Implications of the GLOBE Study of Leadership on MNEs

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**Introduction**

The effectiveness of organizational leadership and management plays a significant role in the determination of the extent of success of an organization. MNEs operate in various foreign markets around the globe ad require effective and efficient leadership for the realization of their goals and set objectives. The integration of efficient leadership into the management of MNEs promotes efficiency of systems, processes, and operations and boosts productivity, and profitability. The achievement of the abovementioned guarantees the success and development of the organization in the foreign markets and in the host country market. The consideration of this issue leads the leadership of any MNEs in adopting and implementing specific leadership skills and strategies to meet the concerns and demands of each particular market with the required efficiency. However, since the corporations operate in different environments, the consideration of key aspects such as culture and other micro and micro-environmental factors is crucial for the development of an efficient leadership model and corporate strategy. This report analyses the implications of the GLOBE study of leadership for MNEs operating in 12 different countries across the globe. Further, it outlines the effectiveness of leadership in promoting the achievement of high performance in the service sector.

**Background Information of the GLOBE Study**

The GLOBE (Global Leadership and Organizational Behaviour Effectiveness) study of leadership is a research program that was conceived by Robert J. House in 1991. As a professor of the Wharton School of Business in the University of Pennsylvania, House focused on outlining and understanding the influence of various factor, especially culture, had on leadership (House, et al., 2013; Ahlstrom & Bruton, 2010). The program developed its first research findings in 2004 in a comprehensive volume titled *Culture, Leadership and Organizations – The GLOBE Study of 62 Societies.* The study findings were based on the results collected from approximately 17 300 middle managers from 951 entities in various sectors around the globe (Elsaid & Elsaid, 2012). Most of the middle managers came from the financial services, food processing, and the telecommunications services sectors. Further, the research program developed another major volume in 2007 titled *Culture and Leadership across the World – the Globe Book of In-Depth Studies of 25 Societies.* The study complements the previous study through an extensive review of literature, integration of focus group discussions, interview data, and analyses of printed media thus offering an in-depth explanation of the theories of leadership and leader behaviour in the 25 countries (House, et al., 2013). The study builds on Robert’s study of cultural competencies and focuses on different cultural clusters. The various cultural competencies include performance, assertiveness, humane, and future orientations, in-group and institutional collectivism, power distance, gender egalitarianism, and uncertainty avoidance (House, et al., 2004).

**Purpose of the Study**

This report focuses on the discussion of the various implications of the GLOBE Study of leadership for MNEs operating in 12 countries around the globe. The countries are chosen from different cultural clusters from Western and Northern Europe, Southeast Asia, Northern America, and Latin America. The countries include Malaysia, Turkey, India, Japan, China, Switzerland, Portugal, Finland, Sweden, Germany, Mexico, and the US. It utilizes the study to analyse the influence of the cultural competencies on leadership. Further, it delves deeper into the analysis of the cross-cultural competence, the different cultural competencies, and the critical theories of leadership. In doing so, this research purposes to outline the interaction between leadership theories and the theories of motivation and its influence on the leadership and management of the MNEs. Moreover, the research uses the hospitality sector (specifically the restaurant industry) to show the influence of effective leadership in leading MNEs towards the achievement of high performance.

**Implications of the GLOBE Study of Leadership on MNEs**

The GLOBE Study acknowledges that different countries pose different cultural challenges and micro/macro environmental concerns. As such, it focuses on the discussion of their influence on leadership and the analyses of data and evidence to outline the measures that would improve the effectiveness of leadership in companies in the various countries. According to GLOBE, culture influences leadership significantly and thus there is a need for the development of various competencies that ensure the enhancement of effectiveness in leadership (Morschett, Schramm-Klein, & Zentes, 2010; Okazaki, 2012). Following the study by GLOBE, various MNEs and other businesses have relentlessly focused on the implementation of its recommendation to enhance leadership and management. The quest is mainly influenced by the desire for the achievement of high performance, which translates to quality improvement, effective management of resources, efficient processes, systems, and operations, and improved organizational productivity. As every MNE focuses on the achievement of high profit efficiency, the implementation of strategies that guarantee the same is critical. As such, the GLOBE Study of leadership has caused significant and diverse implications for MNEs operating in the 12 countries.

