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The Journal of International Business Research and Practice

Volume 8, 2014

The Journal of International Business Research and Practice (JIRBP) is a scholarly-refereed journal. The objectives of the JIRBP are to attract and publish theoretical, conceptual, and empirical manuscripts from both academics and professionals. The JIBRP promotes the advancement, theory, and practice of global business in contemporary research and teaching. The aims of the JIBRP include: (1) to disseminate knowledge, (2) provide a reference in this field, and (3) facilitate the communication between academics and research experts with business professionals and executives. The JIBRP is a publication of the U.S. Midwest Chapter of the Academy of International Business (http://aib.msu.edu/events/chaptermeet.asp)

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WHAT INFLUENCES AMERICANS VERSUS KUWAITIS TO ACCEPT AN INTERNATIONAL ASSIGNMENT?

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ABSTRACT

This paper identifies factors that influence Americans versus Kuwaitis to accept international assignments. We review research on cultural frameworks and willingness to live abroad, and report on differences and similarities identified between Americans and Kuwaitis based on a survey administered to Kuwaitites and Americans. The results show Kuwaitis and Americans have a similar willingness to work abroad, but that each respective culture has different motivators and influencers in accepting an international assignment. Our results show that Americans are more willing to work abroad short-term and we also find that Americans are more willing to work abroad than Kuwaitis if they will receive a comparable or higher salary than that of their home country. The results can help firms determine: 1) how to influence Americans to accept an international assignment 2) how to influence Kuwaitis to accept an international assignment, and 3) factors that appear to be influential cross-culturally.

INTRODUCTION

Global companies routinely send their employees abroad, and can benefit from understanding employee motivations and willingness to live and work in a host-country context (Farndale, Scullion & Sparrow 2010; Hackney, Boggs, & Borozan 2012). Living and working abroad are important components of global and international business; but people from different countries exhibit substantial cultural and attitudinal differences (e.g. cultural clusters) that, we argue in the following pages, influence their willingness and motivations to live and work in a foreign-country context. Using arguments influenced by the multiple cultural frameworks, including those developed by Geert Hofstede (recent CITE) and the GLOBE Project (CITE), we report in the following pages on our comparison study of Kuwaitis’ versus Americans’ willingness and motivations to work abroad.

Recent research increasingly views the identification, recruitment, and retention of talented managers and professionals as central to multinational firm strategy and success (Farndale, Scullion & Sparrow 2010). Not all employees are equally willing to work in a foreign context, and not all possess the competencies most necessary for achieving success abroad. Additionally, there is high demand for the most capable professionals with managerial or specialized skills that transfer across borders. Accordingly, it is prudent for firms to plan for necessary cross-border transfers of human resources on an ongoing basis. Part of this planning involves identification of those who are willing to work in an international context, and recognition of the motivations of those who have the talents required for working in a cross-border context. In light of these phenomena, organizations operating in a global context are increasingly “recruiting ahead of the curve” and they live with the reality that “attraction and retention of high-performing employees have become increasingly high on the corporate agenda” (Farndale et. al. 2010: 163).

Employees from different cultures may react differently to the opportunity of an assignment in a foreign country. Whether following an ethnocentric, geocentric, polycentric, or regiocentric orientation (Caligiuri & Stroh 1995), companies are becoming more global and multinational, and “business professionals will need to understand international business patterns and cultures in order to successfully work in corporations in either United States or abroad” (Baraya, Budden, Juban, 2005: 45). Cultures distinguish one group from another based on shared values, beliefs, behaviors, and attitudes; these are interpreted and transmitted over time within a collective; and
that makes the collective unique and distinguishes that collective from other collectives (University of Groningen). Employees from different cultures may have contrasting values, beliefs, behaviors, and attitudes in respect to their willingness to accept an international assignment.

For these reasons, we report in the following pages our study of what motivates or influences Kuwaitis vs. Americans to take an international assignment. We examine the relevant existing literature and present the results of our survey exploring these factors. We compare our findings to other similar studies and consider the influence of culture on successful motivation techniques to accept an international assignment.

