CONTENTS

List of figures ix
List of tables xi
Preface xii
Author’s acknowledgments xviii
Publisher’s acknowledgments xix
About the author xx
Guided tour of the book xxii
Digital resources xxiv
Case study and CEO best practice grid xxv
The manager’s toolbox xxvii

Part I: Enhancing personal effectiveness 2
Chapter 1: The manager’s role and responsibility 4
Introduction 5
1.1 The challenges of a managerial role 6
1.2 What managers are responsible for 10
1.3 What managers really do 18
1.4 Managerial effectiveness 23
Conclusion 32

Chapter 2: Managing and developing yourself 36
Introduction 37
2.1 “Know thyself” 38
2.2 Managing priorities 43
2.3 Energy level and resilience 50
2.4 Developing yourself 54
Conclusion 59
Appendix: Exercises for improving your personal effectiveness 62

Part II: Enhancing interpersonal effectiveness 70
Chapter 3: Leading and developing others 72
Introduction 73
3.1 Motivating others 74
3.2 Developing the performance potential of others 80
3.3 Delegation and performance management 87
3.4 The right person in the right place 93
Conclusion 101

Chapter 4: Working in teams 104
Introduction 105
4.1 Building teams 106
4.2 Effective teamwork 111
4.3 Effective communication 119
4.4 Managing conflicts and negotiations 125
Conclusion 132
Chapter 5: Managing diversity across cultures
Introduction 136
5.1 Understanding and embracing diversity 138
5.2 Developing intercultural competence 145
5.3 Managing global virtual teams 154
5.4 Business and management ethics across cultures 161
Conclusion 170

Part III: Enhancing organizational effectiveness 174

Chapter 6: Effective decision making
Introduction 176
6.1 The anatomy of a decision 177
6.2 Thinking about decisions, decisions about thinking 178
6.3 Potential pitfalls in decision making and how to avoid them 190
6.4 The group decision process 198
Conclusion 203

Chapter 7: Managing strategy
Introduction 214
7.1 Thinking strategically 215
7.2 Assessing the situation 216
7.3 Choosing the arena: Where to create value? 220
7.4 In search of a sustainable value creation model 231
Conclusion 238

Chapter 8: The execution challenge
Introduction 254
8.1 The implementation path 255
8.2 Designing the organization 256
8.3 Exerting influence 261
8.4 Making change happen 272
Conclusion 279

Part IV: Enhancing organizational success 290

Chapter 9: Achieving results
Introduction 292
9.1 Improving profitability 293
9.2 Managing cash flow 294
9.3 Increasing value 302
9.4 Beyond financial results 308
Conclusion 312

Chapter 10: The entrepreneurial manager
Introduction 322
10.1 Entrepreneurial thinking 323
10.2 Creativity and innovation 324
10.3 Entrepreneurial opportunities 329
10.4 Approaches to pursuing entrepreneurial opportunities 340
Conclusion 346

Appendix: A very brief history of effective management 355
Introduction 355
Ideas about management in pre-industrial societies 356
Bureaucratic and scientific management 358
The first general theory of management 359
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The human relations movement</td>
<td>360</td>
</tr>
<tr>
<td>Behavioral theories of management</td>
<td>361</td>
</tr>
<tr>
<td>Quantitative approaches and the quality management movement</td>
<td>362</td>
</tr>
<tr>
<td>Systems theory and the contingency approach</td>
<td>364</td>
</tr>
<tr>
<td>The top management view and strategic management</td>
<td>365</td>
</tr>
<tr>
<td>“New leadership” approaches</td>
<td>366</td>
</tr>
<tr>
<td>Management in the 21st century</td>
<td>366</td>
</tr>
<tr>
<td>Conclusion</td>
<td>368</td>
</tr>
<tr>
<td>Glossary</td>
<td>371</td>
</tr>
<tr>
<td>References</td>
<td>379</td>
</tr>
<tr>
<td>Index of organizations</td>
<td>411</td>
</tr>
<tr>
<td>Index of people</td>
<td>413</td>
</tr>
<tr>
<td>Subject index</td>
<td>415</td>
</tr>
</tbody>
</table>
Outline of chapter

Introduction
5.1 Understanding and embracing diversity
   The pros and cons of diversity
   Diversity management
   Diversity practices
5.2 Developing intercultural competence
   Cultural dimensions
   Understanding cultural differences
   Intercultural communication
5.3 Managing global virtual teams
   Benefits and challenges of global virtual teams
   Leadership tasks in global virtual teams
   Communication in global virtual teams
   Skills for managing global virtual teams
5.4 Business and management ethics across cultures
   Basic ethical principles
   Dealing with different ethical standards
   How to ensure ethical behavior

Conclusion

This chapter will enable you to

- Explain the benefits of diversity as well as the challenges of managing a diverse group of people.
- Describe what managers can do to create more diverse and inclusive organizations.
- Determine cultural differences and devise strategies for effectively communicating in cross-cultural settings.
- Identify the specific challenges and tasks that leaders of global virtual teams are facing.
- Appreciate the importance of ethical behavior in an organizational context.
- Analyze moral or ethical issues that arise in organizations with the help of basic ethical principles.
**Introduction**

Leena Nair, a young engineer, joined Hindustan Unilever (HUL), the Indian subsidiary of the global consumer goods company Unilever, as a management trainee in 1992. Only around 2 percent of HUL’s employees were female at the time, a fact that directly impacted on Leena’s experience. For example, Leena became the first woman to volunteer to work in one of HUL’s manufacturing plants, but found that there were no female toilet facilities there. ‘I’ve experienced what it’s like to be undermined or seen as ’different’—and the visibility and stereotyping that goes with it,’ she later said.

From the beginning of her career, Nair has challenged stereotypes. When everyone told her that women had never been on a night shift, she just said: “What if I am the first? Let me set the pace.” She soon became known for this. She was the first woman to take up a sales job at HUL, the first female member of HUL’s management committee, and was appointed Unilever’s first female, first Asian, and youngest ever chief human resources officer in 2016. In this job, she leads the global people agenda of the corporation with a workforce of more than 160,000 employees. In her top management role, she sees building “an inclusive environment where all members of our diverse society can contribute and succeed in equal measure” as one of her most important goals. Championing diversity ranks high on Nair’s agenda not only because of her personal experience as a member of a minority group within the company, but also because it makes business sense. “We need to look at bringing in the best of diverse talent,” she says, “so that we have a workforce that is equipped with the qualities that are needed to run a successful business.”

Globally active businesses in particular (Unilever is present in more than 100 countries around the world) face a wide variety of different customer needs, work habits, communication styles, and culture-specific values. Only a diverse team will be able to deal with such diverse demands. It is therefore important for managers to embrace diversity and become effective in leading teams with members from diverse backgrounds.

In this chapter, we will examine how managers can competently meet the challenges that they can encounter in **diverse and cross-cultural environments**. More specifically, we will focus on:

- understanding the advantages and potential pitfalls of working with a diverse group of people and examining the basics of managing diversity (Section 5.1);
- exploring how managers can analyze cultural differences and find ways to effectively communicate with people from other cultures (Section 5.2);
- assessing the benefits and challenges of global virtual teams and identifying practices for effectively leading such culturally diverse and geographically dispersed teams with the help of modern communication technologies (Section 5.3);
- discussing how managers can address moral dilemmas and deal with different ethical standards as they collaborate with people from different cultural backgrounds (Section 5.4).

In an open and increasingly globalized world, effective managers must be able to work with—and through—people from different cultures. They must appreciate the power that lies in diversity and view differences as an opportunity for learning and growth, while also being able to acknowledge and manage the challenges that diverse teams can entail.
5.1 Understanding and embracing diversity

In brief

- Effective managers are able to work with people from diverse backgrounds and with a range of different characteristics.
- Organizations can benefit from diversity through achieving higher decision quality, creating better connections with a range of different customer groups, attracting and retaining talent, increasing flexibility and responsiveness, and boosting their innovativeness.
- Diversity can also lead to challenges—especially in terms of higher communication costs and potentially lower group cohesion.
- To reap the benefits of diversity without succumbing to its potential disadvantages, managers can follow a diversity management strategy. In addition to introducing diversity policies and practices, they can also try to shape the diversity climate and influence diversity-related attitudes in their organization.

Every person is unique. People differ in visible dimensions (e.g. gender, race, or age), invisible dimensions (e.g. educational background, marital and parental status, or income), values (e.g. based on their religion or cultural socialization), and personality (see Figure 5.1). In an organizational context—in particular, but not exclusively, in organizations that operate across borders—managers need to work with groups of people from very different backgrounds. This is getting ever more important in societies that are becoming increasingly multicultural (for example, in the US, over 20 percent of the population aged over five years speak a language other than English at home). The term diversity is used to describe “all the ways that human beings are both similar and different.” In diverse organizations, people with very different characteristics interact, and those differences can have an impact on how well people collaborate and perform.

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Figure 5.1 Layers of workforce diversity

Human beings actually tend to think in differences, particularly when they judge others (see also the section on thinking in categories in Chapter 6). Whereas thinking in differences (or dichotomies) can help us make sense of the world, we need to be careful not to fall victim
to oversimplification, stereotyping, and limiting observations to “binary oppositions.” An anti-categorical approach to diversity recognizes that putting people into categories can also contribute to the perpetuation of stereotypes. Rather than seeing oneself “in opposition to” someone else, we should acknowledge that differences exist, and that, as management professor and author Mary Gentile noticed, “we all have multiple identities, one or another of which we may identify with more strongly at different moments in our lives and in different contexts.”

Similarities attract, and people usually like to work with others who hold similar identities, especially those with whom they share values, beliefs, and attitudes. Organizations that become too homogeneous and exclude people who are seen as “different” can run into severe difficulties. They can, for example, lose their innovation capacity or fall victim to groupthink (see Chapter 6). One example is the case of Swissair, a once-thriving airline that was even called “the Flying Bank” because of its financial stability—before it went bankrupt as a result of a failed expansion strategy in 2001. Scholars who analyzed the collapse of Swissair concluded that groupthink (e.g. in the form of an illusion of invulnerability and a lack of critical voices within the group) contributed to bad management decisions, and that this could have been caused by the composition of the board, which included managers with quite similar backgrounds and values. As Frost and Kalman note, “sameness is very seductive” because we are naturally attracted to “people like us.” In organizations that operate in complex and dynamic environments, however, “diversity trumps individual ability.” It increases resilience and can help to improve decision-making processes.

Effective managers therefore actively strive to avoid the homogeneity pitfall, and are able to understand, appreciate, and manage diversity.

The pros and cons of diversity

Diversity is a double-edged sword. On the one hand, it can be the source of multiple benefits, but on the other hand, it can also lead to challenges. Before we discuss the concept of diversity management, we first need to understand both aspects.

Research results suggest that workforce diversity can become a source of competitive advantage or an “invisible asset,” mainly for the following reasons:

1. **Higher decision quality**: Diverse teams have more access to information, which can be particularly useful for solving complex problems. When people with different backgrounds and expertise interact, they will usually see problems from different perspectives, which can result in a broader consideration of difficult issues and, in turn, lead to better decisions.

2. **Connection with customer groups**: If the members of an organization and its different customer target groups share certain characteristics, it can help the organization to better understand customer preferences and ease communication with customers. A more diverse organization raises the chance to connect more closely with a range of different customer groups.

3. **Source of creativity and innovation**: Innovation usually occurs at interfaces, where different experiences, functions, ideas, or cultures meet. People with different backgrounds and attitudes are also often more inclined to question the status quo and put forward new ideas that can lead to innovative solutions which can move the organization forward.

4. **Attracting and retaining talent**: If organizations succeed in attracting people from diverse backgrounds, they have access to a wider talent pool. Avoiding discrimination, unfair treatment, and biases in promotion decisions can help in retaining and making the best use of talented employees.

5. **Reputation as a responsible organization**: Open, welcoming organizations in which everyone is valued regardless of their backgrounds are usually also well respected by different stakeholder groups.
6 **Increasing flexibility and responsiveness**: In a dynamic global market environment, having team members with diverse experiences and different problem-solving capabilities can help in finding the right answers to new challenges and reacting flexibly to formerly unknown situations.

The main **challenges of diversity** relate to higher communication costs:

1. It is usually easier for people in a more homogeneous group to interact with each other as they share a common language and similar worldviews. 17
2. In more diverse groups, it is often more difficult to create group cohesiveness and group attachments. 18
3. Higher levels of diversity can also lead to lower employee commitment and higher levels of conflict within a group. 19
4. It might also become more difficult to find the performance management and motivation systems that are suitable for the whole team if the team members hold very different work-related values. 20

The two sides of diversity—its benefits and challenges—have led to inconsistent research conclusions about its relationship with organizational performance. Some studies have found strong positive correlations between diversity and performance, whereas others have found negative correlations. 21 One reason for these inconclusive results could be that there is indeed high potential in workforce diversity—but this potential can only be transformed into actual higher performance when diversity is well managed.

---

### Diversity management

In order to reap the benefits of diversity and avoid the problems that are associated with it, managers need to familiarize themselves with the concept of diversity management. The term **diversity management** refers to the practice of deliberately and voluntarily promoting diversity, fostering **inclusion** (creating an environment that actively values differences and reduces marginalization and exclusion), and supporting respectful and productive working relationships within a diverse group of people in an organizational context. Diversity management goes beyond legal requirements in the fields of **equal employment opportunities** (policies that protect employees from discrimination in all fields of employment, for example recruitment, promotion, pay, or layoffs) and **affirmative action** (policies that favor members of groups that have been disadvantaged or discriminated against in the past, e.g. hiring quotas for minorities). 22

There are different **fields of action for diversity management** in organizations (see Figure 5.2). Managers can focus on visible “above the line” **diversity policies** (e.g. setting diversity-related goals or establishing diversity guidelines) and **diversity practices** (e.g. bias-free job descriptions or diversity training), but they can also try to influence the more unconscious, “below the line” stance to diversity issues. Fostering a positive **diversity climate**—a common understanding that diversity matters and that it should be valued and
Managing diversity across cultures

It can also help to mitigate the potential negative effects of higher in-group diversity such as higher levels of conflict or lower commitment. Table 5.1 provides a checklist with questions that can help managers to assess whether their organization has a positive diversity climate which shows indicators of inclusivity.

The diversity climate and the “above the line” activities are influenced by the attitudes that managers and other powerful group members hold about diversity. Human resource management researcher Carol Kulik notes, for example, that “there are ‘diversity champion’ and ‘bad apple’ line managers who make or break their organization’s diversity programs.”

Deep-rooted fears of being treated unfairly if members of other (underrepresented) groups are promoted could underlie unwillingness by some to participate in an organization’s diversity program, while others simply feel uncomfortable at the idea of being told what to think and do. The Los Angeles Times reported on one example of a software engineer at Google who disagreed with the recommendations of the company’s diversity training and was angry about being told what he was not supposed to say and do. He wrote a long memo against what he called an “ideological echo chamber” at Google and was subsequently fired “for perpetuating gender stereotypes.”

Diversity champions like Leena Nair, whose story we heard in the Introduction to this chapter, however, believe that more diversity will be beneficial for their organization, especially in terms of attracting and retaining talent and

**Table 5.1 Diversity climate checklist**

<table>
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<th>Diversity climate checklist (indicators of inclusivity)</th>
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<td>● Do people feel accepted in the organization regardless of their diversity-related differences?</td>
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<tr>
<td>● Are the key diversity characteristics adequately represented in the senior management team?</td>
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<tr>
<td>● Are ideas from all groups welcome at all levels of the organization?</td>
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<tr>
<td>● Are discriminatory jokes (e.g. about race, ethnicity, or with sexual overtones) unwelcome?</td>
</tr>
<tr>
<td>● Is subgroup building and cliquishness avoided?</td>
</tr>
<tr>
<td>● Are a variety of dressing styles accepted?</td>
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<tr>
<td>● Are there positive, collegial relationships between members of the organization from different backgrounds?</td>
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<tr>
<td>● Does the organization show adequate sensitivity for different cultural or religious customs?</td>
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<tr>
<td>● Do food offerings in the work environment cater for the needs of different groups of employees?</td>
</tr>
<tr>
<td>● Is the organization flexible enough to allow employees to balance work and non-work responsibilities?</td>
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being able to combine a greater diversity of thought for solving complex challenges in fast-changing business environments. The diversity-related attitudes of the senior management team are particularly relevant for shaping a positive diversity climate, establishing diversity policies, and fostering diversity practices (see the box Diversity and inclusion as strategic goals at Gildan Activewear).

CEO BEST PRACTICE

**Diversity and inclusion as strategic goals at Gildan Activewear**

Glenn J. Chamandy is one of the founders as well as the president and CEO of Gildan Activewear Inc., a Montréal-based apparel and socks manufacturing company. Gildan distinguishes itself from other clothing manufacturers because it generates almost 90 percent of its US$2.75 billion revenues (2017) from products that are manufactured in house. Having control over the whole production process allows the company to follow its corporate social responsibility strategy of having a positive impact on people, the environment, local communities, and product quality across the value chain. Gildan has around 50,000 employees in North America, Central America (where it operates its largest production facilities), Asia, and Europe. The company is strongly committed to ensuring healthy, safe, and fair working conditions that are considerably above industry standards, and provides free medication and subsidized meals for its employees. Chamandy firmly believes that Gildan’s “strength comes from always fostering a culture of diversity and inclusion while leveraging our collective strengths.” In order to create such an inclusive culture, the company launched the Gildan Diversity and Inclusion Policy in 2016. It was designed to ensure that there are no systematic barriers for any employee group and includes the clear commitment of the senior management team to create and maintain an environment in which differences are valued and embraced and in which all employees are treated with respect and dignity. The policy is also supported by concrete strategic diversity management initiatives in the fields of talent acquisition (e.g. increasing efforts to attract a diverse pool of candidates), employee development (e.g. diversity and inclusion awareness training and initiatives to develop female talent across the company), and community involvement (e.g. a women’s empowerment program and investments in supporting the socio-economic development of the communities in which the company operates). A monitoring system helps to track the company’s development on diversity-related performance indicators. Chamandy is convinced that through the various programs and initiatives, the company will be able “to better support a culture that encourages the development of each individual, enabling them to recognize and reach their full potential.”

**Key takeaway**

Policies and actions that foster diversity and inclusion can help both individuals and organizations to reach their full potential.

Sources: Based on information in Gildan (2016); genuinegildan.com (2017a; 2017b); gildancorp.com (2017; 2019).

Many managers are not aware of their biases. They might consider themselves as tolerant and open, yet unconsciously they still prefer to work with people who think and act in similar ways, promote those in whom they see themselves (the “clone effect”), easily jump to conclusions without hearing different views on a story, already have a picture in mind of the person who would best fit into the team before they hire someone, hold false assumptions about people based on assuming that all members of a particular group share certain common characteristics, or prefer not to openly challenge discriminatory jokes or remarks. Managers who want to have a positive influence on the diversity attitudes and climate of their organizations need to start with an honest self-assessment of their own diversity-related assumptions and behavior, for example, with reflective questions like:

- What are my first thoughts and feelings when I meet a person from a minority group (e.g. a transgendered person, a person with different religious beliefs, or a person with a different skin color)?
When I think about the five to seven people with whom I most closely collaborate at work—how do they differ from myself in terms of diversity-related dimensions? Am I aware of the differences in values and work-related attitudes and behaviors that could be caused by these diversity-related differences?

