

Leadership Styles for Foreign Operations

Styles de leadership pour filiales étrangères à l'intérieur d'une entreprise

Arthur Elliott Carlisle

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Article abstract

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Leadership Styles for Foreign Operations

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Introduction

With increased American investment abroad it may be appropriate to ask ourselves what contribution American managerial thought can make to the selection of an appropriate managerial style overseas. In a frequently reprinted article originally published in the *Harvard Business Review* (Vol. 36, No. 2, pps. 95-101, March-April, 1958) Robert Tannenbaum and Warren H. Schmidt propose a framework which can be used by managers to help decide the extent to which they should leave decision making in the hands of their organizational subordinates and the extent to which they should retain decision making authority themselves. The authors distinguish between what they refer to as « boss-centered leadership » and « subordinate-centered leadership » by establishing as limits in a continuum in the decision making process the manager who makes the decision himself and then announces it at one end, and at the other, manager who permits his subordinates to make decisions with a great deal of freedom so long as they function within definite limits clearly defined in advance. In

CARLISLE, Arthur Elliott, Assistant Professor, Department of Management, School of Business Administration, University of Massachusetts.

this article they point out that the extent to which the manager decreases the use of authority is the extent to which he increases the area of freedom in which his subordinates can act.

Tannenbaum and Schmidt suggest that managers should consider three broad forces in their choice of a leadership pattern rather than seek one optimal approach for dealing with all circumstances. These forces involve the manager, the subordinate and the situation itself. Forces within the manager that are important determinants include his value system (how strongly he feels that individuals should have a share in the making of decisions which affect them as opposed to a feeling that the manager is paid a premium because he can make better decisions himself), his confidence in his subordinates' decision making ability, his own natural leadership inclinations and his feelings of security in uncertain situations (his tolerance for unpredictability). Forces in the subordinate include his need for independence, readiness to assume responsibility, tolerance for ambiguity, interest in the decision and experience in decision making, understanding of and identification with the goals of the organization, knowledge and experience to deal with the problem and, finally, extent to which they will participate in decision making. Forces in the situation that influence a manager in determining the extent to which his subordinates ought to participate in managerial decisions mentioned by the authors are the type of organization involved (values, traditions, size and dispersion of working units), group effectiveness (how effectively they work together and their confidence in their own ability), the problem itself (capability of the group in the appropriate knowledge area) and time pressure (participation takes more time).

The authors add that long run strategy considerations can influence a manager's choice of leadership style as well. If such objectives as raising the level of employee motivation, increasing their readiness to accept change, improvement of the quality of all managerial decisions, development of teamwork and morale and furthering the individual development of employees are important, then Tannenbaum and Schmidt suggest that « most research and much of the experience of recent years give a strong factual basis to the theory that a fairly high degree of subordinate-centered behavior is associated with the accomplishment of the five purposes mentioned. » They conclude : « . . . the successful manager of men can be primarily characterized neither as a strong leader nor as a permissive one. Rather, he is one who maintains a high batting average in accurately assessing the forces that determine what his most appropriate

behavior at any time should be and is actually being able to behave accordingly. Both insightful and flexible, he is less likely to see the problem of leadership as a dilemma. »

But what about the manager who is given responsibility for directing subordinates in a foreign operation? All too often an expatriated American's first reaction to a new managerial assignment in a foreign country is that, while some customs may be different, « people are the same everywhere and working with people abroad will be just about the same as it was at home. » Tannenbaum and Schmidt's conceptual framework provides a more objective basis on which to make judgments as to appropriate leadership style in a foreign setting that does habit and rationalization.

Certainly forces in the manager, in the subordinates and in the situation operate to influence the choice of style abroad just as they do at home. Similarly, as Tannenbaum and Schmidt point out, long run objectives of increasing employee motivation, improving their readiness to accept change, development of teamwork and morale and furthering individual development of employees suggest subordinate participation in the managerial decision making process. There are real questions in the case of emerging countries, however, whether such an approach will lead to improved quality of all managerial decisions. At least in the early stages of an industrial operation in a foreign setting it would be disastrous to lead subordinates to expect extensive participation in managerial decision making for they are far less likely to be capable of making some meaningful contribution or prepared to do so than is the case in the domestic situation. This does not mean that an executive should automatically plan to be less participative in his managerial style in a foreign than in a domestic situation. Sound management may require that suboptimal managerial decisions be made because of additional considerations resulting from the foreign environment ; long run benefits achieved through a more participative approach may offset any imperfections in the decision itself. It is in an attempt to identify some of these additional factors and to underscore forces identified by Tannenbaum and Smith that have particular significance in the choice of an appropriate managerial style that this paper is written. Some of the additional factors to be considered in foreign operations are stage of economic development of the country, importance ascribed to assimilation of the organization into the community and the country, long term staffing plans, threat of nationalization of the operation, and organizational philosophy of the domestic company.