The GLOBE Study analyses the various factors that influence leadership and management in an organization. According to Javidan and Dastmalchian (2009), it acknowledges the influence of culture on leadership and focuses on the analysis of the various cultural competencies and skills required for effective leadership in different countries. The extensive study asserts that the effectiveness of leadership is defined and greatly influenced by the socio-cultural factors including societal and organizational values, norms, and the beliefs of the staff and the society. The ability to conform operations and align them with the specific preferences of the society, the values, and norms defines the success of any leadership/management. The operations of multinational restaurants such as KFC and McDonald’s in the 12 countries is significantly influenced by the socio-cultural factors (Elsaid & Elsaid, 2012). The GLOBE Study, which identifies the influence of culture on leadership, therefore, has insurmountable implications on MNEs operating in the different countries. Countries from different cultural clusters have different socio-cultural practices that mean they have differing food preferences and tastes. Therefore, in accordance with the GLOBE, effective management and leadership of the MNEs would greatly rely on the effective consideration of the cultural dimensions developed and discussed by the study (Ferrell, 2013).

According to GLOBE, the different countries studied have varying cultures and different environments that influence leadership. The effectiveness of leadership in the management of businesses in the countries is determined by the ability to integrate the cultural practices and other directly linked factors in the management and leadership (McCauley & Velsor, 2003). Leaders must understand the cultural concerns and practices of the region in order to identify the most effective ways of leading and efficient strategies of market entry, penetration, and development (Kreitner & Cassidy, 2014). For instance, in the case of the restaurant industry, the consideration of culture is critical for the determination of customer preferences and tastes. In most cases, the culture of a region determines the cuisines of the people therein, their tastes, what they prefer, and the ability to adopt and use other food products among other issues (Halverson & Tirmizi, 2012). As such, the issue of culture is of great importance in influencing leadership and management of MNEs in the food business.

The KFC and McDonald’s have expanded their operations to various foreign markets, among them the 12 countries chosen for this study (Pizam, 2013; Bell & Shelman, 2011). Their operation in the countries is greatly influenced by culture among other critical forces (Wu, 2013). In the analysis of the implications of the GLOBE Study on the operations of MNEs in the countries, the consideration of the influence of the study on the operation of the KFC and McDonald’s is critical for the enhancement of understanding on the issue. Operating within the hospitality sector, these restaurants require effective leadership for success in the various regions and foreign markets. Entry into new markets in Southeast Asia, Latin America, North America, and Western and Northern Europe demands the integration of efficient strategies into the leadership to improve effectiveness in all processes of their operations. The implications of the GLOBE Study are experienced in the enhancement of the cultural competencies and leadership styles for the provision of quality services in different markets (Day, 2014; Pangarkar, 2011).

According to Javidan and Dastmalchian (2009), the GLOBE Study influences various cultural dimensions that impact on organizational leadership directly. Of the major impacts of the study is its influence on the dimensions and leadership characteristics applied in different regions and countries around the world. The study focused on the identification of the various dimensions of cultures and their influence on leader characteristics. MNEs focus on the integration of the findings and recommendations of GLOBE into leadership to improve effectiveness and enhance profit efficiency. Elsaid and Elsaid (2012) asserts that the findings of the Study on the issue of performance orientation influences leadership significantly. MNEs operating in the various countries must focus on constant performance improvement for the achievement of the set organizational goals through an enhanced market share and improved profitability. McDonald’s and KFC must ensure performance improvement through performance orientation where the leadership and management implements and supports an efficient reward and incentives program for the encouragement of employees. This plays a critical role, as highlighted by GLOBE, towards the enhancement of performance and excellence. As an industry whose success is tied on customer satisfaction, the restaurants must focus on ensuring excellence and effectiveness in their performance.