Is diversity management an important item on my managerial agenda?

Just as “below the line” thinking modes can influence “above the line” activities, it is also possible that there are repercussion effects, in which diversity policies and practices send a strong message to the employees about the general stance of the management (and of the organization as a whole) toward diversity. Thus, diversity practices and policies can help to shape the diversity climate and influence the diversity attitudes in an organization. A combination of different diversity initiatives is usually more effective in this respect than individual measures. Figure 5.3 outlines a seven-step model of how organizations can become more diversity and inclusion oriented.

Figure 5.3 Seven steps toward a more diversity- and inclusion-oriented organization


Diversity practices

The following diversity practices are often used in organizations in which diversity management is seen as a key success factor:

- Including diversity signals in recruitment materials;
- Recruitment activities that are targeted specifically toward groups which are currently underrepresented in the organization;
- Offering internships for underrepresented groups;
- Establishing affiliations with minority organizations;
- Using objective criteria and tests for job applicants to reduce subjective judgment and fight bias in recruitment processes;
- Offering diversity training for managers and other members of the organization;
- Offering mentoring and career development programs for members of disadvantaged groups;
- Supporting people with special needs (e.g., offering flexible working hours, ensuring accessibility, or providing meals for different dietary requirements in the canteen);
II: Enhancing interpersonal effectiveness

- Setting up distinct diversity-related organizational functions and roles for championing diversity issues within the organization (e.g. diversity managers, diversity councils or task forces with members from different departments, and employee networking groups that consist of members from certain identity groups to focus on their particular concerns);
- Linking managers’ bonus programs to diversity-related performance indicators;
- Introducing a grievance system for dealing with cases of discrimination or harassment.

A recent study among US firms found that, despite good intentions, tests for job applicants, grievance systems, and mandatory diversity training did not have the desired effects on promoting diversity. Some managers used tests only selectively or ignored their results altogether, people often refrained from officially reporting discriminatory behavior, and mandatory training was sometimes seen as “force-feeding.” Other diversity practices such as targeted college recruitment, mentoring programs, diversity managers, task forces, and voluntary training were found to have a more positive impact, since they exposed managers to people from different backgrounds and encouraged them to actively participate in the creation of a more diverse organization.

Diversity training activities can be offered in the form of (a) diversity awareness training (in which people are familiarized with the value of diversity and inclusion, identify their own assumptions, biases, and stereotypes, and try to develop a higher degree of sensitivity and openness toward people with different backgrounds and characteristics); and (b) diversity skills training (which is oriented toward improving the ability to constructively communicate and collaborate with people who are different than oneself). The box Zooming in on diversity training has two activities that can help you to enhance your diversity awareness and diversity skills.

### Zooming in on DIVERSITY TRAINING

If you want to work on your own diversity awareness and diversity skills, here are two examples of diversity training activities that received empirical support in terms of having positive pro-diversity attitudinal and behavioral outcomes:

- **Diversity training activity 1—Perspective taking:**
  1. Imagine that you are a member of a certain minority group.
  2. Write down a few sentences about the challenges that you would probably face as part of that particular minority group.

- **Diversity training activity 2—Goal setting:**
  1. Set yourself one or two specific goals related to the promotion of diversity in your organization (e.g. the goal of challenging inappropriate comments about minority groups in the future).
  2. Write down the goals.
  3. Revisit your diversity promotion goals regularly to assess whether you are achieving them.

*Source: Based on information in Lindsey et al. (2017)*

Diversity initiatives sometimes also span the boundaries of the organization. They can be oriented toward developing a more diverse portfolio of suppliers that includes, for example, businesses owned by women or ethnic minorities. Reasons for trying to increase diversity in the supply chain range from creating market opportunities through social responsibility to reputational considerations and sustaining legitimacy in the eyes of different stakeholder groups.

Whether within an organization or along the supply chain, managing diversity is not an easy endeavor. Stereotyping, thinking in differences and “us-versus-them” categories, or unconscious discrimination cannot just be abolished by the stroke of a pen. Managers must...
also expect a lack of understanding or even resistance when they introduce new diversity- and inclusion-related policies and practices in their organization; for example, when some people feel that diversity-related rules threaten their autonomy or affirmative action seemingly unfairly favors colleagues from underrepresented groups (e.g. in promotion decisions). Although it is not always easy to achieve, managers can make a difference. Through recognizing the benefits of diversity, setting an example by including diversity-related considerations in their own decision-making processes, and—in addition to introducing diversity- and inclusion-promoting policies and initiatives—also trying to make sure that the members of their team understand why these measures are useful and necessary, they can bring about positive change. Thus, they can help to create a place where diversity thrives and is seen as a valuable asset. To reap the full benefits of diversity and to turn it into a unique strength and advantage for their organization, however, managers also need courage and persistence.

5.2 Developing intercultural competence

**In brief**
- As more and more organizations work across national and cultural boundaries, they need culturally intelligent managers who are able to understand cultural differences and communicate effectively with people from different backgrounds.
- Cultures vary across a range of different dimensions, and these differences can have a strong impact on how people interact with each other. Knowledge about cultural differences across various dimensions can help managers to better assess cross-cultural communication situations and adapt their behavior accordingly.
- Culturally intelligent managers are also careful to avoid stereotyping because not every individual necessarily behaves according to what the central tendencies of a certain culture would suggest.
- Cultural differences can also play an important role in negotiation and conflict situations. Managers who are able to bridge the cultural gap will be able to deal more effectively with the challenges that these situations involve.

Organizations are by definition entities that perform through collaborative activity. To orchestrate this collaborative activity, managers need to communicate well. That means that they must be able to interchange messages with others in a way that the intended meanings are mutually understood. Communication generally works through **codes** (e.g. graphical signs, spoken language, mimic expressions and gestures, or digital data) and **conventions**, norms about which codes are generally used in which context to convey certain ideas. As managers become more immersed in multi-cultural work environments, they also need to become competent in intercultural communication.

The word **culture** refers to basic assumptions, values, beliefs, norms, and tendencies in behavioral patterns that are shared among the members of a certain group or community.
Cultural intelligence: The ability to interact effectively with people from different cultural backgrounds.

Low-context culture: A culture in which the information that is transmitted in oral or written form usually does not carry implicit meanings (i.e. people mean exactly what they say).

High-context culture: A culture in which the context of how a message is delivered (e.g. body language, the tone of voice, facial expressions, or what is not said) provides important additional clues about what the sender really wants to convey.

Cultural dimensions: A generalized framework of relatively enduring sets of values and norms that are used to describe differences and commonalities between different cultures.

culture is a learned behavior. It is not innate but instead transmitted through social interactions. People who are part of a specific culture share certain communication patterns (both in terms of codes and conventions) and usually have a similar way of making sense of what is going on in their environment and what other people’s behavior means. Culture can serve as “a kind of glue—a social adhesive—that binds a group of people together and gives them a distinct identity as a community,” but it can also raise barriers for communication between people from different cultures.

The ability to interact effectively with people from different cultural backgrounds is also known as cultural intelligence. Culturally intelligent managers are aware of cultural differences, are able to judge whether certain aspects of a communication situation are influenced by these differences, and can adapt their verbal and non-verbal behavior accordingly. Being culturally intelligent also means being able to distinguish between behavior that is characteristic of a certain group and behavior that is peculiar only to a certain person, for example due to that person’s personality traits.

Cultural dimensions

Several researchers have tried to identify general cultural dimensions that can be used as a framework for assessing cultural differences. One of the most frequently used concepts is the anthropologist Edward T. Hall’s distinction between low-context and high-context cultures. This can be used to better understand cross-cultural differences in how people communicate with each other.

In a low-context culture (e.g. Germany or other Western countries), the information that people want to convey lies primarily in the message itself. This means that people are usually explicit about what they want to convey. In high-context cultures (e.g. China, Japan, other Asian countries, and many Latin American or Middle Eastern countries), the message itself carries less information. There is a stronger emphasis on non-verbal signals, on how something is said, or on what remains unsaid. A person from a low-context culture who does not like your proposal would probably answer: “Sorry, but I don’t think this is a good idea.” Someone from a high-context country would rather avoid confronting you directly and could respond with “I will think about it” or not respond at all (in both cases this means “No”). In low-context cultures, behavioral norms are usually made explicit; for example, in the form of written instructions or signs, whereas high-context cultures tend to rely much more on social control in the form of correction by another person if a social norm is broken. While detailed contracts are often used (and enforced in sophisticated juridical structures) in low-context cultures, high-context cultures rely more strongly on reciprocal personal relationships in doing business.

Another frequently used concept to categorize cultures is Geert Hofstede’s cultural dimension model which the Dutch social psychologist derived from a study of work-related values of IBM employees in dozens of different countries in the 1970s. You can use this model to understand how people from different cultural backgrounds typically prefer to interact with others.

According to Hofstede, cultures differ in four dimensions:

- **individualism** (the tendency to prefer a society in which individuals care mainly for themselves and their immediate family) versus **collectivism** (the tendency to emphasize group interests as well as identification with and loyalty to the group);
- **masculinity** (a cultural preference for values that are often stereotypically attributed to the male gender, e.g. assertiveness, achievement orientation, or competitiveness) versus **femininity** (a preference for values that are often attributed to the female gender, e.g. cooperation, modesty, seeking harmony, and caring for quality of life);
- **high versus low uncertainty avoidance** (the degree to which people in a certain culture want to avoid ambiguity and unknown situations); and
- **high versus low power distance** (the extent to which inequalities and an unequal distribution of power are accepted in a society).
As a result of his cooperation with Michael Bond, Hofstede later added a fifth dimension, **long-term orientation** (a strong focus on the future and the feeling that perseverance will help to change things) versus **short-term orientation** (a stronger focus on traditions, the present, and stability). 54

Further examples of widely cited research on cross-cultural differences include:

- The work of the social psychologist **Shalom H. Schwartz**, who distinguishes between **seven basic value types** (harmony, egalitarianism, intellectual autonomy, affective autonomy, mastery, hierarchy, and conservativism) and observes that national cultures differ on the relative importance of these value types. 55 Schwartz also sees a relationship between these basic value types and work-related norms. For example, the pursuit of power is generally more acceptable in cultures where mastery and hierarchy values are more important (e.g. in China or the US) than in cultures in which harmony and egalitarianism are held in high esteem (e.g. in Scandinavian countries). 56

- **Trompenaars and Hampden-Turner’s model of cultural differences**, which, among other dimensions of cultural differences, also distinguishes between “neutral” cultures in which people are more reserved in terms of showing their emotions (e.g. in the UK or Japan) and “emotional” cultures in which emotions are more openly expressed (e.g. in Italy or Mexico). 57

- The **GLOBE project** (based on the survey response data of 17,000 middle managers from 62 cultures and over 5,000 senior executives from 24 different countries), which showed that societal culture can have a strong influence on the expectations that people hold regarding the leadership behavior of managers. 58

- The **World Values Survey**, a periodic survey on societal values and attitudes that is conducted in almost 100 different countries by a global network of researchers. 59 The results of this survey suggest that “attitudes among the population are also highly correlated with the philosophical, political and religious ideas that have been dominating in the country.” 60

The common insight of all this research work is not surprising: cultures differ on a range of different dimensions, and these differences can also become highly relevant in a managerial context.

Of course, we need to be careful not to fall victim to stereotyping. Cultural dimensions might describe a “central tendency” 61 within a group, but they do not necessarily reveal the actual values and behavioral tendencies of individuals. A Thai person who has been educated in the US and has worked in Europe for more than a decade might, for example, hold very different cultural values than the central tendencies for Thailand would suggest. And although national cultures are the salient unit of analysis, they are neither the only cultural influence on individuals (who can, at the same time, also be influenced by the organizational, professional, age-related, or other cultures in which they have been immersed), nor does the focus on national cultures recognize that in many countries, cultures can vary considerably on a sub-national level (there are more than 60 ethnicities in China, for example). 62

If you were appointed to manage a team in another country (with a culture that is significantly different from your own), what would you do to prepare yourself for the intercultural challenges that you could be facing?

**Understanding cultural differences**

Understanding central tendencies in cultural values is important for managers who want to become interculturally competent. But values are not the only category on which people in different cultures differ from each other. Attitudes, customs, and behavioral patterns that are seen as appropriate (or not) can vary as well (see the box on **The role of business etiquette**).
Harris and Moran suggest the following taxonomy of cultural differences that can have an impact on the attitudes and especially also on the behavior of people:

1. **Sense of self and space**: Members of different groups can differ in their self-identity (e.g., humility versus assertive, macho-like behavior) and in the degree of closeness to others that they feel comfortable with (both in terms of physical space as well as regarding the formality in relationships).

2. **Communication and language**: Basic language differences between cultures are obvious, but there are also more subtle differences, for example in jargon that is used in different professions or social strata, or in the use of non-verbal communication signals and how they are interpreted.

3. **Dress and appearance**: Different cultures have different dress codes. This does not only apply to national cultures, but also to different age groups or different professional cultures (e.g., medical doctors versus factory workers).

4. **Food and feeding habits**: What people eat and how they eat (e.g., with chopsticks, knife and fork, or by hand) can strongly differ between cultures. In many cultures, there are also food restrictions (e.g., devout Muslims are not permitted to eat pork and drink alcohol).

5. **Time and time consciousness**: People in different cultures have different senses of time. In some cultures (e.g., in Switzerland), people often follow precise, scheduled timing, while in others (e.g., in Latin America or the Middle East), time is more “elastic,” and things are not necessarily done at a certain hour and minute, but rather when the time “feels right.”

The rites and manners that are either expected or not appropriate in the business community can vary from culture to culture. In South Korea, for example, being introduced by the “right person” is important for establishing a relationship, as are the exchange of business cards with two hands, holding several personal meetings before starting a business relationship, or giving (inexpensive but good quality) gifts. Comparatively, in Australia, informal interactions are more common in business (for example, people are addressed by their first names and casual clothing habits are quite common), people like some small talk but then soon come to the point in meetings, and exchanging gifts is not a common practice. Learning the etiquette of the cultures with which they interact can help managers to avoid social blunders that can potentially harm business relationships.

Sources: Based on information in Lee (2012) and Martin and Chaney (2012).
6 **Relationships**: How people relate to each other, in families as well as in workplaces and in public, varies from culture to culture. In China, for example, personal connections between people (*guānxi*) play a pivotal role in business life. Some cultures also put a higher emphasis on hierarchy and status than others.

7 **Values and norms**: Different cultures develop different standards of what is right or wrong, and how people should behave in relation to each other. Whereas the US is generally seen as a highly individualistic and competitive society, in which the rights of the individual rank among the highest goods, there are other cultures (e.g. in Asia) in which the well-being and cooperation of the group are generally seen as more important than the interests of the individual.

8 **Beliefs and attitudes**: Religious differences can have a powerful influence on what people believe and on how they see themselves and the world around them. General attitudes can also differ; for example, regarding the role of women and minorities in society, protecting the environment, or the preferred social order.

9 **Mental processes and learning**: In the same way as teaching and learning habits differ across cultures (e.g. in both national and professional cultures), so can the preferred use of problem-solving approaches (e.g. very methodical versus more unsystematic).

10 **Work habits and practices**: What is the role of work in life? What kind of work is more valued than others? How should work be organized? How important is self-initiative in the working environment? These are just some of the questions that will receive different answers across cultures because the way in which people see and conduct work can vary between different communities.

These ten general categories of cultural differences can help to examine how certain cultures differ from each other (see Table 5.2). Table 5.2 can also be used on a more individual level to analyze differences between a manager and an employee with a different cultural background, thus identifying areas that could cause misunderstandings or conflicts in the working relationship.

### Table 5.2 A framework for analyzing cultural differences

<table>
<thead>
<tr>
<th>Aspects of culture</th>
<th>Possible questions</th>
<th>Own culture</th>
<th>Different culture</th>
</tr>
</thead>
</table>
| Sense of self and space | • How do people see themselves and their role in society?  
• How formal is the culture?  
• What is the preferred level of closeness versus distance to others? | | |
| Communication and language | • Do people prefer direct or indirect communication?  
• What is the main language that is spoken in the culture?  
• What are common non-verbal communication signals? | | |
| Dress and appearance | • What is the typical dress code in this culture (business, leisure)?  
• What else is important in terms of appearance? | | |
| Food and drinking habits | • Are there any restrictions regarding food and drinks in this culture (e.g. religious rules)?  
• What are the preferred food and drinks?  
• How important is eating as a social experience?  
• How/when do people eat? | | |
| Time and time consciousness | • Is time seen as an "exact" or "elastic" concept?  
• How important are prompt replies in this culture?  
• How important is it to be on time? | | |
| Relationships | • What is the role of families in this society?  
• How important are relationships in business?  
• What is the role of hierarchy? | | |
How can managers learn more about other cultures? Of course, they can attend formal cross-cultural training programs where they may examine cultural awareness case studies or participate in role plays to help explore how differences in the way that people communicate both verbally and non-verbally can cause cross-cultural misunderstandings. Another way to learn about another culture is to create an open conversation around it and ask people (e.g. employees) from that particular culture to explain the cultural norms, especially trying to understand why these different norms exist. As well as speaking to colleagues who have already been immersed in the culture for a long time, managers may consult books about the nuances of the respective culture. Spending time in other cultures, and non-judgmental observations of how people with different cultural backgrounds behave and communicate can be valuable sources of information. Research has shown that deep immersion experiences in other cultures, especially longer periods of working and studying abroad, can have a particularly strong effect on developing a person’s cultural intelligence. But managers can also try to include intercultural experiences in the day-to-day business. For example, a manager could pick a variety of different authentic ethnic restaurants to dine at if there are special team events. This would give team members the opportunity to immerse themselves in different cultures through cuisine and behavior and maybe also to explore different areas of a city which might be dominated by other ethnicities.

**Intercultural communication**

Understanding cultural differences is a first step to developing cultural intelligence. Culturally intelligent people can then build on their knowledge, and use it for judging specific situations, so that they are able to adapt their communicative behavior according to the needs of the situation.

For cross-cultural communication to succeed, the sender and receiver of a message must share a common code and use the same conventions of communicating (see Figure 5.4). The most important code in human communication is language. In a cross-cultural setting, people with different first languages interact with each other. Sometimes, they do...
not share a language code at all (in this case, they will have to resort to translators or interpreters). Often, however, people with different first languages use English as a *lingua franca* (a sort of “bridge language”). Although this actually provides a basic common code—especially for business settings—it poses new challenges. Even if the same language is used, the words can carry different meanings (e.g. in Hong Kong, students who have an appointment with their professors say that they are “dating” them).

Difficulties can also arise when people who have a different level of command of the English language (for example a native speaker and a person who speaks English only at a very basic level) interact with each other. People with a better command of English can automatically assume a higher power position, which can impede the free exchange of information.

Techniques that managers can use to communicate more effectively with people with a limited command of the English language include using visual aids, talking slowly and with a clear pronunciation, avoiding colloquial expressions and jargon, showing the other person what they mean (e.g. demonstrating how to perform a certain task in a work situation), watching for non-verbal signs of understanding or confusion, and repeating important points.