Stage of Economic Development of the Host Country

In a country that can best be described as unindustrialized (one with a dominantly agricultural economy often developed during a period of colonial status to supply the mother country with raw materials at low cost), there is no question but that the investor who sets up a foreign operation is at the same time exporting, with a profit motive, managerial proficiency. Frequently the foreign industrial development authorities actively solicit this proficiency along with its accompanying capital investment and, at least on their part, it is recognized that in the early stages of industrialization the process itself will inevitably impose profound changes on the life of the inhabitants, particularly that segment that must be industrially socialized. Ultimately, however, the whole of society will be affected. If the most rapid transition possible to an industrialized economy is needed more than anything else, there is no question that a highly directive bosscentered style of leadership is what is needed at all levels. As has often been noted, Mussolini did make the trains run on time.

The argument for using an authoritarian approach in an emerging society is further developed by noting that certain basic facts imposed by the factor system itself can really only be taught and learned rather than mutually discovered. The same is true for imparting technical skill and proficiency necessary for efficient industrial operation. Once some of these essentials are clearly understood (maybe even reluctantly accepted), time enough to consider participative management, but certainly not at the outset, goes the argument. Further justification could be provided by reference to Maslow's *Theory of Human Motivation* which suggests that human needs become effective motivators in a very definite sequence — the basic needs concerned with physiological drives must be relatively well gratified before higher needs (safety, love, esteem and self-actualization) emerge. In early stages, then, it can be argued that the « natives » look to the business organization for satisfaction of physiological needs and perhaps safety needs, but when the other higher needs finally emerge, the argument goes, their gratification will be sought outside of their industrial life.

Colonial tradition in and of itself and its concomitant minimal levels of general education can also be advanced as justification for using an authoritarian job-centered rather than a democratic people-centered managerial style. The reasoning goes something like this : « The natives

really expect to be told exactly what to do and precisely how to do it. There is not the same democratic tradition here that there is in the United States. They may not like this approach because it smacks of what they are trying to escape, but they respect it because they know we've been over this road ourselves and that we can do a great deal to transform their way of life from one of chronic scarcity to one of far greater availability of goods in a far shorter time than they could do the job themselves — if they could do it at all without us. Besides, let's face it, with their present level of education and sophistication the natives simply are not yet ready to make any meaningful contribution to managerial decisions, and to ask them to do so would not only lead to a lot of fruitless timeconsuming discussion, but it would also result in a feeling of frustration and disappointment when we could not put any of their ideas into effect ».¹

There seems to be little doubt that, taken by themselves, the arguments mentioned above, when considered in the light of the stage of development of many of the emerging nations would suggest a job-centered, authoritarian approach to the direction of personnel at all levels, in the foreign setting.

Importance Ascribed to Assimilation of the Industry Into the Cultural Setting

As indicated previously, an authoritarian approach is in the colonial tradition, and this factor in itself inhibits acceptance of the organization and its goal in the community where operations are to be conducted. A desire to convince the new « partners in progress » (as they are all too often condescendingly called with a wink) that the industry is to be truly a joint venture rather than another example of foreign exploitation of low labor costs and abundant accessible natural resources may make community acceptance a matter of highest priority in the eyes of the industrializing organization. If this is the case, optimal operating efficiency in the short run may be sacrificed in favor of a long run goal of achieving a stable foreign operation accepted by the host country as a part of its developing status as an industrialized country. The same participative

¹ This statement is a paraphrase of observations by several English Canadian managers with regard to French Canadian subordinates made to the author while doing research in the Province of Quebec. This study is reported in detail in *Cultures in Collision* (Ann Arbor : University of Michigan Bureau of Industrial Relations, 1968).

approach as a means of gaining acceptance is indicated at the level of the individual employee. Organizational goals are far more likely to be internalized if the individual has had a voice in the decision-making process, rather than merely following unilaterally imposed direction.

