



# Corporate transformation through Leadership: Understanding Macro-Cultural Implications for Indian organizations

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## Abstract

India's phenomenal growth has resulted in the creation of a new business environment that is characterized by new strategy, structure, systems and innovative approaches. With the high rate of growth and entry of new and diverse industries, there is a need to design potent corporate management systems and processes. There is growing evidence that the manifestation of leadership has changed in the light of the new social and economic circumstances that organizations are facing today. A substantial amount of empirical research has demonstrated that the leadership role varies considerably as a result of the cultural forces in the countries or regions in which the leaders function. Given the increased globalization of industrial organizations and increased interdependencies among nations, the need for better understanding of cultural influences on leadership and organizational practices has become far more relevant. Since effective organizational leadership can lead projects and transactions in different cultures in times of globalization, cross-cultural research can help to identify leadership issues and challenges and influence organizational processes and effectiveness. Keeping in view the aforesaid facts, this study has been undertaken to make an analysis of macro and micro cultural factors affecting governance in organizations. It emphasizes upon the idea that supportive leadership takes the responsibility for establishing a sound corporate culture and translates it into best practice and is accountable for the delivery and effectiveness thereof. The current study reviews the leadership practices around the world to turn organizations into corporate brands. This paper attempts to take a preliminary look at those behavioral manifestations of leadership that are unique to Indian culture. In contrast to many Western transnational corporations with high technology capabilities and proprietary product systems, many Asian Indian managers rely extensively upon long-term relationship building in their international business encounters. Moreover, the Indian approach to good governance and stakeholder satisfaction in wake of globalization and structural alignment has been taken note of in the current study.

**Keywords:** : cross-cultural research, leadership behaviors, global-centric leadership, corporate transformation.

## Introduction

India's phenomenal growth has resulted in the creation of a new business environment characterized by new strategy, structure, systems and innovative approaches. The biggest challenge that organizations are facing in this environment is that of survival which depends on its ability to succeed. With the high rate of growth and entry of new and diverse industries, there is a need to design potent corporate management systems and processes. Successful corporate transformation depends on the articulation of a concise and compelling vision in the business success model which would require organizations to develop global leaders across all levels. Leaders who can consistently interact with both external stakeholders and internal stakeholders can contribute to creativity and innovation in organizations.

There is growing evidence that the manifestation of leadership has changed in the light of the new social and economic circumstances that organizations are facing today. There is a growing belief among the leaders of organizations that traditional hierarchical organization cannot cope with the

nature of change taking place. Many of the problems that face organizations can be traced to the lack of leadership<sup>1</sup>. 85-90% of the problems that an organization experiences are due to the lack of leadership<sup>2</sup>. Thus, it is imperative that those who are responsible for providing leadership in organizations possess the vision, knowledge, and skills that are needed to bring about corporate transformation.

Leadership is defined as the ability of an individual to influence, motivate and enable others to contribute towards the effectiveness and success of their organizations. Leaders help the employees to understand why and how certain activities and goals need to be accomplished. Leadership constitutes a process of facilitating individual, group, and organizational efforts to learn, and accomplish shared goals in organizations. These individual leader actions serve to promote effective leadership and its development, which can be defined as the collective capacity of organizational members to engage effectively in formal and informal leadership roles that promote learning and knowledge diffusion.

A substantial amount of empirical research has demonstrated that the leadership role varies considerably as a result of the cultural forces in the countries or regions in which the leaders function<sup>3</sup>. Given the increased globalization of industrial organizations and increased interdependencies among nations, the need for better understanding of cultural influences on leadership and organizational practices has become far more relevant. Since effective organizational leadership can lead projects and transactions in different cultures in times of globalization, cross-cultural research can help to identify leadership issues and challenges and influence organizational processes and effectiveness. Keeping in view the aforesaid facts, this study has been undertaken to make an analysis of macro and micro cultural factors affecting governance in organizations. It emphasizes upon the idea that supportive leadership takes the responsibility for establishing a sound corporate culture and translates it into best practice and is accountable for the delivery and effectiveness thereof. The current study reviews the leadership practices around the world to turn organizations into corporate brands. Moreover, the Indian approach to good governance and stakeholder satisfaction in wake of globalization and structural alignment has been taken note of in the current study.

As with leadership, there is no consensually agreed upon definition among social scientists for the term culture. Generally speaking, culture is used by social scientists to refer to a set of parameters of collectives that differentiate the collectives from each other in meaningful ways. Hofstede is a central figure in the development of literature on cultural variation and the dimension-based approach to assessing and classifying cultures. His book *Cultures Consequences*<sup>7</sup> was a major advancement in the application of the culture construct to organizations<sup>4,5</sup>. Cultural differences are primarily encountered as differences in shared values, with values being defined as ‘broad tendencies to prefer certain states of affairs over others’<sup>6</sup>.