*Communication conventions* are particular patterns of how codes are typically used and interpreted in communication situations. As previously mentioned, communication styles can vary between highly explicit in low-context cultures and implicit (with a much higher importance of the communication context) in high-context cultures. In the latter, the listener usually has to put a lot more effort into interpreting not only *what* is said but also *how* something is said. Whereas people with a low-context cultural background would probably directly say “no” to a proposal that they do not want to accept, people from high-context backgrounds would send the message in a different way; for example, through silence, a reply that does not directly answer the question, a counter question, or a statement like “I will think about it.” Even in the case that the proposal is actually getting a “yes,” it does not necessarily mean consent, but could also just mean “Yes, I am listening to you.” The role and acceptance of silence can vary across cultures, too, as can the use and meaning of certain gestures and facial expressions, the importance of eye contact, and the acceptance of touching and certain postures during a conversation. Experimental research results suggest, for example, that people from an East Asian culture (in which eye contact is less common) tend to perceive another person’s face as more unpleasant when making eye contact than people from a Western European culture (in which eye contact is more common).

Different conventions can also play a role in *intercultural negotiations*. Not only can different parties misinterpret words or non-verbal signals, but there are also different negotiation styles (see Chapter 4). In some cultures (e.g. the US), the aim of negotiating is to reach a contractual agreement, while in others (e.g. some Asian countries), it is often not the signed contract but rather the established relationship that counts. Cultures can also differ in terms of having a zero-sum versus a win–win attitude to negotiations (i.e. in their preference for...
either competition or harmony), in the desired degree of formality of negotiations, in sensitivity to time, in the preferred sequence of discussing issues (sequential versus simultaneous), in the preference for rational arguments versus emotional appeals, or in the preferred form of agreement (rather general or very specific and detailed). Authority and hierarchical structures within a negotiation team can also vary, especially between cultures with higher and lower power distance. It is therefore important to understand the decision making and power structures of the different negotiation parties. Knowing who can make binding commitments can be important for reaching an agreement.

The way that people perceive conflict situations can also be culture bound. Conflicts can be seen as a disruption of harmony or as a risk of “losing face,” which people in certain cultures (especially in Asian and Middle Eastern countries) would usually prefer to avoid at all costs. Managers should try to avoid all potential embarrassment for others (especially in front of others) in cultures that put a strong emphasis on “saving face.”

In order to communicate and negotiate effectively across cultural boundaries, managers can follow a few simple rules:

1. Try to learn about and understand the other culture.
2. Do not assume that everyone who is associated with a culture is thinking and behaving in the same way (i.e. avoid stereotyping).
3. Try to bridge the cultural gap, either through carefully adopting some elements of the other person’s culture, making cultural differences explicit to foster a common understanding of these differences, or trying to create a distinct cooperation culture that integrates elements of different cultures.

Building bridges between different cultures is a key task for 21st-century managers who want to become effective in a globalized business world.

**Case Study: Haier: How a Chinese company overcame cross-cultural challenges in Japan**

In 1984, Zhang Ruimin took control of the loss-making Qingdao General Refrigerator Factory in Qingdao, China (later renamed to Haier). Zhang quickly steered the company on a qualitative growth path. According to a story that is still often told in Haier, Zhang had 76 defective refrigerators sledgehammered to “hammer home” the importance of quality to his staff. A joint venture with the German appliance maker Liebherr helped the company to acquire the necessary technology to develop and produce quality refrigerators. Riding the waves of China’s rapid economic expansion, Haier soon established itself as the market leader in China.

With the opening of the Chinese economy following China’s accession into the World Trade Organization in 2001, Haier followed a deliberate internationalization strategy with the aim of developing a global brand. The basic idea was to start with more difficult and developed markets in order to learn how to compete with the world’s most advanced household appliance manufacturers. Haier tried to adapt to local needs (e.g. through the investment into local R&D and design centers) and often relied on experienced local staff to run its foreign operations.

In 2002, Haier entered the Japanese market through an alliance with the established local player Sanyo Electric Co. The alliance was later formalized as a joint venture. The two companies reciprocally opened their sales and distribution channels for each other in China and Japan. The alliance helped Haier to establish its brand name on the Japanese market, but the market share remained very low compared to the big Japanese brands. In general, Japan was seen as a market that was very difficult to penetrate, as Japanese consumers traditionally showed a strong preference for local brands and had very high
demands regarding product quality. In 2012, in what was later called a “milestone event” in its corporate history, Haier fully acquired Sanyo’s washing machine and consumer-use refrigerator business in Japan, along with subsidiaries in Indonesia, Malaysia, the Philippines, and Vietnam.

The manager who was put in charge of the integration of Sanyo into Haier group was Du Jingguo, vice president of Haier Group. Du, a Chinese native who had lived in Japan for several years, was married to a Japanese woman and had also been responsible for the Haier–Sanyo joint venture. In the press release that announced the takeover which transferred 3,100 employees from Sanyo to Haier, Du saw “the integration of cultures and management philosophies” as the key success factor for the acquisition and pointed out Haier’s determination to respect local cultures. The integration seemed likely to become a challenging task because there were fears that Haier would just want to snatch away Sanyo’s technology, and because this was a meeting of two very different cultures.

Sanyo was a typical Japanese company in which lifelong employment and promotion based on seniority and length of service were the norm. In contrast, Haier had a strong merit-based culture that encouraged and rewarded individual performance. “Complete obedience to leaders” had to be replaced by “complete obedience to customers,” as Haier’s management system was based on an “inverted triangle.” In this approach, the team members who were directly in touch with customers (in the fields of manufacturing, marketing, and R&D) were regarded as “their own CEOs,” who were assisted by a number of support functions and a top management team that was in charge of identifying and developing new strategic opportunities.

Du also met resistance when he wanted to introduce incentives for individual performance, as Sanyo’s managers and employees emphasized values like equality and team spirit, based on Japan’s collectivist culture. One employee also said he was afraid that the new system “may create a division between those who enjoy the system more, especially younger people, and those who have worked too many years under the Sanyo system.”

Du was fully aware of these cultural challenges. When he assumed the responsibility for Haier’s Japanese operations, he divided the workers into smaller teams and would go out drinking with one of these teams every few nights (in Japan, it is usual practice that managers take a deep interest in their subordinates’ personal situations). One result of these nightly efforts was that Du developed a gastric ulcer. More importantly, however, he gained a deep understanding of the employees’ attitudes and concerns, which helped him to take the company on a smooth transition path. For example, he gave senior people honorary titles along with new responsibilities when he promoted younger employees based on their higher performance. Du did not force people into Haier’s individualized compensation system, but tried to convince them in long discussions that sometimes took several months. When he wanted his Japanese team to set and achieve higher sales targets, Du refrained from imposing them. Instead, he asked his people what constraints they saw and their suggestions about how to best deal with these constraints. In a joint effort, the team found several ideas to overcome existing obstacles, leading to significant increases in both sales targets and actual revenues. “As a manager, I can issue an order,” Du was cited in the Financial Times, “but if people don’t agree in their hearts, the order will be meaningless.”

Haier managed to turn around the loss-making Japanese business within one year. The lessons from the Sanyo acquisition formed the basis for Haier’s further successful international expansion. Haier Group’s acquisition of GE Appliances in the US in 2016 further strengthened its position as the global market leader in household appliances with sales in over 100 different countries.

Sources: Clegg (2017); haier.net (2011; 2017); iese.com (2013); Sánchez-Runde et al. (2012; 2013).

Discussion questions

- What were the main cultural challenges and intercultural conflicts that Haier faced during the integration of Sanyo?
- How did Du try to tackle these challenges? How would you assess the effectiveness of his approach?
- Would the way in which Haier managed the Sanyo integration also work in other cultures (e.g. for the GE Appliance integration in the US)?
- Should Haier try to enforce its management culture across all countries, or would you suggest a stronger adaptation that better reflects the diversity of local cultural traditions?
5.3 Managing global virtual teams

In brief

- As global virtual teams with team members from different nationalities based in various locations around the world are becoming a common means of collaborating in organizations that operate across borders, managers need to familiarize themselves with the benefits and challenges of such teams.
- In addition to the tasks that leaders of all teams face, leaders of global virtual teams also need to manage diversity, use electronic communication technology effectively, and put special emphasis on making individual and team contributions visible in the organization.
- Clear team norms regarding communication, expected contributions, and the use of communication technology form the basis of a well-functioning global virtual team.

As companies extend their geographical reach and as communication technologies become more and more sophisticated, global virtual teams proliferate. Recent surveys among knowledge workers report that at least three-quarters of the respondents say that they have experience with working in virtual teams. These teams can be a means of bridging space and time. They open new possibilities for organizations—from combining talents in different parts of the world to increased productivity through saving office and travel costs—as they remove restrictions imposed by the constraint of one physical location. It is quite challenging to manage such diverse and geographically dispersed teams, though. One study that was conducted among 70 global teams, for example, revealed that 82 percent of the teams did not reach their intended goals and one-third were even considered as being largely unsuccessful. It is therefore important for managers to familiarize themselves with the specifics of global virtual teams if they want to use and lead them effectively.

A global virtual team can be defined as "a temporary, culturally diverse, geographically dispersed, electronically communicating work group" with a shared purpose. It differs from a traditional co-located team along the following five dimensions (see Figure 5.5):

- **Communication channel**: A global virtual team relies mainly on electronic communication tools such as e-mail, chat rooms, social media, cloud-based file- and application-sharing platforms, group calendar and group decision support systems, and teleconferencing or videoconferencing. In these teams, face-to-face meetings are rare or non-existent.
- **Location**: A global virtual team is not bound to a certain place, but brings together people who are spread over different countries and continents.
- **Culture**: With team members from around the world, a global virtual team usually has a high degree of cultural diversity. Intercultural communication skills (see Section 5.2) are therefore particularly important for leaders and members of global virtual teams.
- **Language**: Along with cultural differences, members of global virtual teams usually have different first languages and a different degree of proficiency in the team's working language.
- **Time**: Time zone differences and the use of asynchronous media (e.g. e-mail or group discussion forums) make non-simultaneous communication more common in global virtual teams.
As in any other team, the members of a global virtual team need to effectively communicate and collaborate in order to accomplish certain organizational tasks. Members of a global virtual team must also be able to handle the technological complexity, high levels of diversity, and challenges that distance (in all dimensions) brings along.

**Benefits and challenges of global virtual teams**

There are a range of advantages of global virtual teams over traditional, location-based teams:

- Teams can be formed independently of the location of the individual team members.
- They can bring exceptional talent with complementary competencies together from all over the world and allow organizations to recruit the best people regardless of their physical location.
- They help to save on the travel and real estate costs of having a single office location.
- Through reducing travel, they can also contribute to a reduction in the organization’s ecological footprint.
- They enable faster project completion and a reduction of the time-to-market cycle by means of “following the sun” in a 24-hour relay workflow (e.g. team members in the Asia-Pacific region pass the work on to their colleagues in Europe or Africa after they finish their working day, with the American colleagues taking over until they hand the baton across the Pacific).
- They can take advantage of all the benefits of a diverse team such as bringing a range of different perspectives, expertise, and knowledge together, thereby avoiding groupthink, having higher creativity and innovation potential, or having access to a wider range of networks and information sources (see also Section 5.1).
- They can make use of all the possibilities that modern information and communication technology offers (e.g. having instant access to all desktop, intra-organizational, and Internet resources at a fingertip).
- They can create motivation and job satisfaction, especially for people who like to work with greater autonomy.
- They can provide additional opportunities for the inclusion of people with special needs (e.g. physical disadvantages) into teams.
- They make it easier for people to contribute to several teams.

Despite the many advantages of global virtual teams, there are also some drawbacks. The main challenges that can be faced with such boundary-spanning collaboration structures are:

- Electronic communication channels lack the media channel richness of face-to-face encounters, thus making it harder for the team to transfer tacit knowledge and to use and interpret non-verbal communication signals.
Time zone differences can slow down communication and require higher coordination efforts, especially regarding finding the right time for synchronous (video) conference calls (in consideration of the needs of all team members and their families in different time zones).

Language differences can create further communication barriers—this might also become a problem when team members with a lower level of language proficiency are not able to fully contribute their expertise.

Cultural differences can lead to misunderstandings and biases, which, in turn, can have negative effects on group dynamics.

It can be more difficult to build relationships and trust over a physical distance because there is less opportunity for socializing, which is generally seen as an important factor in building a well-functioning team (there is no "virtual watercooler").

Social cohesion forces can be weaker in geographically dispersed virtual teams, which can result in lower commitment to the team and in social loafing (see Chapter 4).

Differences in the institutional environment (e.g. different rules, different performance appraisal systems, or the different expectations of the local management) can pose further difficulties because team members may lack insight and understanding of their colleagues’ local contexts.

Local priorities might override the team priorities (the "out of sight, out of mind" effect), especially if reward systems are not aligned so that team members’ contributions to the success of the virtual teamwork are not adequately included.

Virtual teams are dependent on a well-functioning technological infrastructure on the sites of all team members, and setting up and maintaining such infrastructure can be costly. Additional training is often needed in order to ensure that the technology can be used effectively.

Not everyone is suited to working in global virtual teams. Communication skills, emotional intelligence, a certain degree of openness, cultural sensitivity, and the ability to work independently are preconditions for becoming a valuable member of a global virtual team.

Some of the disadvantages of virtual teams can also become more pronounced in specific cultural settings. In high-context cultures, for example, the absence of non-verbal clues in electronic communication channels could pose higher challenges than in low-context cultures. For representatives of cultures with a higher level of power distance, it might also be difficult to interact in an environment where there are fewer social cues about the social status of individual team members.

If you were to lead a global virtual team, could you formulate five rules for yourself that could help you to effectively address the challenges that such a geographically dispersed team arrangement entails? Write down the rules that you would use by following this template: As a team leader, I will... and As a team leader, I will not...

Leadership tasks in a global virtual team

Despite their idiosyncrasies, virtual teams remain—above all—teams. Therefore, leaders of global virtual teams generally face all the tasks and challenges that team leaders of co-located teams face. For example, they have to ensure that the team develops a unified sense of purpose, formulate clear goals and set the agenda, align tasks and strengths, make sure that everyone finds their specific role in the team, develop and support individual group members, build trust among team members, manage conflicts if they arise, shape the norms and culture of their team, and keep in touch with project sponsors in senior management ranks to ensure that there are adequate resources and support to be able to fulfill the team’s
Managing diversity across cultures

Based on a combination of survey data and an in-depth analysis of several dozen virtual teams, Arvind Malhotra and his colleagues have identified six leadership practices of effective leaders of virtual teams:

1. **Establishing trust between team members** through setting and repeatedly emphasizing clear team norms; for example, requiring team members to regularly upload their work outputs so that everyone can see the progress, and rotating teleconference times in order to equally distribute the “suffering” from “unsuitable” work times across time zones. (See Table 5.3 for an overview of norms that members of a global virtual team might agree upon.) Regular meetings that are devoted to discussing the quality of the team process help in reexamining norms and reminding everyone of the shared purpose of the team. If possible, holding at least a few face-to-face meetings can also help to build trust among team members.

2. **Ensuring that everyone understands and embraces diversity.** Expertise directories (with team members’ knowledge and experience profiles) or a skills matrix that is easily accessible on the team’s repository can help everyone to appreciate the specific competencies of their fellow team members and understand why they are included in the team. Leaders can also put small sub-teams (each consisting of two team members from very different backgrounds) in charge of certain tasks on a rotating basis. Thus, team members have the chance to get to know each other more closely.

3. **Ensuring that virtual meetings are well managed.** Effective leaders put strong emphasis on preparing the meeting (including summarizing the status of the main tasks, sending out an agenda to all team members, and making sure that everyone reports their progress on the team’s repository prior to the meeting), give team members the opportunity to “reconnect” personally with a bit of small talk at the beginning of the meeting, involve all team members during the conference call (e.g. through using online voting tools or asking questions that can be answered by everyone using an instant messaging tool), and document and distribute the results (decisions and to-do lists) immediately after the meeting.

4. **Using technology to monitor team progress.** When they notice that individual team members are not adequately contributing on the team platform according to what was agreed, effective virtual team leaders are quick to follow up, investigate, and discuss problems with the “underperformers.” It has also been suggested that managers should always try to make sure that all team members have multiple tasks so that they can turn to another task when they are held up on their priority task (in case one team member does not deliver the agreed output on time).

5. **Ensuring the external visibility of the team.** Effective leaders try to understand the expectations that the local managers of their team members hold and establish a systematic “report out” routine to keep all sponsoring managers informed about the progress of the team.

6. **Ensuring that all team members see the benefits of being part of the team.** For example, through praise, public recognition, virtual celebrations of individual and group accomplishments, rewards for successes, informing local managers about the positive contributions of team members from their units, and making sure that team activities themselves are both interesting and an opportunity for individual team members to grow.

When managers introduce a reward system for members of a global virtual team, they also need to take cultural differences into account. People from an individualistic culture often prefer to be rewarded for their individual contribution, while in more collectivistic societies, an equal distribution of rewards for the team success might be considered as more...
In general, rewards for group success are more conducive to creating a cooperative rather than a competitive spirit in the team. A particularly important task for leaders of virtual teams is to find the right balance between the use of synchronous and asynchronous media. Teleconferences or videoconferences are often seen as the “lifeblood” of virtual teams because they provide an opportunity to keep team members engaged and aligned toward achieving a common purpose.

Synchronous media: Means of conveying messages in real time (i.e., the sender and receiver of the message are present at the same time).

Asynchronous media: Means of conveying messages in a way that does not require the sender and the receiver to be present at the same time.

It is not a good idea, however, to try to resolve interpersonal issues over e-mail or chat rooms—richer media are more appropriate in this case. In between the virtual meetings, team members can use electronic discussion forums or shared documents to develop and refine ideas.

A whole range of digital tools are now available to foster smooth communication and collaboration within a virtual team. Examples include document sharing and document...
management tools (such as Dropbox, Microsoft Sharepoint, or Google Drive), instant messaging tools (such as Slack or Google Hangouts Chat), task management tools (such as Trello, Asana, or Basecamp), meeting tools (such as GoToMeeting, Zoom, or Adobe Connect), and intra-organizational social network and intranet software (such as Yammer or Jive).

Whatever specific software tools are used, managers of virtual team leaders need to ensure that communication lines are kept open between them and their team members as well as among team members. Uneven distribution of information can have negative effects on the motivation of team members—it is therefore important to “keep everyone in the loop.” This can be achieved either by establishing a regular timetable for virtual meetings in which all team members participate or by setting up virtual one-to-one meetings with team members who have fewer opportunities to connect informally with the team leader.

Succinctly expressing one’s thoughts in carefully composed and unambiguous messages is a precondition for establishing a good communication flow in multicultural teams. It is also important to avoid joking, judgmental comments, or taking an ironic tone that could either be misinterpreted due to a lack of non-verbal contextual clues or perceived as a loss of “face” by team members with a different cultural background. The box Zooming in on effective communication strategies for cross-cultural teams provides further advice on how to overcome cultural challenges in global virtual teams.