There is another dimension to the problem faced by a company anxious to gain acceptance in a foreign country : that is, adequate recognition of the cultural differences between the world of the managed and that of the foreign manager. The cultural outsider often relies on the native lower and middle manager to close the gap in communication by acting as a bridge. This role can be cynically viewed as that of an intermediary and interpreter (and in some cases a translator as well) of the wishes of the foreign overlord to the native hewers of wood and drawers of water and results in the native manager being to an even greater extent the man in the middle than is the case for his counterpart in the domestic American operation. Failure on the part of his organizational superiors to include him in the decision making process can be an influence in shifting his self-identification in what may be considered its more natural direction — toward his native subordinates, hardly a force for organizational unity. To go to the other extreme would not be much better, for total identification with foreign organizational superiors threatens the ability of the native lower level supervisor to function as a cultural interlocutor. If he views his job as one of rate accomplishment for someone of his background, then he may see his higher status as entitling him to respect and instant unquestioning obedience on the part of his subordinates, and again the split in organizational unity occurs, but this time at a higher level in the hierarchy.

Assimilation of the industry with the cultural setting, then, requires acceptance of organizational goals, not only on the part of lower level supervisors, but it is also important that internalization of these goals by the lower level native supervisor does not nullify the contribution that, in many instances, he alone can make to his subordinates.

Long Term Staffing Plans

If the long run managerial plan calls for eventual staffing of the foreign operation by Nationals at all levels, then in most instances, the development of managerial talent must have high priority. Successful management particularly at middle and upper levels in the organization requires effective decision-making. While it is true that modern technology

can provide assistance in this activity, a managerial judgment is still needed, not only in instances when technology can be of little or no use, but also in knowing how to make effective use of the techniques that are available. When limited opportunities exist for formal education, the need for informal on-the-job training becomes all the more acute.

Participation in the decision-making process gives a fledgling manager the opportunity to observe, first hand, factors that must be considered : how alternative courses of action are actually generated, how the selection is made, then effectuated, and finally evaluated. This exposure has an additional benefit in the case of the National, for it provides him with an exposure to the workings of the foreign managerial mind as well as to the organizational philosophy of his foreign employer, both of which are extremely desirable, if not essential, if he is to grow to the point where he can assume a position of real responsibility in the organization.

In the case of emerging countries where foreign capital is being invested by several companies, all of whom, to a greater or lesser extent, are committed to the policy of developing the competence of Nationals to « run their own show », competition for capable lower level managers may make job satisfaction a matter of high priority to the corporation. To the extent that this satisfaction is seen to be increased by participation in the managerial decision-making process and in the interest of retaining these potentially capable managers, corporate policy must move in the direction of their increased involvement in the process.

Threat of Nationalization

Recent experiences in a number of foreign countries have reminded American businessmen of the danger of having their overseas facilities taken over by previously hospitable host governments. In many cases the excuse given has been some variation on the theme of exploitation of God-given resources by foreigners interested only in maximizing (in the short run) their investments. Certainly, increased participation of Nationals in the managerial decision making process can hardly be expected to avoid takeover of industrial facilities, but it surely indicates that not only does the foreign company seek a long term investment, but it also intends to develop native managers to operate its facilities and not simply keep the responsible, interesting and relatively high paying jobs for expatriated Americans. In this way one area of common criticism of foreign investment by host politicians, government officials and students can be partially assuaged, and, what is commonly held by them to be

an obligation, fulfilled. As the Premier of Ghana expressed this feeling recently : « At the present stage of Ghana's development, our major interest lies not in reserving some particular industries for government operation, but in insuring that all industries whether private or government observe certain rules. These rules are : to recognize trade unions, *to train Ghanains for superior posts wherever feasible (italics mine)* ; and to develop the use of local raw materials wherever possible ». ²

Surely early recognition of the desire of Nationals to participate in the management of their industries can help to prevent a potential area of resentment from becoming a real corporate crisis for which no crash program can offer a satisfactory solution.

Corporate Philosophy

If the corporate managerial philosophy tends to be a participative one (and at this point in time it is fashionable for U.S. executives to aver that this is not only their own usual personal style of direction, but is favored by their corporation as well) and it is believed to be the better way to manage, then surely it is reasonable to teach foreign managers the « right » way from the beginning. The Drucker and Odiorne Management by Objectives approach, espoused by many leading U.S. corporations, also relies, to a considerable extent, on the ability of managers at all levels to make organizational decisions and, within previously established limits, to exercise self control.

Common managerial philosophy within a corporation is surely a force for uniformity of practice and, while regional differences must be considered, it can be argued that it should be in evidence in all its operations regardless of location. An executive learns his corporation's managerial philosophy to large extent unconsciously and one important aspect of the success of transfer between different locations is his ability to carry with him a sense and understanding of the corporate feeling as to the « right way to do things ». Where multi-national or international transfers are involved, not only of Americans, but also hopefully of foreign personnel, the process of becoming aware of corporate managerial philosophy is an essential component of the process of developing the capability of managerial personnel.

