Relationship-based business.
  - Family-based investment financed the boom.
  - *Guānxì* 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

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.

- A new economic order.
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.
A new economic order

Networking.

- Good for business.
- Efficient way to absorb technical knowledge.
A new economic order

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

- A verbal culture.
  - Well suited to academic discourse, information age.
A new economic order

Networking.
  • 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.
A new economic order

Western technological innovation

- Manipulation of nature.
  - Secular world (from Middle East).
  - Greek rationality.
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.
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.
Relationship-based = life is organized primarily around personal relationships.
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.
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
Information technology

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
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**
  
  *Facebook helps you connect and share with the people in your life.*

*Relationship-based*

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

Wildly popular in Brazil.
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.