### Zooming in on EFFECTIVE COMMUNICATION STRATEGIES FOR CROSS-CULTURAL TEAMS

In order to overcome cultural challenges in global virtual teams, Yael Zofi suggests five cross-cultural communication strategies that she succinctly summarized under the acronym **LEARN**:

1. **Listen carefully** and ask questions to really understand what the other person wants to say.
2. **Effectively communicate** by offering balanced feedback, using positive and reinforcing messages, building on ideas, and carefully weighing words in order to avoid exacerbating conflict situations.
3. **Avoid ambiguity**, for example through sharing information about team members’ cultural backgrounds or including feedback loops to ensure that a message is well understood.
4. **Respect differences**, be open to seeing things differently and avoid overgeneralizations, stereotyping, and the “be like me” demand.
5. **No (premature) judgment**, but try to describe and interpret the situation and then carefully and objectively make an evaluation rather than rushing to a conclusion.

Imagine yourself as a leader or a member of a global virtual team. What can you do to ensure effective collaboration between all team members?

The team leader must also ensure that every team member has access to the required hardware and software and that everyone is adequately trained on using the technology to be able to participate fully. Further training on the basics of effective communication in both virtual and intercultural settings might also be needed.

### Skills for managing global virtual teams

In order to lead a global virtual team effectively, managers require a specific set of skills. In addition to intercultural communication skills (which we discussed in Section 5.2), managers of virtual teams need to develop:

- **Virtual communication skills.** These include the ability to match the technology to the task as well as proficiency in using the LEARN framework as described in the box Zooming in on effective communication strategies for cross-cultural teams.
tion is the “glue” of every team. A major precondition for the glue to stick, however, is that all team members also understand the messages that their colleagues want to get across to them. With a lack of the non-verbal information that lies in facial expression and body language, managers of virtual teams must be able to communicate very clearly and in a simple and understandable language in both verbal and written form. Research results show that making your intentions “crystal clear” is very important for effective collaboration in virtual teams. Therefore, managers also need to encourage everyone to ask direct and specific questions instead of making assumptions about what other people want. Needless to say, managers also need good listening skills when there are fewer facial and gestural clues available, as well as the ability to refrain from making premature assumptions about others.

- **Virtual socialization skills.** Leaders of virtual teams must ensure that new team members are included in the team as quickly as possible so that they can contribute to the team’s success. New team members should receive all important information when they join; for example, about the team’s purpose and goals, the main stakeholders, the distribution of tasks between team members, the timeline of a project, the communication channels that are usually used, and the core values of the team. At the same time, it is important not to overload the onboarding team members with too much information. Newcomers usually go through a socialization process in which they learn to adapt to the values and norms of the team. Learning the “technical” norms such as meeting schedule or reporting procedures is relatively straightforward, as they are quite easy to communicate. It is more challenging, however, to understand the social norms of the group (like work-related values and expectations that team members hold) because it is difficult to convey this type of information through electronic media and in the absence of non-verbal clues. This is another reason why managers of virtual teams need to develop the ability to substitute the information that is tacitly conveyed (usually through the silent observation of others) in co-located group settings with a more explicit form of communication (for example, through establishing clear behavioral guidelines or providing answers to frequently asked questions regarding team norms). Another way of ensuring that newcomers understand the social norms of the team is to partner them with experienced team members.

- **Virtual collaboration skills.** When all team members are on board, managers need to motivate and facilitate effective collaboration within the team. First and foremost, this means establishing trust between team members. In virtual teams, trust building can be fostered, for example, by open communication in a positive tone, knowledge sharing, timely responses to other team members’ requests, and giving positive feedback. Being able to create a positive social atmosphere is as important for building a good collaborative environment as making sure that everyone understands the focal team task, their own contribution toward completing this task, and the progress that is made on the team’s goals. Some team leaders deliberately schedule social events such as “virtual coffee chats” or make sure that team members have the opportunity to chat informally before an official conference call in order to cultivate positive social interactions. This is also important because some team members might hesitate to contribute if they fear being criticized by others. As in traditional co-located teams, it is important for managers of virtual teams to have team leadership skills—not only in terms of supporting the team on its way to achieving the task but also in ensuring team cohesion and taking care of the needs of individual team members (see Chapter 4). This also means not forgetting to recognize the individual efforts of remote team members.

Global virtual teams only become fully productive if they use the full potential of all of their team members. Intercultural and virtual communication skills, virtual socialization skills, and virtual collaboration skills are the basis for enabling managers to create the open and inclusive atmosphere in which everyone in the team has the feeling that their voice counts and their contribution matters.
5.4 Business and management ethics across cultures

In brief

- When they work across cultures and in an environment where interests collide, managers can face situations in which they have to decide what is the right (or ethical) course of action.
- Managers can resort to basic ethical principles when they try to find answers to moral dilemmas. Examples of basic ethical principles are “Maximize the overall good” (utilitarianism), “Respect others’ rights” (rights approach), “Ensure a fair distribution of benefits and burdens” (justice approach), “Exhibit care for others—especially those who are dependent on you” (ethics of care), or “Find solutions in a fair discourse” (discourse ethics).
- As moral standards can vary across cultures, managers can use human rights as the ultimate yardstick. They can also establish codes of conduct for their organizations and use other instruments for guiding their team’s ethical behavior.

Various scandals and reports on corporate misconduct (e.g. concerning accounting fraud, exploiting child labor, inhumane working conditions, bribery and other corrupt practices, environmental pollution, discrimination in the workplace, or deceiving customers) highlight the importance of ethics in an organizational context. A study based on an analysis of news reports revealed that 40 percent of Fortune 100 companies have been associated with unethical behavior. And that is only the tip of the iceberg, the instances that made it into the news. Besides the newsworthy scandals, managers face countless ethical issues in their day-to-day work because they need to consider the potentially harmful consequences of their everyday decisions and actions. When their organizations are active across borders, they can also be confronted with different employment and environmental protection standards, corrupt practices, disrespect for human rights, or—more generally—different moral standards and ethical traditions.

Before we discuss basic ethical principles and how to deal with different ethical standards in a cross-cultural context, we first need to define two key terms:

- **Moral standards**: Norms and beliefs that individuals or groups hold about what kind of actions are deemed right or wrong.
- **Ethics**: The process of conscious deliberation about what is morally right or wrong.

Typically, there are four steps that lead to ethical action (see Figure 5.6):

1. **Awareness**: A situation first needs to be recognized as an ethical situation. Usually, this means that we understand that the outcomes of a decision or an intended course of action could have harmful effects on others.
2. ** Judgment**: Once we have recognized that we face an ethical issue, we can try to build our judgment on what is the right course of action based on moral standards and ethical principles. It is important to keep in mind that our judgment is also based on the information that we have about the situation, and that the information base could also be incomplete, biased, or distorted. In this context, it also matters how decision problems are framed (see also the From a different angle box).
3 **Decision**: It is not enough to know what the right course of action could be. We also need to take the decision to actually do what is right. This decision can be influenced by the social situation (e.g., the ‘ethics climate’ in the organization) and other situational constraints.

4 **Implementation**: Finally, to act in an ethically correct way, good intentions need to be translated into real action. We need to overcome social pressures and maybe also internal drives and emotions to do the right thing, even if it might not be the easiest option or maybe even leads to personal costs.

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**Figure 5.6** Four steps to ethical behavior


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**FROM A DIFFERENT ANGLE**

**How ethical decision problems are framed matters**

The two famous psychologists Amos Tversky and Daniel Kahneman conducted an interesting experiment in which they presented a moral dilemma to two groups of people. For the first group, they framed the problem in the following way: You can decide between two programs that aim to save people from a highly contagious disease which is expected to kill 600 people: Program A will save 200 people. With Program B, there is a 1/3 possibility that everyone will be saved and a 2/3 probability that no one will be saved. The second group was told a slightly different story. They could also decide between two programs that would potentially save people from a highly contagious disease which is expected to kill 600 people. With the adoption of Program C, 400 people would die. With Program D, there is a 1/3 possibility that no one will die and a 2/3 probability that everyone will die. All of the programs lead to the same expected outcome. Nevertheless, 72 percent of the respondents decided for Program A and 28 percent for Program B in the first group, while only 22 percent voted for Program C and 78 percent for Program D in the second group. Exactly the same moral dilemma—just presented in a different way—was judged completely differently by the two test groups. From this example, we can see that it matters how ethical decision problems are communicated or framed.


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We will now review basic principles that can guide managers’ judgments and decisions when they are faced with ethical issues.

**Basic ethical principles**

It is not always easy to determine what is right or wrong in a particular situation. There are, however, several basic ethical principles that can help managers to reflect on moral dilemmas (see Figure 5.7 for an overview). Each of these principles is based on a distinct tradition of moral philosophy.

**Utilitarianism** refers to the idea that any actions, policies, or decisions should be focused on maximizing “utility” (i.e., benefits over burdens) for society as a whole. According to Jeremy Bentham (1748–1832), who together with John Stuart Mill (1806–1873) is considered the main proponent of utilitarianism, we should strive to create “the greatest happiness for the greatest number.” Managers who follow a utilitarian approach will try to find out what
the choices are in a particular situation, assess the benefits and costs for everyone affected, and decide on the option with the highest net utility (the result of subtracting the sum of the costs from the sum of the benefits). Although the general principle sounds simple in theory, it is not easy to use in practice. Certain values, benefits, and costs are difficult if not impossible to measure (values like health, love, equality, or life are salient examples).\(^\text{118}\) Moreover, solutions that are found through thinking in terms of maximizing net utility can potentially violate the rights of individuals or lead to unfair treatment, because some individuals could get a bigger share of benefits or burdens than others.\(^\text{119}\)

A different tradition of ethical reasoning builds on the idea that every individual has certain moral or human rights. This approach focuses on the legitimate interests of individuals rather than on aggregated utility at a group or societal level. The philosopher Immanuel Kant (1724–1804) succinctly summarized rights-based thinking in his famous categorical imperative: “Act so that the maxim of thy will can always at the same time hold good as a principle of universal legislation.”\(^\text{120}\) In other words, think about what would happen if everyone acted like you want to act. Kant also reminds us never to treat humanity merely as a means but to always see it as an end in itself.\(^\text{121}\) Thus, he points out the inherent value and worth of human beings (also known as human dignity) that goes hand in hand with the right of every human being to be treated with respect and equal to everyone else. Respecting the rights of others is not only an ethical maxim, however. It also has a practical effect on the performance of teams and organizations. In their study of 238 professionals from 26 project teams, Teresa Amabile and Steven Kramer observed that treating team members decently as human beings was one of the two basic managerial behaviors that had the most positive influence on people's work performance (the other one was enabling them to move forward in their work).\(^\text{122}\) Kant's precepts are not without limitations, however. People with different cultural backgrounds might have divergent opinions about which behavior could qualify as a universal law. The imperative to always respect the rights of all other people might also lead to an impasse when different equally valuable rights collide (e.g. the rights of different stakeholder groups).

A third basic principle of ethical reasoning is justice or fairness. We can distinguish between distributive justice (perceived fairness in distributing benefits and burdens within a certain group or society) and procedural justice (the perceived fairness of the procedures that lead to certain outcomes).\(^\text{123}\) The principles of justice and fairness are actually based on the acknowledgment of individual moral rights. If we agree that every individual has the right to be treated as a free and equal person, we will also try to make sure that there is an equal distribution of benefits and burdens.\(^\text{124}\) As we discussed in Chapter 3, the perception of fairness can also have a strong effect on the motivation (and especially the demotivation) of people. Therefore, it is important for managers to ensure that their decisions and actions are perceived as fair by the members of their team. Managers also need to consider that there are
cross-cultural differences in justice perception. For example, a study has shown that distributive justice was more strongly related to overall fairness perception for Chinese and Koreans than for Americans and Japanese, and that it is also more likely for Americans than for Chinese and Koreans to quit their jobs when they feel unfairly treated. Managers cannot assume that everyone will perceive the fairness of certain actions and policies in the same way. If they are aware of the cultural differences, however, they can adjust their behavior accordingly (e.g. making sure that rewards are more equally distributed in the form of a team bonus rather than using highly diverging individual bonuses when they work with predominantly Chinese or Korean teams).

In her work on women’s moral reasoning, Carol Gilligan highlights the importance of the concepts of responsibility and care. She describes another moral imperative that is based on “an injunction to care, a responsibility to discern and alleviate the ‘real and recognizable trouble’ of this world.” Following an “ethics of care” means caring for the well-being and avoiding the harm of people who are close and important to us, especially those who depend on us. For managers this could mean, for example, feeling responsible for the well-being of the members of their team or standing behind them if they are attacked by others. On the downside, this approach can lead to favoring people who are closer to ourselves over those who are more distant, which often happens in organizations but can come into conflict with Kant’s categorical imperative and fairness demands.

Depending on the basis of our ethical reasoning—whether it is utilitarianism, the rights approach, striving for justice, or ethics of care—we can come to different conclusions when we face ethical dilemmas. This problem can be aggravated in an intercultural context, for example, when different rights or fairness perceptions collide. The German philosopher Jürgen Habermas proposed the principle of discourse ethics that can be of help in such situations. According to Habermas, only those moral norms on which all the affected parties can agree can be considered valid. Such an agreement should be reached through a process of “practical discourse.” He emphasizes the importance of a rational process of argumentation in which people can put forward their viewpoints free of constraints and coercion. In an organizational context, managers can, for example, encourage team members to express their views freely and put all arguments on the table, perhaps through giving every team member a voice and acknowledging their contributions even if they differ from the manager’s own opinion on a certain issue. Although applying discourse ethics can lead to conclusions even in cases where different ethical principles collide, the concept also has its limitations. It is based on the assumption of full rationality (i.e. that people always put forward logical arguments), equality and objectivity, and on the premise that the viewpoints of all affected parties are considered and equally valued. These assumptions will hardly pass the reality test in an organizational context where bounded rationality, personal interests, and power games often prevail.

Despite their limitations, the approaches to ethical reasoning that were briefly discussed here can help managers in making moral judgments. A summary of the main questions that managers could ask themselves in difficult situations involving an ethical issue is provided in the box Zooming in on dealing with an ethical dilemma.

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**Zooming in on DEALING WITH AN ETHICAL DILEMMA**

When you are facing a situation that you perceive as an ethical dilemma (a decision situation in which moral principles come into conflict with each other), you can try to collect as much factual information as possible about the situation and then ask yourself the following questions:

1. Who is affected by the decision and what are the consequences for the individual stakeholder groups? Which action could maximize the benefits and minimize the burdens for all stakeholder groups? (Utilitarianism)
2. Does the action that I am considering respect the rights of those who are affected? (Rights)
Dealing with different ethical standards

Because values differ in different cultures, so do ethical standards. What is perceived as right in one culture might well be seen as wrong in another. When managers work across cultures, with business partners or team members from other countries, they can be confronted with different attitudes on moral issues. Environmental protection or labor standards can, for example, vary significantly between developing and developed countries. Different levels of tolerance of corrupt practices (e.g. bribery) are another salient example. The reasons for the differences in ethical standards could either lie in conflicts of relative economic development (e.g. low wage levels in developing countries) or in conflicting cultural traditions (e.g. a different view on women’s rights in Europe and some Islamic countries). This raises the question of how managers can approach ethical dilemmas that arise from such conflicting standards in a cross-cultural context.

3 Does the action ensure that benefits and burdens are distributed in a fair way? (Justice)
4 Is the action in line with my responsibility to care for the well-being of people who are in a close relationship with us or dependent on us? (Ethics of care)
5 Did we come up with the solution to the ethical dilemma in an open discourse in which the viewpoints of all affected parties have been adequately considered? (Discourse ethics)

Your mechanical engineering company is competing to supply machines to a customer in a country with much lower labor safety standards than your own. These standards apply to the assembly workers who are assembling the machines (which can be quite a dangerous process) that you are hoping to sell. You always try to uphold your home country’s standards when you do business abroad, although this is not legally required. In this particular case, however, you fear that you would lose a rare opportunity to establish your company in a potentially very lucrative market if you make an offer that completely complies with your home country’s labor safety standards for assembly workers. What would you do—make a high-priced offer for the assembled machines that upholds your high home country safety standards for local workers (with the high risk of losing the business) or a lower-priced offer that only complies with the low local safety standards (with a much higher probability of getting the business)?

There are three basic approaches to dealing with different ethical standards away from home: ethical ethnocentrism, ethical relativism, and ethical universalism.

**Ethical ethnocentrism:** The general belief that the ethical standards and values of one’s own group or society are the “right” ones, and that these standards should be maintained when doing business in another country with different standards. So, for example, a European company with very strict rules regarding gift giving would also impose the same standards when doing business in Japan, although exchanging gifts between business partners is a much more common practice there (see the box Around the globe: What exactly constitutes corruption?).

The opposite of the “my-truth-is-the-only-truth” stance is **ethical relativism**, the belief that ethical standards in different cultures are not necessarily better or worse, but just different. This would mean that what is “right” or “wrong” depends on the context and on the belief system of a certain group of people (e.g. a certain national culture or religion), and that we can—and maybe even should—adjust our behavior to the norms of the culture that we are interacting with (“When in Rome, do as the Romans do” is an often-cited saying in this context). But does that mean that it is ethically correct for companies from countries with high environmental, labor law, and anti-corruption standards to dump toxic waste, accept child labor, and bribery in countries where such practices are more common? Many people will feel morally uncomfortable with this thought.
A third basic approach to dealing with different ethical standards is ethical universalism (also known under the term “moral universalism”), the idea that there are moral values and a universal ethic that apply to everyone in the world, regardless of their cultural background or any other diversity-related characteristic. There have been attempts to discern and codify universal standards that are shared by all human beings, most notably in the Universal Declaration of Human Rights that was proclaimed by the United Nations General Assembly in 1948. Following the general guideline that “[a]ll human beings are born free and equal in dignity and rights,” it declares that everyone is entitled to basic rights that range from the right to life, liberty, and security of person through the right to education, the right to work, the freedom of peaceful assembly and association, the right to rest and leisure (including a reasonable limitation on working hours and periodic holidays with pay), to name just a few. The United Nations also put forward the UN Guiding Principles on Business and Human Rights that set clear standards on what businesses should do in order to respect human rights and prevent or mitigate potential adverse human rights impacts that are either linked to their own actions or the actions of their business partners.
The **UN Global Compact** is another United Nations policy initiative that suggests ten basic principles for doing business in an ethically correct way in the areas of:

- human rights (respecting human rights; avoiding complicity in human rights abuses);
- labor (respecting the freedom of association and the right to collective bargaining; eliminating all forms of forced and compulsory labor; abolishing child labor; and non-discrimination);
- environment (taking a precautionary approach to environmental challenges; promoting environmental responsibility; and being engaged in developing and diffusing environmentally friendly technologies);
- anti-corruption (working against all forms of corruption).

Businesses can apply to become part of the UN Global Compact and submit annual reports on their progress in the areas it covers, thus expressing their commitment to the ten principles.

**How to ensure ethical behavior**

So what can managers who work across cultures do in concrete situations in which different ethical standards collide? The following principles could help managers to find the right answer to this question:

1. Respect universal human rights.
2. Do not treat others as “tools” or as a means to an end, but respect human dignity (following Kant’s categorical imperative).
3. Have respect for local traditions and recognize that context matters when deciding what is “right” or “wrong.”
4. Have a code of conduct, but leave room for individual judgments in culturally sensitive situations.
5. If you are working in a business environment with lower ethical standards, set a good example in your own decision making—and then talk about it.