Another critical implication of the GLOBVE Study to MNEs is the enhancement of the organizations’ understanding of the influence of culture on leadership and organizational profitability and development. The Study outlines the influence of cultural competencies on the leadership of MNEs. For instance, it argues that assertiveness orientation plays a significant role in influencing business in foreign markets. Individuals from different cultures have varying degrees of assertiveness, differ in their confrontational, and aggressive natures in forming social relationships. As such, MNEs operating in different countries must consider the cultural competence of assertiveness orientation. McDonald’s and KFC have acknowledged the importance of this competence in their management of foreign market branches. The application of the component, which is a critical finding of the GLOBE Study, reveals the influence of the Study on the management and leadership of MNEs. The integration of the assertiveness orientation in the leadership of MNEs plays a significant role in the enhancement of the effectiveness of the leadership and the profitability of the organizations (Day, 2014; Mobley, Li, & Wang, 2012). By applying the cultural competence in their operations, McDonald’s and KFC attain the ability to compete effectively with local players and thus boost their profitability significantly.

However, the effective implementation of the assertiveness orientation in the restaurant industry demands the application of effective leadership styles. The management and leadership of MNEs operating in foreign markets with groups of people of varying degrees of assertiveness requires effective leadership. The GLOBE Study asserts that culturally endorsed implicit leadership is essential for effective leadership (Meindl & Schyns, 2005). MNEs understand the importance of aligning leadership with the dominant cultures in the market. According to Havaldar (2014), the process is essential for the improvement of leadership effectiveness. For instance, while operating in Japan and China, McDonald’s integrates the culture of the Chinese and Japanese in its leadership and management through the application of culturally endorsed implicit leadership. The management of the MNE employ various leadership traits/characteristics to ensure effectiveness in leading and managing the restaurant in the countries. McDonald’s leadership in Japan and China integrate value-based, team-oriented, and participative leadership dimensions to boost the effectiveness of the leadership in the regions (Harris, 2009) (McDonald's, 2016). Such a strategy aligns with and shows the influence of the GLOBE Study on the Company and other MNEs.

KFC and McDonald’s, like other MNEs have achieved substantial growth and development due to their unrelenting focus on innovation to align their operations with the culture of the various regions in which they operate. The leadership and management of the MNEs acknowledges the significant influence of culture on people and the need for the integration of innovation in all operations. In the implementation of the ideas developed by the GLOBE Study, the companies employ various strategies to align their operations with the cultures of the different regions or countries. The MNEs continually adopt and implement innovativeness by integrating it into key processes such as production, marketing and distribution (Okazaki, 2012; Rumsey, 2013). KFC and McDonald’s promote different specific products and services for different outlets around the world (Ferguson, 2014; Harris, 2009; Kowitt, 2014). The major issue prompting this approach in leadership and management is culture, where people from different regions have varying food preferences. Then regions offers different markets and thus the cultures, beliefs, and preferences of the target consumers must be considered.

MNEs focus on the establishment of string organizational cultures that meet the concerns of the various concerns and needs of the customers from different regions efficiently. The efforts made by the MNEs align well with the Study findings. According to the GLOBE Study, effective leadership and an efficient organizational culture are critical for enhanced competitiveness when operating in foreign markets. The leadership of McDonald’s and KFC reveal a great influence of the GLOBE Study as they use the concept effectively to tap into the potential culture offers. The core menus of KFC and McDonald’s differ across the world revealing well-established organizational cultures and innovativeness (Ghanawi, 2013; Daft & Marcic, 2009). KFC’s menu in North American countries such as the US and Canada may include chicken corsage among others, the Company markets Flava Crava, shrimp donuts, potato crisper among different products in China and India and other markets (The Telegraph, 2015; Kentucky Fried Chicken, 2015). Similarly, McDonald’s differentiates its products and services in consideration of the aspects of culture and beliefs dominant in different market segments. The Company offers Chinese, Japanese, Indian, and Portuguese cuisine and services aligned with the specific cultures (Jeon, et al., 2016).