Cross-cultural research is essentially focused on comparability, and etics and emics are the foci<sup>7</sup>. Miroshnik presented the unique concerns of managing a multinational corporation, especially the challenges of effectively managing both national and corporate culture<sup>8</sup>. It focuses on such organization-level considerations as participation, teamwork, and sense of family; leader characteristics such as entrepreneurship, facilitative disposition, risk-taking behavior, and innovativeness; bonding factors such as tradition and sense of loyalty; and strategic emphases such as development of human resources, growth, commitment, and long-term stability versus competitive advantage<sup>9,10</sup>.

**Impact of Societal Cultural Values and Practices on Organizational Leadership:** Facets of culture are interrelated and it is shared by members of a group who define the boundaries. Culture reveals itself in many ways

and in preferences for colours, styles, religion, family ties and so on. Often different cultures exist side by side within countries, which is referred to as sub cultures. Executives are themselves products of the unique cultures in which they have been raised, learned and conducted business. Each business organization has a culture shaped by the business it is in and the people who run the business. At the same time, there are large variations in how people perceive leadership in cultures that are very different from each other<sup>11,12</sup>.

There are various theoretical approaches to the structure of values at the cultural level<sup>13-15</sup>. Hofstede is one of the principal researchers on culture and its consequences, who, as a result of his studies, offer many insights and guides to leaders when dealing with diverse nationalities. Hofstede’s major advance in the field of cultural research is primarily the development of a set of dimensions which can be measured through survey instruments to obtain average values for a particular group of people and hence a measure of their national culture attributes. The dimensions which he identifies are Power Distance, Uncertainty Avoidance, Individualism, Masculinity and Long Term Orientation. These dimensions help to develop an understanding of the cultural differences between these groups. They have been explained in the following manner.

Power Distance (PDI): Degree to which members of a society accept as legitimate that power in institutions and organizations are unequally distributed, Uncertainty Avoidance (UAI): Degree to which members of a society are uncomfortable with uncertainty and ambiguity. This leads them to support beliefs that promise certainty and to maintain institutions that protect conformity, Masculinity (MAS): A preference for accomplishment, heroism, severity and material success as opposed to a preference for relationships, modesty, attention to the weak and quality of life, Individualism/Collectivism (IDV): A preference for closed social surroundings in which it is understood that individuals must care for themselves and only their closest relations as opposed to a dependence on groups of which individuals form part. Long Term Orientation (LTO): Long-Term Orientation is the fifth dimension of Hofstede which was added after the original four to try to distinguish the difference in thinking between the East and West. It relates to the choice of focus for people’s efforts: the future or the present and past.

Leadership behaviors and perceptions are shaped by the underlying values and attitudes of the societal culture. Although a region may share similar values, leader’s actual behaviors and expectations may differ due to societal cultural dimensions and traditions<sup>16</sup>. Markus and Kitayama had described the Western culture (e.g., the United States – U.S., including Australia) as being *independent* which emphasizes valuing of one’s self, discovering and expressing individual qualities<sup>17</sup>. Therefore, each individual behaves primarily as a

function of these internal and individual attributes that promote self-enhancement. Americans appreciate two kinds of leaders. They seek empowerment from leaders who grant autonomy and delegate authority to subordinates. They also respect the bold, forceful, confident, and risk-taking leader. Uncertainty avoidance in the US is relatively low.

Germany can also be considered as individualistic with a relatively high score on the scale of Hofstede. In Germany people stress on personal achievements and individual rights. Germans expect from each other to fulfill their own needs. Group work is important, but everybody has the right of his own opinion and is expected to reflect those. In an individual country like Germany people tend to have more loose relationships than countries where there is collectivism and people have large extended families. Germany does not have a large gap between the wealthy and the poor, but have a strong belief in equality for each citizen. The United States exhibits a more unequal distribution of wealth compared to German society. Germans show masculine traits such as assertiveness, materialism/material success, self-centeredness, power, strength, and individual achievements which is similar to the United States on Hofstede's scale.

In contrast, Asian cultures emphasize interdependence (e.g., Japan, Indonesia) which views one's self and individuality as being contingent on others and the social context<sup>18</sup>. Research suggests that members of Asian cultures tend to view themselves as being interdependent<sup>19</sup>. The Dutch place emphasis on egalitarianism and are skeptical about the value of leadership. Terms like leader and manager carry a stigma. If a father is employed as a manager, Dutch children will not admit it to their schoolmates.

