



M48BSS

**International Leadership Coursework**

Assignment on The Impact of Internationalization changes on Leadership.

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## **1. Introduction:**

Due to rapid globalization and overseas exchange of technology, international changes of business environment are of potential significance nowadays (Muchiri et al. 2012). The changes in international settings often impact the workers and leaders, and thereby determine the success of the organization in the changed atmosphere (Friedman 2005). This assignment critically evaluates the impact of changes in international settings on performance of leadership and its perception by the followers.

### **1.1. Scope of the Assignment:**

At present, there are only scanty investigations, containing empirical proof in this area showing influence of international changes in settings and leadership performance (Andersen 2009; Currie et al. 2009; Fernandez et al. 2010). A review of the existing leadership literatures shows that a dependable pattern of leadership efficiency is the depiction of the workforce performance in the organization. But this information still lacks empirical evidences and justification. Hence, proper investigation is necessary related to this topic.

### **1.2. Background:**

Rapid changes in international setting due to globalization have concomitantly permitted an increasing number of international nations to enter the world marketplace, thus introducing a change of global environment setting. These changes in the international settings have

produced new challenges and extended prospects. It has also increased competitive burdens, complexities and confusion in the workplaces (Fishman 2005; Friedman 2005).

To further investigate the association of leadership with changing business environment, scholars have suggested that the most favourable way would be to scrutinize leadership through compound lenses (Yammarino et al. 2001). This is a valuable way to understand the straight impact of changes on specific leadership styles (Fernandez et al. 2010).

## **2. Literature Review:**

### **2.1. Changes in International Settings:**

Changes in international setting can cause various changes in the culture and operations of an organization. This necessitates different actions in different settings from the leaders, thus influencing them to formulate novel strategies and demolish the existing old policies in order to achieve profitable development (Schumpeter 1934).

Changes in international setting of an organization are strategic changes, belonging to the category of planned, radical modifications, in which competent leadership guidance and planning is essential as these kinds of changes are often complex in nature (Yukl 2010; Avolio and Bass 2002).

For example, in IKEA, the Swedish furniture organization, the changes in international settings gave disastrous results due to improper

management and leadership guidance; hence, it was forced to change its international structure again (Yukl 2010).

A focused systematic approach is required along with strong vision of the leaders to handle these changes. Changes in international settings can provide significant advantages, but only if they are handled properly by the organization, otherwise these may lead to strategic catastrophes like the case of Enron, where they went bankrupt in 2001 as a result of incompetent leaders being unable to handle the changes in the international background (Applebaum et al. 2007).

The changes in setting often impact the behaviour of employees and leaders. The changes are successfully handled in the international environment when leaders frequently support the organizations along with their vision, morals and expertise, as occurring in vertical reporting frameworks (Ghoshal and Bartlett 1995). International culture and communication represents another frontier in which leaders influence their followers in the changed atmosphere (Rezvani et al. 2012).

In the face of internationally changed setting, leaders are expected to test and find out the differences in culture changes and provide the followers necessary guidelines. An influential factor is cultural communication instrument, which the leader uses in the socialization process. Through this communication and socialization, the leaders transform the newcomers to contributing, operative workers of the organization (Feldman 1981).

A leader is expected to be free from the prejudices of gender discrimination and he must follow the international ethics and code of conduct in order to perform his responsibilities (Garg and Singh 2002). For example, Jack Welch at General Electrics was one such leader, who embraced change and created a new bureaucratic environment with his communication power and influenced his followers to follow the lean approach and adopt the cultural changes (Cole et al. 2011).

## **2.2. Impact of changes in international settings on Leadership:**

The impact of changes in international settings on leadership is considered as the fundamental element which results in enhanced performance of the firm (Chiara 2006; Kalantaridis 2004; Beamish and Lu 2004).) There is a link between management and leadership though the two roles are quite different (Kouzes and Posner 1987).

**Difference between Leadership and Management:**Management is joboriented, whileleadership makes people to do what is needed to be completed. Managers conduct responsibilities, usepower, and apprehend about ways to get things finished, whereas leaders are concerned with accepting organizational requirements and achievingworkers' devotion(Zalenik 1990; Javidan et al. 2010).

Managers are job-oriented, while leaders are involved with the development of task presentation. Leadership is needed when an organization confronts the need to change in the businessand structural settings. "Leadership is handling with transformation, whereas

management is managing with difficulty [Kotter 1990]. A competent leader, by means of his visionary powers makes the choice related to enter an overseas market. Hence, leaders are expected to have a global outlook.

The changes in international setting of an organization include essentially three stages, which are the early phase, later phase and excessive last phase. The leaders execute different roles in different phases. However, a competent leader ultimately influences his followers through interpersonal skills, knowledge, charisma and visionary powers towards a shared goal (Cotae 2010)

The changes in international setting include cross-cultural changes. These cross-cultural changes influence the role and capability of a leader, where the culture has a direct impact on leadership styles, arguing which leadership styles will be adopted for particular cultural traditions, morals and principles.

In these circumstances, the changes determine whether he will act as a guide to business endeavour and take the right decision to enter a particular foreign market. The changes impact the decision making power of a leader and it is judged how well he can lead his followers through these complex situations through his visionary powers, degree of cooperation and commitment to organizations.

For example, the leader and founder of Toyota Company in Japan, Kichiro Toyota introduced the innovative JIT production system and this decision

turned quite successful for the internationalization of the organization (Bono et al. 2012).