² *The Diplomatic Press Directory of the Republic of Ghana* — including trade index and biographical section — (London Diplomatic Press Publishing Company, 1960) p. 56.

FACTORS — INFLUENCING CHOICE OF MANAGERIAL STYLE IN FOREIGN OPERATIONS

Subordinate
Centered
Leadership

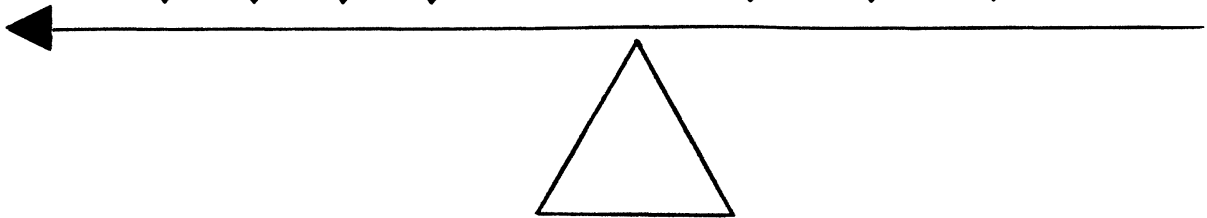


Boss
Centered
Leadership

Autocratic corporate philosophy
High level of technology
Need for speed in starting up
Desire of quick profit in short run
Intention to staff managerial
positions with Americans



Participative corporate philosophy
Low level of technology
Desire to set up « optimal » operation
Intent to stay there « for good »
Intention to staff managerial
positions with Nationals
Perceived danger of nationalization



Conclusion

There is little doubt that cooperation between organizational superiors and subordinates depends in large measure on the extent to which each fulfills the behavioral expectations of the other. These expectations can be modified, however. To cite an extreme example, many freedom-loving college students can be taught (even if reluctantly) to accept the tyranny of the drill sergeant. Where cultural components add an additional dimension to the managerial task, perhaps distorting the manager's perceptions of the psychological field of his subordinates, careful research³, patient sensitivity, and cultural empathy are necessary to get any degree of accuracy in the foreign manager's picture of the present state of his subordinates' expectations as to his behavior. Surely this is necessary before any decisions can be made as to an appropriate managerial style in the short run, and in the long run how these expectations must be changed if a shift in managerial style is contemplated. To the extent that cultural empathy is possible, it is the result of knowledge of the culture involved, obtained not only through sympathetic contact with its people, but also through exposure to their culture as expressed in history, literature and art as well as a large measure of sensitivity and respect.

The disparity between the level of technology involved in a particular operation and the level of education and experience of foreign managers may preclude their making a substantial contribution to certain kinds of managerial decisions in the early stages of development of a foreign operation. Nevertheless there are other areas, particularly those involving personnel, where once some degree of confidence and cooperation has been achieved their contribution can be very important and valuable. Furthermore, international management in today's world involves more than maximizing short run economic efficiency; social costs must be considered and the existence of a tradeoff relationship between the two must be recognized. Even in the earliest stages of foreign operations, participation of National supervisors (typically many of whom are at the lower levels of the managerial hierarchy) in non-technical decisions, not only increases their identification with the foreign corporation and its objectives, but also provides the link between the host country and the foreign managers. The National in his role as manager interprets the company to the culture and the culture to the company. It is they who can be largely responsible

³ One test instrument that might be used as a research tool is the Research on Opinions in Industry Questionnaire developed by Professors Mason, Haire, Edwin E. Ghiselli and Lyman W. Porter at the University of California, Berkeley.

for the socialization of their subordinates into a stable work force and it is they who themselves must be assimilated into management if they are to take over responsibility for the entire operation in the future. Participation in the management process, once they are ready for it, can develop their capability and provide job satisfaction at the same time.

Some of the forces operating in the international situation to modify domestic criteria for selecting appropriate managerial style can be illustrated by means of the seesaw diagram illustrated at the beginning of this section. Forces on the right side tend to tip the balance in the participative direction of the scale, while those on the left exert the opposite influence. It is the special task of the managers who are given responsibility for foreign operations not only to assign the weights according to their perception of corporate objectives, but also to see that the desired balance is achieved abroad.

STYLES DE LEADERSHIP POUR FILIALES ÉTRANGÈRES À L'INTÉRIEUR D'UNE ENTREPRISE

Dans cette étude, le style autoritaire, préférable dans certains cas, est confronté au principe collégial, favorisant la participation des autochtones au processus de décision.