Malaysians expect their leaders to behave in a manner that is humble, modest, and dignified. Malaysians are known to be indirect and non-confrontational in terms of expressing their personal opinions towards others. The majority of Malaysians are Malay Muslims and due to this, Islamic religious restrictions become a part of the practices and norms of Malaysians. Social formalities were extremely important in the daily social interaction of the locals. Malaysia has the characteristic of a slightly high-level of masculinity, there is no sense of urgency, and the people at the high management level of their hierarchical positions acquire strong control over issues at the workplace. In Netherlands, people are more stressful and everybody is time conscious. Iranians seek power and strength in their leaders.

In Japan there is high uncertainty avoidance compared to countries as Singapore. Japanese want to reduce their risks to the minimum and proceed with changes step by step. According to a survey conducted earlier this year by the Kenexa Research Institute, a unit of Kenexa Corp., workers in Japan gave their bosses low marks while managers in China and India rated their company's senior management

highly on a set of five attributes—such as their commitment to high-quality products and their people management skills. Only 35% of employees in Japan rated their company's senior management highly whereas more than 70% of employees in India and China believed that their senior managers were effective. In the U.S., Americans gave the highest scores to senior managers' commitment to high quality products and services, and the lowest marks to the confidence they generated.



Figure - 1  
 Leadership Effectiveness Index

Table-1  
 Hofstede's dimensions to understand cultural differences

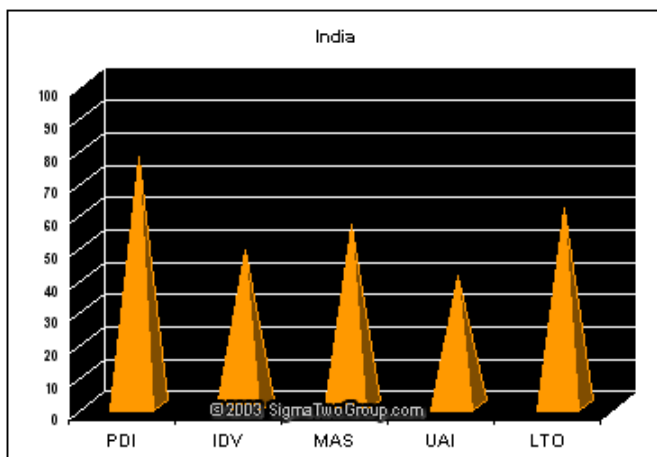
Country	PDI	IDV	MAS	UAI	LTO
United States	40	91	62	46	29
Australia	36	90	61	51	31
United Kingdom	35	89	66	35	25
India	77	48	56	40	61
Germany	35	67	66	65	31
Japan	54	46	95	92	80
China	80	20	66	40	118

**Societal Profile of Indians:** The present Indian Management system is a product of social, economic, religious and political factors. The influences of religion and caste system have created a culture that emphasizes

established hierarchical relationships. Indians are always conscious of social order and their status relative to other people, be they family, friends, or strangers. All relationships involve hierarchies. In schools, teachers are called gurus and are viewed as the source of all knowledge. The patriarch, usually the father, is considered the leader of the family. Indians are socialized in an environment that values strong family ties and extended family relationships signifying greater dependence on others, which has resulted in greater relevance of interpersonal relations in the work context. Every relationship has a clear-cut hierarchy that must be observed for the social order to be maintained. People typically define themselves by the groups to which they belong. This group orientation stems from the close personal ties Indians maintain with their family, including the extended family.

The operative social values in India could be broadly classified into (a) preference for hierarchy; (b) embeddedness; (c) personalized rather than contractual relationship; (d) harmony rather than confrontation; and (e) duty and obligation rather than hedonism<sup>20</sup>. A five-nation study suggested that unlike other nations, leaders in India give more preference to societal rather than economic values<sup>21</sup>. This shows that rather than going for rules and regulations, Indian leaders prefer to give importance to relationships and needs of specific followers.

Hofstede's research indicates that India has a high power distance score which indicates a high level of inequality of power and wealth within the society. India's Long Term Orientation (LTO) is indicative of a culture that is perseverant.



**Figure-2**  
**Description of Hofstede's dimensions of culture**

**Implications for Leadership in India:** Pressures to perform globally—to coordinate operations and produce results across the world—have increased markedly. The success of the firm depends on the support of all stakeholders but

leaders in particular. A leader's well-defined vision can foster innovation and experimentation and create a learning organization. Besides visioning, other factors critical to corporate transformation and which constitute leadership issues include talent branding, innovation execution, culture articulation and change management. These factors further help to understand the role of leadership in corporate transformation.

The culture in which an executive is raised has major implications for leadership behavior. Culture is an intangible force, with far reaching consequences. Moreover, cultural aspects are becoming more important with the increase of international businesses and collaborations between companies. For a long time in history, leadership was seen as the personal style of the leaders leading a company rather than being dependent on the macro-cultural aspects. But, the current business environment calls for applying a leadership style in the cultural context.