On an organizational level, managers can use several instruments for setting ethical standards and guiding employees’ ethical behavior (see also the box Setting ethical standards at Lockheed Martin), including, for example, codes of conduct for employees and partners along the value chain, ethics awareness training, appointing ethics officers or ethics committees, certification and audits, confidential whistle-blowing processes (anonymous helplines), or transparency measures (e.g. reports and audits on social and environmental impacts).

In addition to these more “technical” instruments, managers can also contribute to the creation of a good ethical climate, in which ethical behavior is encouraged and unethical behavior discouraged. This is closely related to defining and upholding organizational values, those commonly agreed core principles that guide the behavior of members in the organization. According to Deal and Kennedy, “values are the bedrock of any corporate culture.” It is not sufficient just to write a value statement, however. In order to effectively implement values in an organization, managers need to reinforce them in all communications, recognize and reward behavior that is consistent with these values, take action when values are violated, and—perhaps most importantly—lead by example and strictly live and abide by these values themselves.

A strong managerial commitment to ethical behavior is not only an end in itself—it can also contribute to enhancing organizational performance. For example, a recent study observed a positive connection between customers’ perceptions of the ethicality of an organization and its brand image. A study of the 500 largest publicly held corporations in the US showed a statistically significant link between the commitment of management to ensuring compliance with ethical standards and the financial performance of the organization. Thus, ethical behavior can also be good for business.
CEO best practice: Setting ethical standards at Lockheed Martin

Marilyn A. Hewson became president and CEO of Lockheed Martin in 2013, taking over from an executive who had to resign after violating the company’s ethics code through his relationship with another employee. Hewson led the American aerospace, security, and defense technology company on a growth path, acquired the helicopter maker Sikorsky Aircraft and expanded its global business, especially in Asia. In an industry that has often been under public scrutiny and criticism regarding ethical concerns, Hewson put reinforcing integrity standards across the corporation high on her agenda. “We never allow our ethics or integrity to be compromised by our desire to succeed, regardless of the circumstances of our business,” she writes at the beginning of Lockheed Martin’s Code of Ethics and Business Conduct, which goes far beyond legal requirements. The code is complemented by a range of detailed policies that set standards of conduct for all members of the corporation including, for example, very strict anti-corruption rules. Employees are regularly informed about these standards through business conduct compliance training and ethics awareness training. Hewson personally trains her staff on a yearly basis, and all other leaders across the corporation are expected to do the same. Video scenarios based on actual cases are used in the training, and everyone is familiarized with the corporation’s five “Voicing our Values” techniques, (1) asking questions, (2) obtaining data, (3) talking to others, (4) reframing the issue (taking a different perspective), and (5) reporting violations. Lockheed Martin also reaches beyond its own organization through providing ethical resources for suppliers, for example, a supplier code of conduct, detailed rules about gifts, hospitality, and business courtesies, ethics webinars for suppliers, and one-to-one support in an ethics supplier mentoring program. Hewson is convinced that acting in an ethically correct way is a basic precondition for success in business when she says that “operating with integrity secures our customers’ trust and enables us to win business around the world.”

Key takeaway

Especially (but by no means exclusively) in industries in which there are a lot of ethical issues, clear guidelines about what is considered as ethically correct behavior and ethics training activities can help managers and employees to make the right decisions.

Sources: Based on information in Drew (2012); Lockheed Martin (2015; 2016; 2017).

In addition to comprehensive corporate ethics policies and codes of conduct, organizations can also provide their employees with simple, “down-to-earth” guidelines of how to deal with ethical challenges. The US technology company Texas Instruments, for example, equips its employees with a business card-size “mini pamphlet” that carries an “Ethics Quick Test” which can help them to make the right decision if they are unsure how to handle a difficult situation. It includes the following questions:

- Is the action legal?
- Does it comply with our values?
- If you do it, will you feel bad?
- How will it look in the newspaper?
- If you know it’s wrong, don’t do it!
- If you’re not sure, ask.
- Keep asking until you get an answer.

“Keep asking” is a particularly important piece of advice. Deciding to speak up—to make ethical issues an issue in the organization—is the first step to creating a culture of integrity and a climate in which people care for doing the right thing.

Although ethical policies and codes of conducts can be an important instrument for communicating expectations, they do not guarantee ethical behavior. Managers will still sometimes need to deal with unethical behavior, and in order to avoid accusations of unfair treatment, they should do so in a consistent way. If managers observe behavior that clearly
violates the ethical policies of the organization, they can respond in several ways, dependent on the severity of the issue. Minor offenses will usually be handled with a reprimand in a face-to-face meeting or with an oral warning. In more serious cases, written warnings are issued, and in very severe cases, ethical misconduct can lead to dismissal. When the behavior is not only unethical but also illegal, managers need to consider taking legal action. In all cases, it is good practice to have the right for employees to make appeals against disciplinary actions or dismissals (for example, to an ethics appeal board). In any case, managers are not only responsible for setting up ethical guidelines, but also for ensuring compliance. Being a role model in behaving in an ethical way is as important in this context as rewarding ethical and punishing unethical behavior and creating an atmosphere where people do not have to fear any negative consequences when they speak up to report alleged ethical misconduct.  

Preventing child labor at IKEA

Poverty, illiteracy, and indebtedness of parents, a lack of understanding of the potential negative effects on the child, entrenched social norms, and a lack of quality education are some of the reasons why child labor is still a widespread phenomenon in India. More than ten million children between the ages of 5 and 14 were considered “economically active” in India’s 2011 census.

Marianne Barner was first confronted with this issue in the 1990s when she was heading the carpet business area of IKEA, the world’s largest furniture retailer. At that time, IKEA faced media allegations in several countries that some of its Indian suppliers of rugs were exploiting child labor.

IKEA’s basic business concept—providing well-designed furniture at affordable prices—was created by the company’s founder Ingvar Kamprad in Sweden after World War II. IKEA rapidly spread around the world from the 1970s on and, over time, expanded its product range from furniture to a full line of home furnishing products, including home textiles and rugs. IKEA uses all possible cost-cutting opportunities that do not affect the quality of its core products; for example, deliberately designing the products for easier transport in flat packages, “outsourcing” delivery and assembly to the customer, and sourcing in high quantities from suppliers based in low-wage countries.

When one of IKEA’s Indian rug suppliers was accused of being an employer of child labor in a German TV program in 1995, IKEA immediately terminated its contract with the supplier. In this particular case, police investigations later revealed that the TV producer had fabricated the whole story. As a consequence, the supplier relationship was reinstated, and the settlement with the TV station was handed over to the supplier. This episode, along with other accusations about IKEA’s suppliers and the concomitant negative publicity, convinced IKEA’s management that the issue of child labor demanded stronger attention.

Barner agreed to take over the role of IKEA’s children’s ombudsman. An ombudsman (or ombudsperson) is officially in charge of representing the interests of a particular group and investigating individuals’ complaints against an organization. Within this role, Barner also assumed responsibility for initiating activities to prevent child labor. She reported directly to the CEO. Barner soon found out that child labor was a very complex issue that could not be solved just by terminating supplier relationships when an incident of child labor was reported and confirmed. Among the potential unintended consequences of such a move were that numerous children could be thrown onto the streets, child labor could be shifted to more hazardous industries (quarrying, for example), or children were relocated to sub-suppliers which were much more difficult to control. The well-intended social initiatives of other companies had not really improved the situation. Barner said that when she was visiting India’s “carpet belt” and saw “many empty schools everywhere, some of them bearing the names of international companies,” she started to understand “that you had to delve deeper.”  

Acknowledging that it was not feasible to put every single hand loom in India under direct surveillance, IKEA declined to join Rugmark, an international label that claims to guarantee child labor-free rugs through making regular inspections of the looms and factories where carpets are made.

IKEA’s own initiatives tried to target root causes and focused on adult illiteracy, poverty, and access to education. The company started to support UNICEF in its efforts to establish community development projects and provide educational possibilities for children in India’s carpet belt. Alternative learning centers that acted as a sort of “bridge school” to bring children into the regular school system were set up in the region, followed by a healthcare initiative. IKEA also tried to address the issue of parents’ indebtedness through supporting self-help groups in
which women collectively saved money that allowed them to open group bank accounts, borrow from these accounts (instead of from moneylenders who tie credits to child labor), and become financially independent entrepreneurs. Baner was convinced that "if we empowered women, this would have the same effects on their children. We knew this had to be achieved through education." As a result of these efforts, which were focused on several hundred villages in India, tens of thousands more children attended school.

IKEA also set up new minimum requirements for its suppliers regarding social and environmental standards based on international conventions and declarations, called the "IKEA Way in Purchasing Products, Materials and Services (IWAY)," as well as general principles on how to prevent child labor. These guidelines made it clear that although IKEA respects the different values and traditions of other cultures, the company does not accept child labor. IKEA also holds workshops for suppliers about how to handle child labor issues. According to the IWAY guidelines, all actions that are taken must be "in the best interest of the child." IKEA reserves the right to make unannounced visits to all production sites of suppliers—including their sub-suppliers—or assign third parties with inspection tasks. If instances of child labor are found, the supplier must deliver and implement a corrective action plan that includes "viable and sustainable alternatives for the child’s development." In case of repeated violations, IKEA will terminate the business relationship with the supplier.

Despite these efforts, child labor is still prevalent in India. An increased level of buyer awareness, legislative action, and international pressure have, according to UNICEF India, resulted in a relocation of child labor away from factories to less visible places such as business owners' homes. A 2014 study by the FXB Center for Health and Human Rights at Harvard University reported that "an astonishing level of outright slavery and child labor for carpet weaving appears to be all but the norm" in the northwestern part of the Indian region of Uttar Pradesh, which was termed the "New Carpet Belt." The study pointed out that many Western retailers are still sourcing from exporters and importers that are violating human and children’s rights.

Sources: Bartlett et al. (2006); IKEA (2007; 2016); latimes.com (1997); Kara (2014); Luce (2004); McCorquodale (2009); UNICEF India (2017).

Discussion questions

- Which steps did IKEA take to ensure that their suppliers are not exploiting child labor?
- How would you evaluate the actions that IKEA has taken to combat child labor? Do you agree with all the practices or do you have any reservations about them?
- Was it a good idea for IKEA not to join a certified label that guarantees that the rugs that it sources from India are child labor-free?
- What could be the basic ethical principles that the management of IKEA used as a basis for taking the decisions on how to deal with the issue of child labor?

Conclusion

As humans, we are cultural beings. We are shaped in our thinking and behavior by the culture (or several cultures) in which we are socialized. We express ourselves, understand the world, and make our judgments about ethical issues based on the traditions, values, attitudes, and behaviors that we have learned over time. In their leadership role, managers need to acknowledge that culture matters. As with other dimensions of diversity, cultural diversity can open up new opportunities for integrating different perspectives and devising new solutions to organizational problems. But as we have seen in this chapter, it can also increase the level of complexity that managers need to deal with. Managers who develop intercultural communication skills (e.g. being aware of cultural differences and able to adapt their verbal and non-verbal communication accordingly), competencies in diversity management (e.g. to establish diversity-related norms, practices, and training activities), and a well-founded ethical approach to decision making in a cross-cultural context (following the four steps to ethical behavior in Section 5.4) are better equipped to navigate the rough seas of today’s dynamic and uncertain global business environment.

Acquiring these skills is becoming all the more essential for managers who are leaders or members of virtual global teams. Because this is an increasingly common way of organizing
work in a globalized world, managers must also be able to combine their intercultural and
diversity management skills with virtual socialization, communication, and collaboration
skills. In a world that never stands still, we need managers who never stop learning.

As for every learning endeavor, trying to become competent in managing diversity across
cultures takes time—for individual managers as well as for organizations. While Leena Nair
progressed in her successful career journey (from management trainee in the male-
dominated environment of the Indian subsidiary of Unilever to the global consumer goods
corporation’s first Asian and female chief human resources officer), Unilever also proceeded
on its own transformation path. Strategic initiatives to advance diversity and inclusion
across the whole organization have included, for example, a campaign to fight stereotyping
and unconscious bias, a code of conduct which guarantees fair and equal treatment for all
employees regardless of their backgrounds, a special program for attracting and developing
female talent, mentoring programs, clear diversity targets to improve the representation of
underrepresented groups in the workforce, and an inclusion learning program with the aim
of building—in the words of Leena Nair—“a shared awareness of a more connected, caring
culture so everyone at Unilever feels uniquely valued and supported.”

Unilever has become a role model of a culturally diverse organization and has won several
awards for its diversity-related initiatives. In 2017, Unilever reported that more than one-third
of all managers at Hindustan Unilever and almost half of all managers globally were women.
The more diverse workforce has also helped Unilever to reach exceptional business results,
with an increase in turnover from 2009 to 2017 of more than one-third and an increase in
operating profits during the same period of almost 77 percent. But even a good practice
company like Unilever is not immune to falling into intercultural pitfalls. In 2017, Dove, one of
Unilever’s brands, was accused of racism because of a social media advertisement that
showed a black woman turning into a white one after using a body lotion. The company
apologized right away and acknowledged that it had “missed the mark” with the advert.

Unilever is just one example that underlines how important it is for managers to embrace
diversity and to be sensitive to diversity-related issues. Everyone is different. That is what
makes us strong when we join forces. Effective managers dig deeper to better understand the
differences in (cultural) values, personality, and other visible or invisible characteristics of
people, reflect on why these differences exist, and find the right strategies to work out inte-
grative solutions that are both ethical and beneficial for the development of the organization.

✓ Review questions

1. What are the main benefits and challenges of diversity in teams that are composed of people
   from diverse backgrounds?
2. What can managers do to foster diversity and inclusion in their organizations?
3. Which cultural dimensions can help to understand cultural differences?
4. What aspects of culture can have an impact on the attitudes and behaviors of people in an
   organizational context?
5. What are the main barriers for effective intercultural communication?
6. What can managers do in order to effectively communicate and negotiate across borders?
7. What distinguishes a global virtual team from a traditional location-based team?
8. What are the main advantages of global virtual teams?
9. Which challenges do leaders of global virtual teams usually face?
10. How can leaders of global virtual teams ensure effective teamwork?
11. Which media can be used for which purposes in virtual teams?
12. Why is it important for managers to pay attention to the ethical implications of their decisions
    and actions?
13. Which basic ethical principles can managers apply when they face moral dilemmas?
14. How can managers deal with different ethical standards when they work across cultures?
15. What can managers do to foster ethical behavior in their own organizations and in partner
    organizations along the value chain?
Critical reflection questions

1. *Fortune* magazine reported that in 2016, only 28 percent of the newly appointed board members in Fortune 500 companies (a list of the 500 largest firms in the US) were women. Why—despite all diversity management efforts—is there still a lack of diversity in the highest business ranks?

2. Do you think that the use of cultural dimension models could foster stereotyping?

3. What does it mean for individuals if they are working primarily in global virtual teams rather than in traditional location-based teams? What are the potential impacts, for example, on motivation, social relationships, or loyalty toward the organization?

4. Despite all the talk about the importance of business ethics, we still read a lot of reports about unethical managerial behavior in newspapers or news websites. In your opinion, are organizations doing enough to ensure that their (top) managers act in an ethically appropriate way?

5. Ethical standards differ across cultures, and we could often come to different conclusions on how to deal with a moral dilemma when we use the different ethical principles that were introduced in this chapter. With all of these differences, can we really judge whether a certain managerial action was morally right or wrong?

Managerial implications

- Effective managers are able to harness the power that lies in diversity—in bringing together different perspectives, approaches, capabilities, and strengths—to advance their organizations with new ideas that emerge when people from very different backgrounds join forces.

- In order to become beneficial for organizations, diversity needs to be well managed. To influence the diversity practices in their organizations, managers can introduce and enhance "above the line" diversity policies. At least as important, however, are the "below the line" attitudes toward diversity and inclusion as well as the development of a positive diversity climate.

- To effectively lead teams and organizations in an environment where different cultures meet, managers must develop intercultural competence. Recognizing and appreciating cultural differences is a first step that must be complemented by the ability to bridge the cultural gap through consciously adapting one's communication strategies to the specific cross-cultural situation.

- Global virtual teams are a means to overcome geographic and time barriers. They have their own challenges, though, and leaders of these teams must be able to manage diversity, focus on building trust and visibility, set clear communication norms, and ensure that the right communication technology is used effectively.

- Managers are often confronted with moral dilemmas—situations in which they must decide what is the right or wrong thing to do. Being aware that ethical issues matter, the ability to apply some basic principles of ethical reasoning, understanding the tools for guiding employees' ethical behavior in organizations, and critically questioning one's own perspective and behavior can help managers to deal with difficult decision situations and choose the (ethically) right course of action.

Endnotes

16. Aytemiz Seymen (2006); Gardenswartz and Rowe (2010); Robinson and Dechant (1997); Slater et al. (2008); Stahl et al. (2010).
In this section, we follow a functional approach to communication, which is focused on how (effective) intercultural communication works. There are other approaches to understanding communication, for example, the meaning-centered approach, which is more focused on understanding how human interaction defines (organizational) reality (Shockley-Zalabak, 2015).