Another critical implication of the GLOBE Study in the restaurant industry, specifically on MNEs in the industry is the enhancement of marketing strategies (Meindl & Schyns, 2005; Day, 2014). MNEs operating in different countries with different cultures use varying marketing strategies for the different regions. McDonald’s and KFC depict the influence of the aspect of culture on their leadership and management. The companies use different plans, languages, and marketing and promotion tools to reach their target customers in the different countries. For instance, in Northern American and Northern European countries, the leadership and management use the most dominant languages such as English, French, and Spanish among others to effectively reach the various market niches. The case is the same in Southeast Asia, Western Europe, and Latin America. For example, while operating in Turkey, India, Germany, and Portugal, the MNEs use Turkish, Indian, German, and Portuguese respectively for the specific countries in which each of the companies has outlets. The case of KFC restaging in China in 2014 is a clear example of the influence of culture on the enhancement of leadership. The Company redesigned its products and services and repackaged and continued to use Chinese to promote and market the products in order to appeal to the Chinese market (Ferguson, 2014; Harvard Business School, 2011).

Further from the aforementioned, MNEs integrate cultural competencies and efficient leadership styles into their leadership to ensure effectiveness in dealing with employees of different cultures and beliefs (Pless & Maak, 2012; Mobley, Li, & Wang, 2012). The integration of the competencies and the universal leadership characteristics shows the influence of the GLOBE Study on the MNEs. KFC and McDonald’s among other MNEs in the restaurant industry implement some of the recommendations and findings of the Study. The KFC and McDonald’s, for example, incorporate the humane orientation and the in-group and institutional orientation in leadership to ensure effective management of human resources and their collective resources. The application of the humane orientation as a cultural competence in managing and leading the restaurants involves the integration of reward systems and encouraging employees to shows humane traits such as friendliness, kindness, care, and generosity among others (Borrego & lll, 2014; Wart, 2013). These virtues play a significant role in reputation development and the attraction and maintenance of customers. The effectiveness of leadership depends greatly on the effective integration of the various universal cultural competencies and leadership traits (Kreitner & Cassidy, 2014). Understanding the importance of the concepts as discussed in the GLOBE Study pushes MNEs such as KFC and McDonald’s to adopt and effectively implement them for greater leadership effectiveness.

**Conclusion**

Since the conclusion of the GLOBE Study, MNEs and local enterprises have adopted and implemented the findings and recommendations. As such, the study has influenced the leadership and management of businesses significantly. The issue of culture and its influence on leadership, which are extensively discussed in the GLOBE Study, are critical issues of consideration in MNEs. In consideration of the influence of culture on businesses, MNEs focus on the integration of various leadership theories and styles in their management and leadership in order to boost their effectiveness. MNEs operating in various countries deal with markets of different cultural beliefs and practices, which influence their preferences, reaction to different issues, and interaction with people. The assurance of effectiveness in leadership should include the consideration of the concerns of the various cultural dimensions and segments. The management and leadership of MNEs consider the integration of cultural competencies in leadership and the universal cultural dimensions to boost leadership effectiveness.

In the restaurant industry, the consideration of culture as depicted in the GLOBE Study is critical for the enhancement of effectiveness in leadership. As such, multinational restaurants experience significant implication of the Study, which outlines the influence of culture on leadership and management. For instance, McDonald’s and KFC, which operate in different countries across various regions are greatly influenced by the Study. The companies apply the different cultural competencies and leadership theories and styles to enhance the effectiveness of their leadership. The integration of these concepts, which are discussed in depth in the GLOBE Study shows the extensive influence of the study on the leadership of the companies and other MNEs. KFC and McDonald’s apply different strategies to attract and maintain customers in different regions. Among the many strategies, the companies promote and market different menus in the different countries with the consideration of the dominant cultures therein. Most importantly, the leadership of the MNEs understands that employees in the outlets have different cultures and use the culturally endorsed implicit leadership integrated with the cultural competencies to ensure effective leadership and management of the employees and the organizations. In consideration of the aforementioned, the GLOBE Study has insurmountable implications on MNEs operating in various regions around the globe.

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