Dans un article de la *Harvard Business Review*, Robert Tannenbaum et Warren H. Schmidt prétendent que les gérants d'entreprise devraient considérer trois facteurs dans le choix du style de leadership qui sera le leur plutôt que de s'en remettre à une seule attitude pour régler toutes les situations. Ces forces mettent en cause le directeur, le subordonné et la situation elle-même. Les facteurs importants qui regardent le directeur sont les suivants : son échelle de valeurs (croit-il que les employés doivent participer à la prise de décision ou s'il ne s'en remettra qu'à lui-même), sa confiance en l'initiative de ses employés, ses tendances à un style quelconque de leadership et son attitude vis-à-vis une situation imprévisible. Les facteurs importants à considérer chez les subordonnés sont leur besoin d'autonomie, leur capacité de prendre des responsabilités, leur acceptation des situations complexes, leur intérêt et leur expérience dans le processus de prise de décision ainsi que leur degré de participation à celui-ci, leur connaissance et leur expérience devant les problèmes et enfin, la façon dont ils saisissent et endossent les buts de l'organisation. Les facteurs inhérents à la situation sont le genre d'organisation impliquée (ampleur, objectifs poursuivis), la cohérence du groupe de travailleurs, les connaissances du groupe sur ce problème et le temps à la disposition.

Les auteurs ajoutent que les objectifs poursuivis à long terme influencent le comportement du directeur. S'il désire augmenter la motivation des employés, les préparer à accepter des changements, développer un esprit de travail d'équipe et chercher à améliorer individuellement les employés ainsi qu'améliorer la qualité de ses décisions, le directeur ne pourra atteindre ces buts que par le respect et la coopération du subalterne. Le bon directeur est apte à déceler quelle est l'attitude appropriée à la circonstance et à se comporter en conséquence ; s'il est clairvoyant

et compréhensif, il sera moins susceptible de considérer le problème du leadership comme un dilemme.

Les trois même lignes de force jouent certes tout autant en pays étranger qu'ici et la poursuite des cinq buts déjà mentionnés requiert la participation des subordonnés au processus de prise de décision. Il y a lieu de s'interroger cependant à savoir si lors des premières étapes d'instauration d'une industrie en pays étranger, une telle attitude améliorera la qualité des décisions du directeur, les subordonnés étant moins préparés à participer. Cependant la participation des gens du pays permet au directeur de prendre conscience des problèmes particuliers au pays, et à longue échéance, les erreurs du début peuvent être compensées par des bénéfices accrus.

D'autres facteurs à considérer sont : le niveau de développement économique du pays, l'importance accordée à l'intégration de l'organisation à la société et au pays, la planification du personnel à long terme, le danger d'étatisation de l'organisation et l'idéologie de l'organisation telle que conçue par l'organisation-mère.

NIVEAU DE DÉVELOPPEMENT DU PAYS-HÔTE

S'il s'agit de transformer une économie fondée sur l'agriculture en une économie industrialisée, un style autoritaire de leadership s'impose ; certains éléments importants du système de l'entreprise ne peuvent être découverts, ils doivent être enseignés, de même que les connaissances techniques. S'il s'agit d'un pays de tradition coloniale, le niveau peu élevé de l'éducation donne encore plus de force à l'argumentation en faveur d'un style autoritaire.

IMPORTANCE ACCORDÉE À L'INTÉGRATION DE L'ORGANISATION À LA SOCIÉTÉ ET AU PAYS

Comme nous l'avons mentionné ci-haut, la tradition coloniale exige un style autoritaire, ce qu'implique l'acceptation de l'organisation par la société et le pays-hôte. S'il est primordial que l'organisation soit bien intégrée au pays, l'efficacité immédiate pourra être subordonnée à l'objectif à long terme de créer une organisation stable, reconnue par le pays-hôte comme essentielle à son développement industriel.

Prévision du personnel nécessaire à long terme

Si l'on prévoit devoir engager des gens du pays à tous les niveaux, la priorité doit être accordée à la formation de talents d'administrateurs. Les administrateurs en formation en participant au processus de prise de décision pourront apprendre les points les plus importants : les alternatives à considérer, comment faire le choix, l'action exécutée, puis son évaluation.

Possibilité d'étatisation

La participation des gens du pays au processus de prise de décision ne peut garantir d'une éventuelle nationalisation mais elle démontre aux gens du pays que la compagnie s'y établit pour longtemps et qu'elle n'entend pas réserver les meilleurs postes aux seuls Américains expatriés, mais bien former des administrateurs autochtones.

Idéologie de l'entreprise

Si l'entreprise prône la participation, elle doit le signifier dès le début à l'administrateur en pays étranger. Lorsque des gens de nationalités différentes travaillent ensemble, le principe de direction collégiale est un élément primordial pour la formation du personnel administrateur.