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Visit the companion website at macmillanihe.com/sternad-management to access useful weblinks, multiple choice questions and additional materials.
INDEX OF ORGANIZATIONS

1time 285
3M 183, 327, 338
ABB 247
Abercrombie & Fitch 280
ABC (television broadcasting company) 41
ACL Services 99–100
Adidas 323
Aetna 293, 319
Air Liquide 328–9
Akzo Nobel 37, 59
ALDI 307–8
Al Wasl (soccer club) 5
Amazon 131–2, 203, 245, 249, 308, 349
American Olympic ice hockey team 276
AmorePacific 333–4
Aon plc. 260–1
Apple 215, 236
Atos 47
Barclays 105
Bath & Body Works 280
BlackRock 49
Bloomsbury 210
Blue Ribbon Sports 322
BMW 235
Bombardier 239
Bountiful Cow 119
British Airways 194, 285
Brunel Cucinelli 318–9
Canon 16
Carinthia University of Applied Sciences (Fachhochschule Kärnten) xvi, xix
CEEMAN xvi, xix
Christian Dior 334
Chrysler 235
Citigroup 49
Coca-Cola 224, 230, 263
Comair 285–6
Continental AG 115
Cornell Law School 11, 316
Daimler 47, 235
Delta Air Lines 96
Deepmind 331
DHL 263
Dutch East India Company see Vereenigde Oostindische Compagnie
East India Company 357
Eastman Kodak see Kodak
Envato 30–1
Estee Lauder 239
European Union 194
E*TRADE Financial 49
Facebook 255, 287
Fast Retailing 57
Financial Services Authority (FSA) 209
Ford 342
FXB Center for Health and Human Rights at Harvard University 171
Gallup 54, 93
GE Appliances 153
General Electric (GE) 81, 258, 331
Gildan Activewear 142
Global Reporting Initiative (GRI) 314–5
Google 141, 186, 226, 245, 249, 338
GO Project 49
gothamCulture 285
Hachette 131–2
Haier 152–3
Harvard xvi, 87, 109, 196, 205, 365
Harvard Business School xix, 24, 41, 42, 79, 189, 271, 330, 335
Harvard Kennedy School 73
Hasso Plattner Institute of Design (Stanford University) 325
Hewlett-Packard 362
Hindustan Unilever (HUL) 137, 171
Honeywell 257
Hudson s Bay Company 357, 362
IAE Aix-Marseille Graduate School of Management xvi
IBM 16, 49, 146, 247
IDEO 325
IEDC Bled School of Management xvi
IESE Business School 338
IKEA 160–70, 239
illycaffè 235
Inditex 197
Infineon Technologies 337
ING Netherlands 367
INSEAD 58, 124, 205, 273, 365
Jet.com 48–9
Johnson & Johnson 232
Jugnoo 58–9
Kodak 247, 329
kulula.com 285
Lancaster University 37
L Brands 280
Lego 342
Liebherr 152
Lidl 308
Linea Directa 271
Lockheed Martin 168
L’Oreal 226
Lucasfilm 41
London Business School 132
Macmillan Higher Education xvi
Manchester United (soccer club) 32
Mango (airline) 285
Marriott 246
Marvel 41
MasterCard 256
McKinsey 242
Michelin 239
Microsoft 84, 128, 245, 246, 259, 346
MIT (Massachusetts Institute of Technology) 87, 268
Monster 230
Motorola 339
National Football League 191
Nestlé 244
Nespresso 244
Netflix 194
Netscape 346
New Lanark cotton spinning mill 361
New York Red Bulls 230
Nike 323, 352
Nokia 215, 249–50
Nordnet 246
<table>
<thead>
<tr>
<th>Organization</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northvolt</td>
<td>235</td>
</tr>
<tr>
<td>Novo Nordisk</td>
<td>316–7</td>
</tr>
<tr>
<td>Ola Cabs</td>
<td>58</td>
</tr>
<tr>
<td>Open University</td>
<td>xix</td>
</tr>
<tr>
<td>PepsiCo</td>
<td>17, 224, 230</td>
</tr>
<tr>
<td>Pets.com</td>
<td>191–2</td>
</tr>
<tr>
<td>Pixar</td>
<td>41</td>
</tr>
<tr>
<td>PriceWaterhouseCoopers (PwC)</td>
<td>248–9</td>
</tr>
<tr>
<td>Procter &amp; Gamble (P&amp;G)</td>
<td>263</td>
</tr>
<tr>
<td>Raiffeisen International</td>
<td>52</td>
</tr>
<tr>
<td>Rakuten</td>
<td>236</td>
</tr>
<tr>
<td>RB Leipzig</td>
<td>230</td>
</tr>
<tr>
<td>Red Bull</td>
<td>230–1</td>
</tr>
<tr>
<td>Red Globe Press</td>
<td>xvi</td>
</tr>
<tr>
<td>Rockstar</td>
<td>230</td>
</tr>
<tr>
<td>Roman Empire</td>
<td>44</td>
</tr>
<tr>
<td>Royal Bank of Scotland</td>
<td>209–10</td>
</tr>
<tr>
<td>Royal Dutch/Shell Corporation</td>
<td>10, 232</td>
</tr>
<tr>
<td>Rugmark</td>
<td>170</td>
</tr>
<tr>
<td>SAB Miller</td>
<td>26</td>
</tr>
<tr>
<td>Samsung</td>
<td>250</td>
</tr>
<tr>
<td>Sanyo Electric Co</td>
<td>152</td>
</tr>
<tr>
<td>Scentre Group</td>
<td>248</td>
</tr>
<tr>
<td>SEB Bank</td>
<td>246</td>
</tr>
<tr>
<td>Semco</td>
<td>86–7</td>
</tr>
<tr>
<td>Semco Style Institute</td>
<td>87</td>
</tr>
<tr>
<td>Sikorsky Aircraft</td>
<td>168</td>
</tr>
<tr>
<td>Skype</td>
<td>342</td>
</tr>
<tr>
<td>SoGal Ventures</td>
<td>338–9</td>
</tr>
<tr>
<td>South African Airways</td>
<td>285</td>
</tr>
<tr>
<td>Southwest Airlines</td>
<td>181</td>
</tr>
<tr>
<td>Standards Australia</td>
<td>262</td>
</tr>
<tr>
<td>Stanford University</td>
<td>205, 259, 322, 325, 339</td>
</tr>
<tr>
<td>Starbucks</td>
<td>299</td>
</tr>
<tr>
<td>Studio Modern</td>
<td>271–2</td>
</tr>
<tr>
<td>Styria Media Group AG</td>
<td>xvi</td>
</tr>
<tr>
<td>Sulzer AG</td>
<td>37</td>
</tr>
<tr>
<td>Swisssair</td>
<td>139</td>
</tr>
<tr>
<td>T. C. Pharmaceuticals</td>
<td>230</td>
</tr>
<tr>
<td>Ternary Software</td>
<td>266</td>
</tr>
<tr>
<td>Texas Instruments</td>
<td>168</td>
</tr>
<tr>
<td>the7stars</td>
<td>118–9</td>
</tr>
<tr>
<td>The Limited</td>
<td>280</td>
</tr>
<tr>
<td>Timken</td>
<td>239</td>
</tr>
<tr>
<td>T.JX</td>
<td>84</td>
</tr>
<tr>
<td>T-Mobile USA</td>
<td>194</td>
</tr>
<tr>
<td>Toyota</td>
<td>305, 363</td>
</tr>
<tr>
<td>Transparency International</td>
<td>166</td>
</tr>
<tr>
<td>Uber</td>
<td>58, 247</td>
</tr>
<tr>
<td>Uber Eats</td>
<td>351</td>
</tr>
<tr>
<td>Umicore</td>
<td>234–5</td>
</tr>
<tr>
<td>UNICEF India</td>
<td>170</td>
</tr>
<tr>
<td>Unilever</td>
<td>137, 171, 182</td>
</tr>
<tr>
<td>Uniqlq</td>
<td>57, 198</td>
</tr>
<tr>
<td>United Nations</td>
<td>166–7</td>
</tr>
<tr>
<td>University of Athens</td>
<td>300</td>
</tr>
<tr>
<td>University of Graz</td>
<td>xix</td>
</tr>
<tr>
<td>University of Klagenfurt</td>
<td>xix</td>
</tr>
<tr>
<td>University of Michigan</td>
<td>22</td>
</tr>
<tr>
<td>University of Pennsylvania</td>
<td>202</td>
</tr>
<tr>
<td>University of Southern California</td>
<td>(USC) 339</td>
</tr>
<tr>
<td>UPS (United Parcel Service)</td>
<td>194</td>
</tr>
<tr>
<td>US Department of Justice</td>
<td>131</td>
</tr>
<tr>
<td>US Marine Corps</td>
<td>243</td>
</tr>
<tr>
<td>Vanema</td>
<td>272</td>
</tr>
<tr>
<td>Vereenigde Oostindische Compagnie</td>
<td>357</td>
</tr>
<tr>
<td>Victoria’s Secret</td>
<td>280</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>15</td>
</tr>
<tr>
<td>Walmart</td>
<td>48, 236, 247, 307–8</td>
</tr>
<tr>
<td>Walt Disney Company</td>
<td>41</td>
</tr>
<tr>
<td>Western Electric Company</td>
<td>361</td>
</tr>
<tr>
<td>Westfield Corporation</td>
<td>248–9</td>
</tr>
<tr>
<td>Whole Foods</td>
<td>308</td>
</tr>
<tr>
<td>Wolters Kluwer</td>
<td>240–1</td>
</tr>
<tr>
<td>Yell</td>
<td>9</td>
</tr>
<tr>
<td>Yemeksepeti</td>
<td>350–1</td>
</tr>
<tr>
<td>Zara</td>
<td>197–8</td>
</tr>
<tr>
<td>žurnal media</td>
<td>xvi</td>
</tr>
<tr>
<td>Name</td>
<td>Page(s)</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Ackoff, Russell</td>
<td>8</td>
</tr>
<tr>
<td>Adams, John Stacey</td>
<td>77</td>
</tr>
<tr>
<td>Albrecht, Karl</td>
<td>307</td>
</tr>
<tr>
<td>Albrecht, Theo</td>
<td>307</td>
</tr>
<tr>
<td>Allen, David</td>
<td>45</td>
</tr>
<tr>
<td>Amabile, Teresa</td>
<td>51, 77, 79, 163, 330–1</td>
</tr>
<tr>
<td>Anderson, Richard</td>
<td>96</td>
</tr>
<tr>
<td>Ansoff, H. Igor</td>
<td>234, 365</td>
</tr>
<tr>
<td>Apgar, David</td>
<td>185–6</td>
</tr>
<tr>
<td>Aristotle</td>
<td>14, 29, 192</td>
</tr>
<tr>
<td>Aydin, Nevzat</td>
<td>350–1</td>
</tr>
<tr>
<td>Bacon, Sir Francis</td>
<td>199, 341</td>
</tr>
<tr>
<td>Balmer, Steve</td>
<td>128</td>
</tr>
<tr>
<td>Barnard, Chester I.</td>
<td>361</td>
</tr>
<tr>
<td>Barner, Marianne</td>
<td>169–70</td>
</tr>
<tr>
<td>Baron, Jonathan</td>
<td>199, 202</td>
</tr>
<tr>
<td>Baumgartner, Felix</td>
<td>230</td>
</tr>
<tr>
<td>Bazerman, Max H.</td>
<td>189, 201–2</td>
</tr>
<tr>
<td>Belbin, J. Meridith</td>
<td>109–10</td>
</tr>
<tr>
<td>Bell, David E.</td>
<td>189</td>
</tr>
<tr>
<td>Benedict of Nursia</td>
<td>266–7, 356</td>
</tr>
<tr>
<td>Bentham, Jeremy</td>
<td>162</td>
</tr>
<tr>
<td>Bertolini, Mark</td>
<td>293, 319</td>
</tr>
<tr>
<td>Bezos, Jeff</td>
<td>203</td>
</tr>
<tr>
<td>Biggarn, Jenny</td>
<td>118–9</td>
</tr>
<tr>
<td>Bingham, Christopher B.</td>
<td>191</td>
</tr>
<tr>
<td>Bond, Michael</td>
<td>147</td>
</tr>
<tr>
<td>Bossidy, Larry</td>
<td>257, 259</td>
</tr>
<tr>
<td>Botwinnik, Michael</td>
<td>218</td>
</tr>
<tr>
<td>Bowerman, Bill</td>
<td>323, 352</td>
</tr>
<tr>
<td>Breton, Thierry</td>
<td>47</td>
</tr>
<tr>
<td>Brooks, Herb</td>
<td>276</td>
</tr>
<tr>
<td>Bruch, Heike</td>
<td>259, 281</td>
</tr>
<tr>
<td>Bryman, Alan</td>
<td>73</td>
</tr>
<tr>
<td>Brynjolfsson, E.</td>
<td>194</td>
</tr>
<tr>
<td>Buffet, Warren</td>
<td>203</td>
</tr>
<tr>
<td>Burns, Paul</td>
<td>324</td>
</tr>
<tr>
<td>Büchner, Ton</td>
<td>37, 59</td>
</tr>
<tr>
<td>Cameron Kim S.</td>
<td>54</td>
</tr>
<tr>
<td>Carnegie, Andrew</td>
<td>358</td>
</tr>
<tr>
<td>Case, Gregory (‘Greg’)</td>
<td>260–1</td>
</tr>
<tr>
<td>Chamandy, Glenn J.</td>
<td>142</td>
</tr>
<tr>
<td>Chandler, Alfred</td>
<td>261, 365</td>
</tr>
<tr>
<td>Cheshbrough, Henry</td>
<td>333, 375</td>
</tr>
<tr>
<td>Christensen, Clayton</td>
<td>42</td>
</tr>
<tr>
<td>Cicero</td>
<td>54, 356</td>
</tr>
<tr>
<td>Clark, Alan</td>
<td>26</td>
</tr>
<tr>
<td>Clooney, George</td>
<td>244</td>
</tr>
<tr>
<td>Cohn, Ruth</td>
<td>113–4, 377</td>
</tr>
<tr>
<td>Cooper, Cary</td>
<td>38</td>
</tr>
<tr>
<td>Cucinelli, Brunello</td>
<td>318–9</td>
</tr>
<tr>
<td>Coyne, Kevin</td>
<td>297</td>
</tr>
<tr>
<td>Češko, Sandi</td>
<td>271–2</td>
</tr>
<tr>
<td>Dahlgren, Peter</td>
<td>246</td>
</tr>
<tr>
<td>Dannenmiller, Kathleen</td>
<td>283</td>
</tr>
<tr>
<td>Da Vinci, Leonardo</td>
<td>40, 220, 335</td>
</tr>
<tr>
<td>De Montaigne, Michel</td>
<td>207</td>
</tr>
<tr>
<td>Deal, Terrence E.</td>
<td>167</td>
</tr>
<tr>
<td>Degenhardt, Elmar</td>
<td>115</td>
</tr>
<tr>
<td>Deming, W. Edward</td>
<td>362</td>
</tr>
<tr>
<td>De Montaigne, Michel</td>
<td>56</td>
</tr>
<tr>
<td>Dokjeong, Y.</td>
<td>333</td>
</tr>
<tr>
<td>Dolanc, Livija</td>
<td>271</td>
</tr>
<tr>
<td>Drucker, Peter</td>
<td>26, 43, 80, 178, 223, 228, 255, 280, 324, 333, 335, 365</td>
</tr>
<tr>
<td>Dyson, James</td>
<td>337</td>
</tr>
<tr>
<td>Einstein, Albert</td>
<td>107</td>
</tr>
<tr>
<td>Eisenhardt, Kathleen M.</td>
<td>191, 205</td>
</tr>
<tr>
<td>Elkington, John</td>
<td>314, 377</td>
</tr>
<tr>
<td>Ellis, Albert</td>
<td>52–3</td>
</tr>
<tr>
<td>Emerson, Ralph Waldo</td>
<td>285</td>
</tr>
<tr>
<td>Epictetus</td>
<td>52</td>
</tr>
<tr>
<td>Ericsson K. Anders</td>
<td>81</td>
</tr>
<tr>
<td>Ertel, Danny</td>
<td>130</td>
</tr>
<tr>
<td>Faulkner, William</td>
<td>56</td>
</tr>
<tr>
<td>Fayol, Henry</td>
<td>18, 359–60, 369</td>
</tr>
<tr>
<td>Fei Tsu, Han (also known as Fei-zi, or Fei-tzu, Han)</td>
<td>356</td>
</tr>
<tr>
<td>Fisher, Roger</td>
<td>129</td>
</tr>
<tr>
<td>Ford, Henry</td>
<td>358</td>
</tr>
<tr>
<td>Forrester, Jay Wright</td>
<td>268</td>
</tr>
<tr>
<td>Frankl, Viktor</td>
<td>52</td>
</tr>
<tr>
<td>Franklin, Benjamin</td>
<td>56</td>
</tr>
<tr>
<td>French, John</td>
<td>273</td>
</tr>
<tr>
<td>Friedman, Milton</td>
<td>11</td>
</tr>
<tr>
<td>Galbraith, John Kenneth</td>
<td>125</td>
</tr>
<tr>
<td>Galbut, Elizabeth</td>
<td>339</td>
</tr>
<tr>
<td>Gantt, Henry L.</td>
<td>359</td>
</tr>
<tr>
<td>Garvin, David A.</td>
<td>207–8</td>
</tr>
<tr>
<td>Gates, William Henry (Bill)</td>
<td>84, 128, 259</td>
</tr>
<tr>
<td>Gentile, Mary</td>
<td>139</td>
</tr>
<tr>
<td>Ghoshal, Sumantra</td>
<td>259</td>
</tr>
<tr>
<td>Gilbreth, Frank</td>
<td>359</td>
</tr>
<tr>
<td>Gilbreth, Lilian</td>
<td>359</td>
</tr>
<tr>
<td>Gilligan, Carol</td>
<td>164</td>
</tr>
<tr>
<td>Gleicher, David</td>
<td>283</td>
</tr>
<tr>
<td>Goethe, Johann Wolfgang von</td>
<td>355</td>
</tr>
<tr>
<td>Goodwin, Fred</td>
<td>209</td>
</tr>
<tr>
<td>Gordon, Mark</td>
<td>130</td>
</tr>
<tr>
<td>Gray, General A. M.</td>
<td>243</td>
</tr>
<tr>
<td>Greenleaf, Robert</td>
<td>366</td>
</tr>
<tr>
<td>Grynberg, Marc</td>
<td>234–5</td>
</tr>
<tr>
<td>Habermas, Jürgen</td>
<td>164</td>
</tr>
<tr>
<td>Hackman, J. Richard</td>
<td>107, 109</td>
</tr>
<tr>
<td>Hall, Edward T.</td>
<td>146, 362</td>
</tr>
<tr>
<td>Hamel, Gary</td>
<td>226</td>
</tr>
<tr>
<td>Hammer, Michael</td>
<td>363</td>
</tr>
<tr>
<td>Hampden-Turner, Charles</td>
<td>147</td>
</tr>
<tr>
<td>Harris, Philip</td>
<td>148</td>
</tr>
<tr>
<td>Herzberg, Frederick</td>
<td>361</td>
</tr>
<tr>
<td>Hewson, Marilyn A.</td>
<td>168</td>
</tr>
<tr>
<td>Hill, Linda</td>
<td>6, 7, 20, 86</td>
</tr>
<tr>
<td>Hodgkinson, Gerard P.</td>
<td>196</td>
</tr>
<tr>
<td>Hofstede Geert</td>
<td>146, 362</td>
</tr>
<tr>
<td>Hogwood, Christopher</td>
<td>109</td>
</tr>
<tr>
<td>Hrebinjak, Lawrence G.</td>
<td>255</td>
</tr>
<tr>
<td>Ibn-Khaldun</td>
<td>356</td>
</tr>
<tr>
<td>Iger, Robert</td>
<td>41</td>
</tr>
<tr>
<td>Illy, Andrea</td>
<td>235</td>
</tr>
<tr>
<td>Indounas, Kostis</td>
<td>300</td>
</tr>
<tr>
<td>Isla, Pablo</td>
<td>197</td>
</tr>
<tr>
<td>Jacobs, Robert</td>
<td>283</td>
</tr>
<tr>
<td>Janis, Irving</td>
<td>113, 205, 207, 374</td>
</tr>
<tr>
<td>Javis, Mark</td>
<td>118</td>
</tr>
<tr>
<td>Jingguo, Du</td>
<td>153</td>
</tr>
<tr>
<td>Jobs, Steve</td>
<td>343</td>
</tr>
<tr>
<td>Jordan, Michael</td>
<td>118</td>
</tr>
<tr>
<td>Juran, Joseph J.</td>
<td>363</td>
</tr>
<tr>
<td>Juvenal (Latin poet)</td>
<td>195, 371</td>
</tr>
<tr>
<td>Kahneaman, Daniel</td>
<td>162, 180, 199–200, 208</td>
</tr>
<tr>
<td>Kamprad, Ingvar</td>
<td>169</td>
</tr>
<tr>
<td>Kant, Immanuel</td>
<td>163–4, 167</td>
</tr>
<tr>
<td>Kaplan, Robert</td>
<td>41, 268–70, 371</td>
</tr>
</tbody>
</table>
Kasparov, Garry 217–18
Kellerman, Barbara 73, 101
Kelley, David M. 325–6
Kennedy, Allan A. 167
Kennedy, John F. 205
Kets de Vries, Manfred 58–9, 82, 101, 273, 284
Kim, W. Chan 226, 244, 343, 365
Knight, Phil 323, 352
Kotter, John 24, 25, 30, 278, 282–3
Kramer, Mark R. 313, 376
Kramer, Steven 51, 77, 98, 164
Kramnik, Viktor 217
Kulik, Carol 141
Kyung-bae, Suh 333–4
Landsman, Liza 48–9
Lax, David 129
Le Breton-Miller, Isabelle 239
Levinthal, Daniel A. 15
Levitt, Theodore 223
Liker, Jeffrey 305
Lineback, Kent 248
Liker, Jeffrey 305
Linsky, Mary 248
Loh, Steven 248–9
Luthans, Fred 25
Machiavelli, Niccolò 356
Mackay, Graham 26
Maier, Norman R. F. 204
Maradona, Diego Armando 255
March, James G. 11, 15, 185, 199–201, 205, 259, 284
Marcus Aurelius (Roman Emperor) 44, 286
Marsalis, Wynton 17
Maslow, Abraham 361
Martin, Roger 255
Matetzsch, Dietrich 230–1
Mauborgne, Renée 226, 244, 342, 365
Mayo, Elton 360, 368
MacGregor Burns, James 366
McAfee, Andrew 194
McClelland, David 205, 361
McFarlane, John 105
McGregor, Douglas 361–2, 370
Mckinstry, Nancy 240–1
McLuhan, Marshall 120
Messner, Reinhold 56
Meyer, Erin 124, 206
Meyrowitz, Carol 84
Mill, John Stuart 162
Miller, Danny 239
Mintzberg, Henry xvi, 15, 18–21, 73, 79, 81, 202, 218, 261, 272, 324, 365
Mischel, Walter 14
Mitarai, Fujio 16
Moore, Don A. 189, 201–2
Moran, Robert T. 148
Morgan, J. P. 357
Mornell, Pierre 96
Moss Kantor, Rosabeth 79, 334
Moussa, Mario 275
Nadella, Satya 128
Nair, Leena 137, 141, 171
Nicklaus, Jack 81
Nicholson, Nigel 92
Nohria, Nitin 19, 24
Nonaka, Ikujiro 274
Noey, Indra K. 17
Norton, David P. 268–70, 371
Novick, Gidon 285
Obama, Barack 355
Ohmae, Kenichi 250
Oncken Jr., William 15
Parker, Glenn 352
Parker Follett, Mary 352
Parker, Mark 205
Parker, Michael E. 19, 24, 223–4, 238–9, 241, 242, 313, 365, 374, 376
Porth, Wilfried 47
Prahalad, C. K. 226
Preston, D. 131
Ptah-hotep 356
Pubilonus Syrus (Roman mime writer) 250
Pythia (Oracle of Delphi) 38
Rahim, M. Afzalur 126
Randle, Jason 335
Raven, Bertram 273
Riegel, John W. 22
Robert, Michael A. 207–8
Robertson, Brian 266
Rockefeller, John D. 358
Rokeach, Milton 42
Rogers, John 133
Rung, Jun 30
Sadler-Smith, Eugene 196
Saint Benedict of Nursia see Benedict of Nursia
Schein, Edgar 122, 278
Schlesinger, Leon A. 283
Schmidt, Eric E. 186
Schultz, Howard 299
Schultz, Laurie 99–100
Schumpeter, Joseph Alois 324
Schwartz, Shalom H. 147
Schwartz, Tony 51
Sebenius, James 129
Semler, Ricardo 86–7
Shapira, Zed 184
Shell, Richard 275
Simon, Herbert A. 81, 190, 196, 361
Simpson, George 362
Singla, Samar 58–9
Sirosh, Joseph 246
Slater, Philip F. 128
Smart, Jonathan 132
Sørensen, Lars E. 316–7
Stegic, Herbert 52
Stewart, Rosemary 18
Stout, Lynn 11, 316
Sun Tzu 237, 243, 356, 365
Sun, Yiqing (Pocket) 338–9
Ta’eed, Collis 30–1
Ta’eed, Cyan 30–1
Takeuchi, Hirotaka 274
Taleb, Nassim Nicholas 195, 370
Taylor, Frederick Winslow 358–9, 368
Tengblad, Stefan 19
Thomke, Stefan 335
Treacy, Michael 239
Trippel, Fons 147
Tuckman, Bruce 111–2
Tversky, Amos 162
Tyson, Mike 346
Ury, William J. 129
Van Beethoven, Ludwig 107
Vanderbilt, Cornelius 358
Vincent, Erik 285–6
Vilà, Joaquim 338
Vroom, Victor H. 78
Wass, Donald L. 48
Waters, James A. 272
Weber, Max 358
Weick, Karl 9
Welsh, Jack 81, 258
Wenger, Daniel M. 196
Wexner, Leslie 280
Whetten, David A. 54
Wiersema, Fred 239
Wilcox, Keith 342
Will, Harold 99
Wolk, Joe 335
Wenger, Daniel M. 194
Wexner, Leslie 280
Wright, Orville 358
Wright, Wilbur 335
Woods, Tiger 81
Yanai, Tadashi 57
Zuckerberg, Mark 255, 287
# SUBJECT INDEX