In the Indian context, the psychic development of individuals is characterized by excessive dependence of the subordinates on their superiors with whom they want to cultivate a personalized rather than contractual work relationship. It is argued that Indians have a high preference for personalized mode when it comes to relating to task and functions<sup>22</sup>. Subordinates are ever willing to work extra hard as part of their effort to maintain a personalized relationship with the superior and the boss cares for his subordinates, shows affection, takes personal interests in their well being, and above all, is committed to their growth. The boss is seen as the source of ultimate responsibility in business. This attitude of the boss, however, creates dependency and status differential and prevents the subordinates from reaching a reasonable level of maturity, which acts as a barrier to establishing a participative and empowered culture in the organization. Moreover, Indian organizations, in both the past and the present, have made attempts to emulate Western or Eastern (Japanese) patterns of management.

However, in contrast to many Western transnational corporations with high technology capabilities and proprietary product systems, many Asian Indian managers rely extensively upon long-term relationship building in their international business encounters. Indian business styles are based upon long-term, vis-a-vis short term, priorities in the context of several cultural and functional dimensions.

Another research conducted by prestigious Wharton School on senior executives at 98 of the largest India-based companies, including the likes of Infosys, Reliance industries, and Mahindra and Mahindra, revealed that the leaders of some of India's biggest and fastest-growing companies take an internally focused, long term view and put motivating and developing employees higher on the priority list than short-term shareholder interests. While the U.S.

executives gave more attention to external demands-regulatory concerns, the board and shareholders - only a small proportion of Indian executives gave additional attention to these. The majority of Indian executives spent more time on setting strategy. They focus on creating the incentives, organizational structures and culture that will enable an improvisational approach to strategy, the study said. The study concludes that Western leaders should adapt this Indian managerial approach to their own circumstances. On the other hand, it becomes essential to say that in view of the pressures being expected from the external environment and the critical vision of organizations, top management needs to establish a flexible and adaptive strategy that should lead tomorrow's organizations to higher levels of performance.

leadership development, as it is an important aspect that could catalyze business growth in these turbulent times.

With the trend towards globalization and joint ventures, leaders need to be aware of values, attitudes and beliefs across different cultures to do away with unique leadership challenges for managers and organizations. Leadership behaviors based on contingency approach rather than trait theories can help deal with cross-cultural issues in an effective manner. Corporate transformation requires global centric leadership behavior. The impact of local cultures on the leadership style should not be unduly emphasized in a globalized environment as it represents a myopic view towards competency building and gaining competitive advantage. However, leaders must maintain a high standard of conduct and be willing to integrate local people, needs and values into the organizational goals to assist companies in better management of human resources.

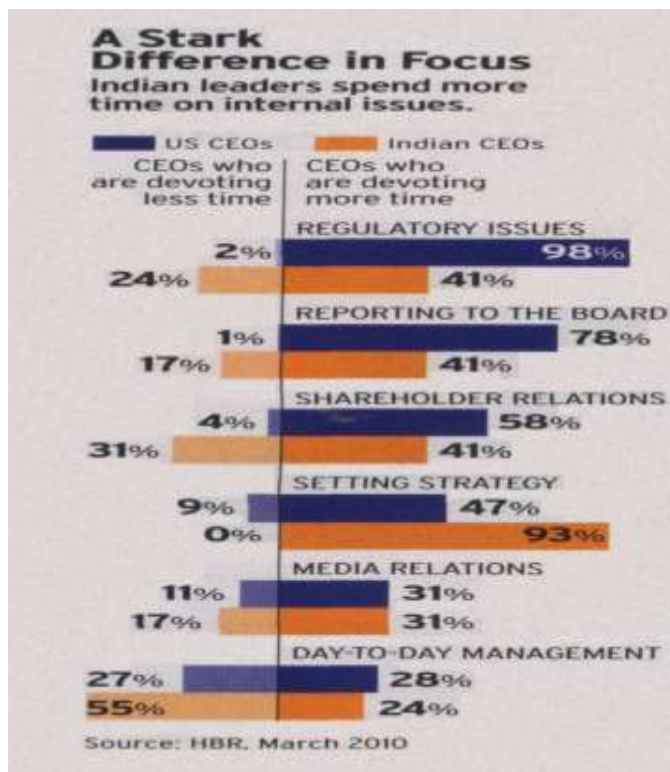


Figure -3

Comparison of us and indian ceos

### Conclusion

This paper studies the influence of national culture on organizations and shows how it influences the functioning of a leader. Societal culture is important to leadership effectiveness because leadership behavior is essentially an outcome of the process of socialization in a specific culture. Cross-cultural training and the development of behavioral skills enables leaders to develop more flexible and responsive organizations which can have a significant impact on corporate performance in today's turbulent and uncertain times. Corporate transformation necessitates investment in

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