The changes also influence the leadership styles which the leader adopts to guide his followers and ultimately increase the organization's performance in the global environment. This process also impacts on the leader's job to institute trust in his followers. The changes in international environment present the leaders with the challenges of guiding and supervising a culturally and linguistically different workgroup within and among countries (Nyambegera 2002). These include utilization of authority, paternalistic approach, filial devotion, and coordination, to obtain a cooperative coordination from his followers.

For example, Costco's CEO, Jim Sinegal, in order to motivate the employees belonging to the different cultural groups, intermingled himself along with his workers and decreased his salary to the equivalent of 12 people working on the premises as per his job rate. This motivated other workers and he considerably reduced the employee turnover rate in this manner more than his rival companies (Boehm and Yoels 2009).

In a cross-cultural environment, the changes affect the aesthetics of a leader i.e. the ways in which an individual enacts leadership functions within team members, international community and culture. In a way this determines the position of authority for the leaders. Hence, in this aesthetic leadership, factors like colour, custom, inventiveness, and cultural, political and interpersonal issues of a leader are influenced by

the new international environment. These changes in international settings may ultimately govern the charismatic and visionary powers of a leader.

Nelson Mandela is the best example in this case, who always valued for mankind and proved himself as the people's leader by barring social customers like colour, caste and creed differentiation.

The changes influence the authority power which is derived from personal competence and commitment to the task. Often leaders fail because under the impact of changes, they did not incorporate wisdom of sincerity among his followers, build a supervisory alliance, develop a strong vision of the future, communicate properly, and construct a shared learning culture (Kotter 1990).

### **2.3. Leadership Styles:**

A competent leader is an individual who can guide others through complex situations at times of changes (Kotter1995; Chiara 2002). There are various leadership styles however, in this paper, only those are discussed which are related to the changes in international setting of organization based on existing investigations.

**Situational leadership** is considered as the consequence of the joining of situational demonstrating and decision making arrangements (Keller 2003) or according to situational theory as refers to leader-member associations, job structure and authoritative power.

For example, Jim Lentz, CEO of Toyota, during recall of 2.3, million vehicles failure internationally, personally answered all sorts of questions from customers and other stakeholders which saved the brand reputation.

**Transformational leadership** is seen as that leadership that retains idealistic and charismatic power; it motivates followers to surpass their self-regards for a shared purpose, vision, and/or mission (Metcalf and Bean 2012). It is seen to support a company in accepting advanced solutions for resolving operations consequential issues in times of changes in international settings.

The significance of strong communication of the vision has been recognized as a 'mandatory skill' for organizational leaders. The best leaders endorsesome common characteristics of communication skills like: central (policy, inscription, talking), decision-making (expressive intelligence, attending, training), and business (collaborating with all investors). Examples of transformational leaders are, Nelson Mandella, Martin Luther King (Jr.) (Barrett 2006) .

**Transactional leadership** is suitable for short-term financial requirements of the organization and hence is not applicable in case of changes in international setting which involve long-term farsighted approach (Metcalf and Bean 2012).

**Ethical leadership** is fulfilled by exploiting financial consequences that help proprietors while not fetching anything forbidden by laws and ethical

standards (Yukl 2013). While it supports the concern of the organization in realizing financial accomplishment for the organization it does so by harmonizing standards and customs considered significant by all investors involved. Ethical leadership helps to build trust and better relations with employees. In this, the leaders believe that acting with honesty, fairness and impartiality result in a sustainable advantage during times of change. During any change of strategies and policies, he maintains a transparent relation with his followers.

For example, the CEO of Ford reduced the salaries of the employees during changes in international settings to the amount of \$1 in an attempt to help the organization survive the economic crisis and they publicly apologized for the same (Yukl 2010).

The job-suitability and its settings are crucial aspects which determine an employee's job-commitment and affect the overall turnover (Basett-Jones and Lloyd 2005).

#### **2.4. Perception of Leadership Behaviours:**

Followers determine how to perceive the leader and his decisions during the face of changes in international settings (Uhl-Bien & Pillai 2007). Normally, followers play a less active role in the decision-making process, but in case of a cross-cultural change, the way leadership is perceived by the followers, to a great extent determines the success of the organization and the leadership.

In these changes, they expect the leader to inspire them or motivate them to adjust in the various international settings. According to Muchiri(2011) the leader's influences are perceived by the followers on the socio-cultural or values (e.g., collectivism) level and neo-patrimonialism as contextual level. He also studied the social fit of the collective perspective of transformational leadership.

In context to the social exchange theory, leader's behaviour is perceived by his followers based on his demonstration of ethical decisions and loyalty to the group. There exists a reciprocal influence between them and the leaders influence the followers through his innovative ideas which are perceived on the positive level by his followers. He also motivates the followers through rewards, recompenses and social recognition and sometimes uses his authority power which is perceived as leadership styles by the followers.

According to the contingency theory of Fiedler (1996), the followers perceive their leaders on the basis of the three perceptions.

1. **Leader-Follower Relations:** This describes the relationship between the leader and his followers and shows the level of trust.
2. **Task Framework:** This factor describes the nature of tasks assigned to the followers.
3. **Authority Power:** The leader uses this power on the followers to handle issues related to cross-cultural problems and help followers to adjust in the new settings (Fiedler 1996).

### **3. Conclusion:**

The review thus showed that changes in international settings influence the behaviour and performance of leadership and leaders and also the ways and it is perceived by the followers. A leader mostly decides the changes and accordingly utilizes his visionary powers and charisma to motivate workers belonging in different settings. A manager is very much different from a leader. Changes and leadership are two interdependent aspects of an organization. It is also discovered that the change process face many challenges but only those leaders which who can handle complex situation for the management are perceived as efficient leaders by his followers.

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