ABC model of Rational Emotive Behavior Theory 52–3  
ABCDE monitoring chart 27–9  
acceleration see social acceleration  
accruals 297  
accountability 10, 89, 256, 258  
achievement 39, 42, 205, 337  
actively open minded thinking 202  
advice 207  
affirmative action 140, 145  
agency dilemma 11  
agency theory 10, 11  
agenda 19, 25, 30, 33, 88, 143, 156, 168, 204, 278, 338  
implementation 26  
of a meeting 123, 157, 158  
setting 24–26  
setting tool 24–5, 116  
agile 105, 115, 132, 245, 280, 350, 367, 369  
alertness see entrepreneurial alertness  
allegiance 215, 230, 232, 234, 235, 237 see also cooperative strategy  
ambidexterity 15  
amortization 295, 296  
analogies 181, 198  
anti-discrimination laws 97  
appraisal interview see performance review  
artificial intelligence x, 22, 95, 245, 246, 248, 331  
assets 308, 309  
assignment 88  
meeting 89  
asynchronous media 154, 158  
attitudes 58, 60, 139, 180  
about diversity see diversity, attitudes  
societal 147, 149–50  
agmented reality 245, 246–7, 249  
Australia 30, 148, 248–9, 318  
anomous work teams see teams, self-managing  
autonomy 76–77, 78, 79, 101, 260, 268, 325, 328, 336, 370  
availability heuristic 199  
balanced scorecard 270  
balance sheet 308, 309, 348  
BATNA 129  
BCG (Boston Consulting Group) matrix 232–3  
behavioral control 260, 270  
behavioral theories of management 361–2  
Belbin team roles 108–9  
belief conservation 199  
belongingness need 78  
benchmarking 268, 297, 298  
bias 142, 191, 194, 200, 202, 246 see also decision making, pitfalls  
big data 194, 197, 245, 248, 367  
black swan events 194  
blockchain 245, 247  
Blue Ocean Strategy 243–4, 365  
born global 222, 342  
bounded rationality 190  
brainstorming 85, 116, 330  
brainwriting 330  
break-even point 348  
brribery 161, 165, 166  
budget / budgeting 193, 258, 265, 270, 327, 348  
bureaucracy 118, 222, 331, 336, 358  
bureaucratic control 270  
business environment see environment  
business ethics see ethics  
business etiquette 148  
business idea 340, 341, 344, 345  
business intelligence 194, 367  
business level strategy see strategy.  
business level  
business model canvas 349  
business opportunity 341, 343, 345, 346, 347, 349, 353, 371 see also opportunity  
business plan 345, 346, 347–9, 352, 354  
business process reengineering 364  
business processes see organizational processes  
business results categories 291  
calendar 45–6, 116  
Canada 99, 272  
CAPEX see capital expenditure  
capital budgeting 219  
capital expenditure (CAPEX) 295, 297, 348  
care see ethics, of care  
cash (definition) 302  
cash conversion cycle (CCC) 302–4, 306, 307  
cash cow 232–3, 234  
cash flow 234, 293, 302–7, 308, 310, 313, 319, 321  
forecasting 306  
management 292, 302–6, 319  
statement 302–3  
cash management see cash flow, management  
cash plan 306, 348, 349  
cash position 293, 304–6, 310  
cash report 306  
change management 255, 279–85, 286, 334  
change process 278, 279, 282, 285, 288, 362  
channel richness (communication) 120, 155, 158  
charisma 101  
chess 192, 217  
child labor 165, 169–70, 315  
China 29, 78, 146, 147, 149, 152–3, 164, 222, 279, 331, 338, 339, 356  
cloud computing 116, 245  
coach 56, 81, 84–5  
coaching 75, 80, 81, 83–6, 102, 114, 259, 366  
questions 85  
co-acting group 106, 107  
coalition / coalition building 130, 272, 273, 277, 279, 282, 283, 334  
code of conduct 161, 167–8, 171  
cognitive limitations 198, 201 see also decision making, pitfalls  
cognitive restructuring 53  
collaborative software 115–6
collective bargaining 167
collectivism (cultural dimension) 146, 153, 157
communication 119–25, 275, 361
commensurate 20, 25, 208
commitment of employees 79, 140
to a decision 204, 205, 208
communication 119–25, 275, 361
channel 154, 155, 160
conventions 145, 150–1
costs 140
face-to-face 19
in a change process 282–3
in cross-cultural teams 159
in strategy execution 260–1
in teams 112
intercultural see intercultural communication
process 151
rules 158
styles 151
tools 120, 125
compensation system 153
competency trap 200
competitors 27, 28, 30, 215, 220, 223, 224, 230, 238, 258, 300, 342, 347
low-cost 243, 244
competitive advantage 215, 236, 240–2, 308, 313, 321, 329, 334, 347 see also sustainable competitive advantage
competitive rivalry 223, 224
cost-benefit 6, 8
compromise 205
correlation 194
corruption 161, 165, 166, 168, 222, 314
cost accounting 297, 300
cost allocation 298, 300
cost cutting see cost reduction
cost leadership 238–9, 263, 365
cost management 297
cost of goods sold (COGS) 260, 294, 295, 304
cost reduction 232, 236, 237, 293, 295, 296, 297–9, 304, 307, 313, 320–1, 343
costs
fixed 295, 296, 299, 300, 301
indirect 298, 300
marginal 298, 301
of financing 295, 296
variable 295, 296, 298, 299, 300, 301
cost structure 227, 297, 350
coevolution 179
componential model 330, 331–2
context 256, 257
critical uncertainties 178, 179, 185, 189, 194
cross-cultural communication see intercultural communication
cross-cultural team see team, cross cultural
cross-cultural training see training, cross-cultural
crowdsourcing 333
cultural control 260, 270
cultural differences 137, 145, 146–50 in decision making 201, 206 in management 20
taxonomy 148–9
cultural dimensions 146–7
cultural fit 97, 100
cultural intelligence 145, 146, 150 see also intercultural competence
culture 145
as a factor in driving or restraining creativity and innovativeness in organizations 336–7, 352
cycle time 305
data analytics 186, 190, 194, 197, 241, 244
data privacy see privacy
data protection 116, 119, 245, 247
data security see data protection
data warehouse 194
days in inventory 303, 304
days payable outstanding 303, 304, 306
days sales outstanding 303, 304, 305–6
day-to-day work of managers 18–20
decentralization 360
decision (definition) 178
decision bias see decision making, pitfalls
decision criteria 180–1, 186–7, 188–9
decision making 24, 167, 170, 176–212, 202, 209, 226, 277, 315, 361, 363
cultural differences 201
data-driven 194
failures see decision making, pitfalls
fallacies see decision making, pitfalls in groups 113, 115, 203–8, 211
in meetings 124
intuitive 192, 195–6
pitfalls 175, 186–202, 204
process see decision process tools 187–9, 194, 197
decision making process 23, 128, 139, 192, 208, 218, 255, 362
rational-analytic 175, 178–89, 204, 210, 211
decision process see decision making, process
decision quality 139
decision support software see decision support system
decision support system 154, 175, 186–7, 190, 194, 210
decision tree 182–4
degelation 48, 78, 87–9, 102, 118, 257, 361
process 88–9, 258
reverse 48, 83
deliberate practice 55, 61, 81, 83
deliberate strategy see strategy, deliberate
demand variability 305
democratic leadership style 86, 266
demotivation 79, 163, 260
depreciation 294–5, 296
deregulation 12, 342
design thinking 324, 325–6, 352
development cycle 54–5
goals 82, 83, 90
of employees 24
of organizations see organizational development
of people see people development of performance potential of others 80
of subordinates 22
of team members 26
of yourself see self-development personal see self-development plan 83
dialectic thinking 198, 202
dialogical leadership 122
dialogue 82, 87, 88, 89, 92, 121–2, 125
differentiation 225, 226, 238–9, 243, 262, 343, 365
digital competence 244, 245, 247
digitalization xi, 370
digital platforms 244, 245, 248
digital strategy xiii, 175, 215, 238, 244–8, 251
digital technologies xi, 21–2, 215, 244–8, 249, 251, 367
digital transformation 240, 247–8
digital tools 244, 248, 260
for supporting teamwork 115–6, 158–9
discounted cash flow method 310–1
discount rate 310, 311
discourse ethics 161, 163–5
disengagement 79
distribution channel 345
distributive justice see justice, distributive
distributive negotiations see negotiations, distributive
diversification 232, 234, 263, 264, 311, 365
divisional structure 263, 264, 365
division of work 360
diversity xii, 137, 138–45, 171, 172, 204, 336
attitudes 141–2, 172
awareness 144
challenges 140
climate 140–3
in entrepreneurship 339
in teams 78, 108, 137, 154, 155, 336
in the supplier portfolio 144
in organizations 138, 144, 315
layers of 138
manager 142–4
management 140–3, 170, 171
of the workforce 97, 138–9
policies 140–3
practices 140–5
skills 144
training 140, 142, 143, 144
dominant coalition 219
double multiplicity of management 8, 280, 297, 364
dual focal value theory 185–6
dynamic capabilities 227, 242
dynamic environment see environment, dynamic
earnings before interest and taxes 
(EBIT) 294–5, 296
earnings before taxes (EBT) 294–5, 296
e-commerce 49, 225,
economies of scale 244, 235, 237, 238, 245, 262, 263, 264, 296, 297, 307
economies of scope 232, 237, 296, 297
effective management xiv, xv, 26, 44, 59, 60, 78, 102, 141, 236, 355, 369 see also effectiveness, managerial
effectiveness 23
first-level 23
managerial xii, 3, 23–6, 320, 365 see also effective management personal 3
second-level 24, 25
efficacy 23
efficiency 23, 266, 267, 296, 327, 338, 358, 359, 363
elimination by aspects 188
email 19, 46, 47–8, 96, 115, 116, 120, 154, 158
overload 19, 47
emergent strategy see strategy, emergent
emotional intelligence 87, 96, 156
emotions in decision making 200, 207, 208
empathy 99
employee commitment see
commitment, of employees
employee development see
development, of employees
empowerment 78, 325, 361
energy level
organizational 258–9
personal 27, 28, 50–1, 61, 67–9 see also personal energy
management
energy zones 259
entrepreneur resource planning (ERP) 267
entrepreneur 20, 30, 323, 324, 338
entrepreneurial alertness 341
entrepreneurial manager 322, 339, 352, 365
entrepreneurial mind 323 see also
entrepreneurial thinking
entrepreneurial opportunity see
opportunity, entrepreneurial
entrepreneurial role xiii, 20–1, 23, 353
see also entrepreneurial manager
entrepreneurial team 348
entrepreneurial thinking 264, 324–9, 339, 366
cross-cultural differences 337
entrepreneurship 323, 324, 339
lean approach see lean start-up
environment 6–7, 8–9, 27, 28, 200, 211
changing 9, 17, 21, 23, 216, 240, 323, 324, 352 see also environment, dynamic
complex xi, 105, 139, 195
dynamic xi, 139, 142, 193, 195, 211, 215, 218, 243, 266, 327, 329, 347, 352, 360, 364, 366, 367, 369 see also
environment, changing
fast-changing see environment, dynamic
general see environment, macro
industry 6–7, 28, 218, 220, 331
institutional 222, 368
macro 6–7, 28, 218, 220–1, 228
micro see environment, industry
natural (ecological) 17, 142, 167, 221, 222
trends 28
uncertain 3, 18, 211, 243
environmental impact 32, 321 see also
performance, environmental
environmental performance see
performance, environmental
environmental pollution 161
equal employment opportunities 140
equity 309, 360
equity theory 77
ergonomics 359
escalation of commitment 200, 208
ethical behavior 162, 167–8
ethical climate 167
ethical dilemma see moral dilemma
ethical ethnocentrism 165
ethical intelligence 15
ethical issues 42, 182, 201
ethical misconduct see unethical behavior
ethical principles 161, 162–5
ethical reasoning 162, 164
ethical relativism 165
ethical responsibility see responsibility, ethical
ethical standards 137, 165, 167
ethical universalism 166
ethics 161–9
of care 161, 163–5
quick test 168
training 167, 168
ethics climate 162
execution of a strategy 254, 255, 257, 259, 260, 272, 280, 286, 287 see also
implementation path
expectancy theory 78
expected value 183–4
expenses 294
experimental approach to entrepreneurship 335, 346, 349–50
to management 101
experimentation 325, 336, 338
expert performers 81
exploration 10, 15, 340
exploitation 10, 15, 340
fairness 42, 77, 99, 117, 124, 163, 164,
204, 285, 359
family business (family firms) 14, 235, 239, 314, 326

360-degree 91
constructive 59, 82, 83, 91, 108, 259, 334
critical see feedback, negative 82
from customers / from the market 325, 347, 349, 350
negative 82, 90, 205, 207, 334, 338
feedback analysis 38, 40
femininity (cultural dimension) 146
figurehead 20–1
financial plan 346, 348, 349
financial performance see performance, financial
fit between strategy and organizational design 262
fixed costs see costs, fixed
flow chart see process flow chart
focus (generic strategy) 238
focusing illusion 200
follow up 88–9, 90–1, 102, 157, 259, 297
after meetings 122–5
in open receivables management 306
follow-up costs 296
follow-up decisions 180
forming (stage in the team development) 111
framing 179, 186
free riding see social loafing
F-R-E-P model 99
Friedmanite perspective 11
functional structure 262, 264
generic strategies 238, 365
globalization xi, 22, 368, 370
Global Reporting Initiative (GRI) 314–5
global virtual teams 137, 154–60, 170, 172, 368
advantages 155
challenges 152–6
communication strategies 159
leadership practices 157
leadership tasks 156–9
skills 159–60
GLOBE project 147
goals challenging 76
incompatible 126
life 39, 62–3
motivating 76
personal 38
strategic see strategic goals
goal-setting theory 76
Golden Rule 16
governance structures 10–11
grievance system 144
gross profit 294–5
group cohesiveness 140

group decision making see decision making, in groups
group development see group dynamics
group dynamics 111–2, 156, 361
group norms see team, norms
groupthink 113, 118, 129, 155, 203, 205, 206, 208, 336, 337
growth opportunities 291, 308, 309, 310, 328
for employees 362
growth/share matrix see BCG (Boston Consulting Group) matrix
growth strategy 231, 234–6, 347, 365
gut feeling see intuition
halo effect 97
happiness 39, 42, 162
Hawthorne studies 361
helicopter view 10
heuristics 191–2, 199–200, 210 see also categorical thinking
hierarchy / hierarchical organization 86, 105, 115, 132, 149, 152, 204, 265, 273, 325, 335, 356, 366
hierarchy of needs 361
high-context culture, see culture, high-context
hindsight bias 200
hiring 31, 93–7, 100
process 94–6, 102
history of management 355–70
holacracy 266
honesty 42
House of Digital Strategy 244–5, 247, 248
human dignity 163, 318, 368
humanistic management 368
human relations movement 358, 360, 368
human resource management (HRM) 24, 73, 241, 267, 327, 361
human rights 161, 163, 166, 167, 314, 315
humility 42
hypotheses 201, 349, 350
hypotheses-driven entrepreneurial see lean start-up
idea championing 332, 334
idea generation 329, 332, 333 see also brainstorming
identity 83, 148
of an organizational unit 327
implementation of a strategy see implementation path
implementation path 255, 256–60, 261
incentive system 265, 266 see also reward system
inclusion 140, 143, 144, 145, 171
inclusivity 97, 141
income statement 294–5, 348
incrementalizing 181
individualism (cultural dimension) 146, 157
India 17, 29, 58, 137, 166, 169–70, 314, 357, 368
industry analysis 219, 223–6
industry definition 223
industry environment see environment, industry
industry growth 222, 233
industry life cycle analysis see life cycle analysis, industry
influence 255, 259, 272–9, 288
influence map 277
informal leader 30, 273
information disseminate 19
exchange 24
informal 19
information and communication technology (ICT) see information technology
information technology (IT) 20, 21–2, 155, 193, 245, 267, 271, 285, 286, 324, 368
innovation 139, 155, 218, 225, 226, 239, 241, 323, 325, 327, 329–38, 342, 352, 369
capacity 139
management 332, 366
network 333
open see open innovation
power 227, 242
process 329, 332–5, 352
types of 332
innovativeness 329, 332, 335, 353
factors driving and restraining 336
influence 7, 25–6, 73
input-output analysis 313
inquiry 207
Inside-out/Outside-in analysis see 1-O/1-I analysis
insolvency 302–3
instruction literature 356, 358
integration organizational 262, 266
integrative negotiations see negotiations, integrative
intellectual property 346, 347
intercultural communication 145, 146, 148, 149, 150–2, 154, 159, 170
intercultural competence 145, 172
intercultural negotiations see negotiations, intercultural
intercultural skills 22
interdependence 265
interest costs see costs, of financing
intermodal thinking 190, 195–7, 210
Internet 13, 95, 116, 155, 175, 186, 191, 195, 215, 236, 244, 247–255, 251, 311, 333, 342, 346, 350, 351, 367
Internet of Things (IoT) 245, 247, 367
intrapreneur 322, 324
intrapreneurship see corporate entrepreneurship
introversion 97
intuition 192–3
operating expenses (OPEX) 295, 297
operations 28, 262, 348
operations plan 346, 348
operations research 359, 362
OPEX see operating expenses
opportunity
as a chance to perform tasks that suit your strengths 74–5, 80
assessment 340, 344–6
entrepreneurial 323, 340–6, 346, 347
exploitation see opportunity, pursuit of for growth see growth opportunities for value creation 326, 327, 340, 352, 353
identification see opportunity, recognition
in the environment (strategic) 218, 219, 220–1, 228–9, 251, 259, 281
pursuit of 323, 324, 325, 340, 346, 349, 353
recognition 323, 324, 325, 331, 332–3, 340–4, 353
search for 341–2
options
in decision making 178, 179, 181–4, 186, 206, 208
strategic 218, 243, 250, 251, 345
organic growth 234, 355
organizational culture 41, 241, 244, 255, 260, 261, 262, 267, 272, 273, 277–8, 288, 336, 337, 362
organizational design 255, 261–71, 272, 288
organizational development 24, 119, 362
organizational justice see justice, organizational
organizational learning 119
organizational processes xi, 5, 73, 242, 246, 248, 255, 256, 258, 261, 262, 267–8, 272, 273, 278, 280, 288, 348, 357
organizational structure xi, 5, 31, 33, 242, 255, 256, 258, 261, 262–5, 266, 272, 273, 278, 280, 288, 357
organizational systems xi, 242, 255, 256, 258, 261, 262, 268–71, 272, 273, 280, 288, 327, 357
organizational transformation 282–3, 285
organizing xi, xii, xv, 18, 262, 263, 271, 359
outcomes (in decision making) 182–3
output control 260, 270
outsourcing 264, 271, 297, 300
overloading 46, 48, 50, 60, 179
PCAN model 275–6
people development 24, 80, 88
process 81–3
perceived organizational support 77, 90
perceived supervisor support 77, 90
performance
cross-cultural differences 314
economic 313, 315
environmental 17, 293, 312, 313, 316–7, 318
financial 293
future 44
metrics see key performance indicators (KPIs)
of people 81, 366
organizational 140, 167
social 293, 312, 313, 314, 316–7, 318
sustainable 15
performance equation 74
performance management 87, 140
performance measurement 270
performance potential 14, 27, 73, 80, 81, 119, 270, 271 see also potential, building
performance problem (poor performance) 75, 91–2, 97, 157
in semi-integrated groups 107
performance review 87, 89–91, 100, 102, 367
performance standard 89
performance responsibility see responsibility, performance performing (stage in the team development) 111–2
personal development see self-development
personal energy management 50–2 see also energy level
personal goals see goals, personal
personal productivity 3, 43–6
personal productivity management system 45
personality 138, 171, 185
persuasion 255, 272, 273, 274–6, 288
in different cultural contexts 279
PESTEL analysis 220, 221–2, 311
phases of grief 98
planning xi, 18, 24, 359, 362, 369
political behavior 204, 258, 273–4, 282
poor performance see performance problem
Porter’s five forces 223–4, 311
portfolio strategy 231, 232–3, 234
positioning see strategic positioning
posteriorities 43–4
potential
building 13–14, 27, 32, 33, 44, 215, 217, 243, 251, 340 see also performance potential
your own 54
power 205, 266, 272, 273–9, 282, 284, 334, 356, 361
power distance (cultural dimension) 146, 152, 156
power games 273–4
power structures 177
in an industry 224
presentation 121–2, 275
price 295, 296, 299–302
price elasticity of demand 299, 301
price-to-earnings ratio (P/E ratio) 310
pricing 299–302, 320, 348
contribution margin approach 299–301
principle-agent problem 11
priorities 3, 43, 46, 48, 60, 188, 256, 257, 270, 278, 317, 325, 356
priorities management 43
enemies 43, 47–8
prisoner’s dilemma 129
privatization 12
privacy 194, 245, 247, 315
probability 182–4, 189, 193, 199–200
problem definition (decision making) 178–9
procedural justice see justice, procedural
process flow chart 267, 268–9
process management 262, 267–8
processes
organizational see organizational processes
process optimization 237, 267–8
product–market fit 350
productivity 28, 296, 307, 360
personal see personal productivity
profit 14, 27, 86, 209, 293, 294–302, 308, 314, 319, 326
margin 299, 301
multiples 310
operating see earnings before interest and taxes (EBIT)
profitability 27, 270, 293, 296, 299, 302, 310, 313, 314, 320
improvement 294–302
profit and loss account see income statement
progress principle 331, 332
project management systems 116, 260
prototype 191, 235, 334, 339, 335
purpose 17, 18, 33, 87
of a meeting 123
of an organization 315–6, 317, 319, 362 see also mission
of a team 106, 109, 154, 156, 157, 160
of a task 89
shared 5, 154, 157
qualified intuition 193
qualitative growth xix, 152, 235
quality control 363
quality of life 312, 326, 368
quantification trap 181
quantitative approaches to management 362–3
quick wins 46, 51, 110, 282
rational arguments 7
rational-analytic thinking 190, 195–6
see also decision process, rational-analytic
rational decision see decision process, rational-analytic
Rational Emotive Behavior Theory (REBT) 52
real value 309, 312, 316, 326, 359, 368
reciprocity 29, 276, 277, 288
recruiting/recruitment 95, 140, 143, 270, 278 see also hiring
recruiting traps 97
red ocean 243, 365
reengineering 359, 363–4
reference check 93–4, 95, 96
reflection 55, 56
questions 85
remote teams 22
representativeness heuristic 199
reputation 311
reputational risk 311
research and development 16
resilience 50, 52, 59, 139, 200, 326, 327, 350, 351
of an organization 309, 310
resistance passive 205
to diversity policies and practices 145
to change 153, 279, 283–4, 288
resource allocation 219
resource base 27–8, 220
resource-based view (RBV) 227, 239
responsibility economic 13, 314–5
environmental 314–5, 321
etical 10, 12, 15, 164, 287
for an organization or organizational unit 10
for final results 360
for performing tasks 256
for the performance and development of an organization 6
grid 13
long-term 13–14, 101, 313, 340
long-term impact 13–14
managerial 5, 11, 16, 24
performance 13–14, 73, 313, 340
potential-building 13–14, 313
short-term 13, 340
social 12, 42, 314, 315, 321, 359
societal 13–14
stakeholder 13–14
transfer of 88
results
environmental see performance, environmental
financial 27
non-financial see non-financial results
organizational 24
social see performance, social
résumé see curriculum vitae (CV)
revenue (definition) 294
reverse delegation see delegation, reverse
rewards / reward system 76, 78, 157, 164, 260, 270, 272, 278, 328
risk 185–6, 232, 247, 248, 293, 309, 310–2, 313, 321, 337, 347, 350
analysis 286
assessment 310–12
avoidance 336, 337
consciousness 325, 327
intelligence 185
management 22, 209, 260, 293, 308, 310–2
preferences 185–6
reduction 236, 237, 311
rights approach (ethical principle) 161, 163
robots 246
role expectations 32–3
roles
decisional 20–1
informational 20–1
interpersonal 20–1
managerial see managerial roles
satisficing 190, 198
schedule 46, 116
scenarios 194, 221, 348, 349
scientific management 358, 359, 360
scoring model see weighted scoring model
scrum 105
secondary structural layer 264–5
self-actualization 361
self-awareness 57, 59
self-coordination 265, 266
self-development 3, 24, 38, 54–6, 59, 60, 61, 62, 326
self-discipline 44
self-efficacy 75
self-examination 57
self-managed teams see team, self-managing
self-management 3, 37, 38, 49, 59, 356
principles 56
self-managing teams see team, self-managing
self-organizing team see team, self-managing
self-reflection 59 see also reflection
sensemaking 9, 25–6, 32, 88, 341
sensitivity analysis 189, 348, 349
servant leadership 366
setbacks 26
socialization 274
staffing 26
stages of group development see team dynamics
stakeholder 10, 11–14, 21, 28, 32, 37, 44, 119, 132, 206, 216, 218, 236, 277, 293, 312, 314, 315, 316, 317, 328, 348, 350, 368
internal 94, 96
groups 14, 15, 139, 144, 163, 283, 293, 312, 326, 334
management 13
of a team 106, 110, 111, 113, 160
primary 12
responsibility 13–14
secondary 12–13
time 359, 368
standardization 265, 266
standing (as a motivational factor) 76, 78
stereotypes/stereotyping 137, 139, 141, 144, 147, 152, 171, 199, 200, 206
stewardship theory 11, 366
strategic alignment 266, 268
strategic alliance see alliance
strategic business unit (SBU) 231
strategic focus 239, 263
strategic goals 216, 325, 340, 345, 346, 347, 365
strategic group map 223, 224–5
strategic management 215–9, 251, 366
strategic options see options, strategic
strategic planning 216, 217, 218, 251, 255
strategic partnership see alliance
strategic positioning 215, 218, 238, 239–40
strategic thinking 214, 216, 251, 338, 351, 356
strategizing see strategic planning
strategy 28, 31, 214–9, 242, 344
business level 218, 238–44
cooperative see cooperative strategy
corporate level 218, 231–7
deliberate 216
development see strategic planning
emergent 217–8
execution see execution, of a strategy
implementation see execution, of a strategy
military 243, 356
purpose of 217
value-based 234
strategy canvas see value curve
strategy formulation see strategic planning
strengths
investing in 54
of employees/team members 80, 89, 110, 257
personal 38–9, 40–1, 64–5, 85
strategic 217–8, 219, 220, 227, 251
stress 3, 37, 40, 46, 47, 50, 52
sources 50
storming (stage in the team
development) 111–2, 125
structural interruptions 200, 210
structure
organizational see organizational structure
subgroups 112, 141, 204, 205
substitutes 28, 223, 224
sunk costs 208
suppliers 22, 24, 30, 37, 42, 84, 144, 168,
169–70, 216, 220, 224, 226, 234, 304,
306, 315, 318, 324, 333, 342, 348
supply chain 144, 197–8, 244, 245, 247,
332, 363, 367
sustainable performance see performance, sustainable
sustainable competitive advantage 227, 309, 310, 321, 345, 351 see also
competitive advantage
sustainability 15, 16, 29, 312, 313, 315, 359, 368
report 314
SWOT analysis 218, 220, 228, 230
synchronous media 158
synergies 234, 237, 243, 263, 296, 297
synthesis 196, 202
system 1 / system 2 thinking 190, 191
systems
complex 8
dynamic 8
open 6, 8, 28, 364
organizational see organizational systems
social 111, 118, 280
systems theory 359, 364–5
tacit competencies 241
tactics 216
task allocation 262
task completion bias 46
task interdependence 107
task management software / task management tools 46, 116, 159
tasks
critical 41
Taylorism 359, 364
team 28, 106
building 106, 118
cohesiveness / cohesion 110, 160
cross-cultural 159
cross-functional 105, 132, 338, 350, 367
culture 108, 114, 115
development see team, dynamics
diversity see diversity, in teams
dynamics see group dynamics
effectiveness 106, 114
generate 256, 257, 258–9
global virtual see global virtual teams
high-performance 106, 133
homogeneous 108
mandating 108
meetings 112, 116
newly formed 109–10
norms 109–10, 112, 114, 116, 118, 157, 158
process 114, 118, 157
repository 157
roles 108–9
virtual see virtual teams; global virtual teams
team decision see decision making, in groups
team decision quality control 208
team diversity see diversity, in teams
team leader 106, 108, 111, 112, 113–4, 115
responsibilities 114

team member
ineffective 116–7
team performance 107, 113
teamwork 112, 113

tactical

effective 105, 111, 132, 133
termination meeting 99
time-centered interaction (TCI) 113–4
Theory X / Theory Y 361, 362, 368, 370
Theory Z 362

testing hypotheses 21

terminal thinking modes 190–7, 211
terminal traps see decision making, pitfalls
threat of new entrants 224

threats in the environment
(strategic) 218, 219, 221, 228, 251, 259, 281, 310
time
different perceptions 46–7, 148
wasters 48
time and motion study method 359
time management 43

time zones / time zone differences 154, 156, 157, 158
top management view 365
total quality management 363
Toyota Production System (TPS) 363
trade-off 10, 178, 179, 186–8, 319
of values 42, 189
training 75, 83, 84, 90, 91–2, 299, 315, 333, 362
cross-cultural 150
ethics 167, 168
transactional leadership 366
transformational leadership 366
travelling 48
triple bottom line (TBL) 312, 314–5, 316
two-factor theory (Herzberg) 361
ubuntu 368
uncertain environment see environment, uncertain
uncertainty avoidance (cultural dimension) 146
uncertainties (in decision making) see critical uncertainties
unethical behavior 15, 161, 168–9
UN Global Compact 167
UN Guiding Principles on Business and Human Rights 166
urgency addiction 43
utilitarianism 161, 162–3
valence of solutions 204–5
value 216 see also values
definition 309
for customers 9, 28, 105, 132, 216, 224, 235, 297, 310, 325, 329, 343, 350, 353
long-term 215, 291, 319, 328
real see real value
shared see shared value
value-based strategy see strategy, value-based
value congruence 97
value creation 215, 219, 220, 238, 239–40, 291, 298, 308, 312, 319, 320, 324, 326, 327 see also long-term, value creation; opportunity, for value creation
value curve 223, 226, 244, 344 see also value innovation
value drivers 309–10
value innovation 343–4 see also value curve
value offer 215, 219, 238, 239–40, 343, 348, 349, 350, 365
valuation 293, 308, 309–10
values
core see values, organizational
culture-specific 137, 149–50
diverse 138, 139, 143
instrumental 42
of a team 160
organizational 167, 168, 266–7, 272, 278, 334
personal 38, 41, 56, 60, 66, 181, 276
shared 260
societal 147, 166
<table>
<thead>
<tr>
<th>Term</th>
<th>Page Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>terminal</td>
<td>42</td>
</tr>
<tr>
<td>trade-off</td>
<td>42</td>
</tr>
<tr>
<td>value proposition</td>
<td>218, 227, 238, 347, 349</td>
</tr>
<tr>
<td>variable costs</td>
<td>see costs, variable</td>
</tr>
<tr>
<td>videoconference</td>
<td>19, 21, 31, 95, 116, 125, 154, 156, 157, 158, 367</td>
</tr>
<tr>
<td>virtual communication skills</td>
<td>159, 171</td>
</tr>
<tr>
<td>virtual collaboration skills</td>
<td>160, 171</td>
</tr>
<tr>
<td>virtual meeting</td>
<td>125, 157, 158</td>
</tr>
<tr>
<td>virtual socialization skills</td>
<td>160, 171</td>
</tr>
<tr>
<td>virtual teams</td>
<td>112, 154–60, 367</td>
</tr>
<tr>
<td>vision</td>
<td>xi, 218, 219, 227, 236, 240, 259, 260, 276, 282, 283, 286, 288, 328, 339, 347</td>
</tr>
<tr>
<td>voice</td>
<td>207, 284</td>
</tr>
<tr>
<td>VRIO</td>
<td>227, 229, 230, 236, 238, 241</td>
</tr>
<tr>
<td>VUCA</td>
<td>367</td>
</tr>
<tr>
<td>waste</td>
<td>297, 299, 305, 315, 352, 363, 364</td>
</tr>
<tr>
<td>weaknesses</td>
<td>see weaknesses</td>
</tr>
<tr>
<td>of employees/team members</td>
<td>80, 90</td>
</tr>
<tr>
<td>personal</td>
<td>38, 40, 41, 85</td>
</tr>
<tr>
<td>strategic</td>
<td>217–8, 219, 220, 251</td>
</tr>
<tr>
<td>weak ties</td>
<td>331</td>
</tr>
<tr>
<td>weaving</td>
<td>158</td>
</tr>
<tr>
<td>weighted scoring model</td>
<td>188</td>
</tr>
<tr>
<td>workflow management system</td>
<td>267</td>
</tr>
<tr>
<td>working capital</td>
<td>304</td>
</tr>
<tr>
<td>work-life balance</td>
<td>49</td>
</tr>
<tr>
<td>work motivation</td>
<td>see motivation</td>
</tr>
<tr>
<td>work overload</td>
<td>see overloading</td>
</tr>
<tr>
<td>World Values Survey</td>
<td>147</td>
</tr>
<tr>
<td>worst-case scenario</td>
<td>208, 348, 349</td>
</tr>
<tr>
<td>zero-based budgeting</td>
<td>297</td>
</tr>
</tbody>
</table>