The purpose of our work is to 1) determine what influences Americans to accept an international assignment, 2) determine what influences Kuwaitis to accept an international assignment, and 3) identify factors that may motivate more broadly across a cultures. Multinational corporations should find our results valuable when considering how to influence and use expatriates. Our findings are also relevant to scholars interested in international placement of workers and cultural differences between employees.

BACKGROUND AND LITERATURE REVIEW

Over a period of decades, much research has been done on companies stationing employees abroad. The studies have addressed issues such as acculturation (AMR 1985, Aycan 1997) and adjustment (Shaffer JIBS 1999), success and performance issues (Caligiuri, 1997; Kraimer 2001; Chen AMJ 2010; Chang AMJ 2012), family and spousal issues (JOM 1989; Lazarova AMR 2010), repatriation (Black JIBS 1991) and much more. In general extant research has focused disproportionately on the experiences of Americans going abroad but more and more international assignments are filled by non-Americans and newer research focuses increasingly on non-Americans too.

We examined the two most extensive cultural studies and report the findings below. We then provide some analysis of the cultures of focus (Kuwait and America) within these cultural frameworks.

Hofstede Dimensions (University of Groningen, 2007)

Geert Hofstede breaks culture up into different dimensions. The four original dimensions identified by Hofstede are listed below:

1. **Power Distance**: The extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally.

2. **Individualism versus Collectivism**: The degree to which individuals are supposed to look after themselves or remain integrated into groups, usually around the family.

3. **Masculinity versus Femininity**: The distribution of emotional roles between the genders; it opposes “tough” masculine to “tender” feminine societies. Male achievement reinforces masculine assertiveness and competition; female care reinforces feminine nurturance, a concern for relationships and for living environment.
4. **Uncertainty Avoidance**: The extent to which a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising, and different from usual.

The Hofstede scores for USA and Kuwait are reported below and are measured between 0-100.

<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>Kuwait</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power Distance</strong></td>
<td>40</td>
<td>90</td>
</tr>
<tr>
<td><strong>Individualism vs. Collectivism</strong></td>
<td>91</td>
<td>25</td>
</tr>
<tr>
<td><strong>Masculinity vs. Femininity</strong></td>
<td>62</td>
<td>40</td>
</tr>
<tr>
<td><strong>Uncertainty Avoidance</strong></td>
<td>46</td>
<td>80</td>
</tr>
</tbody>
</table>

Kuwait is considered a collectivistic society. Long-term commitment to their member ‘group’ and loyalty over-rides other societal rules and regulations (Cultural Insights). Kuwait society nurtures strong relationships within the group that may dissuade members from leaving to take an international assignment, regardless of motivation to do so. Kuwaiti culture is also considered a relatively feminine society that values free time, flexibility, and well-being (Cultural Insights). Kuwaiti culture has a preference for avoiding uncertainty and values security. The idea to take an international assignment is foreign and sometimes considered a radical life changer that the culture doesn’t necessarily agree with (Cultural Insights).

America is highly individualistic culture. There is a high degree of geographical mobility in the U.S. and they are typically accustomed to doing business or interacting with strangers (Cultural Insights). This kind of culture promotes the idea of both working abroad and working at home; dependent upon whichever is more beneficial at the time. Americans are considered more of a masculine society that is driven by achievement and success too. Americans “live to work,” so they can achieve more monetary awards and attain higher status (Cultural Insights). American culture therefore, dictates that international assignment may be accepted, if the perceived benefit (financial or status) is high enough.

American society is one that is also more accepting of uncertainty (Cultural Insights). This suggests a culture that is more likely to accept an international assignment, because they naturally accept new things, like going to new places to visit, to live, to work, etc...

**GLOBE Framework** (University of Groningen, 2007).

The GLOBE study breaks culture up into 9 dimensions. They are listed below.

1. **Power Distance**: The degree to which members of an organization or a society expect and agree that power should be stratified and concentrated at higher levels of an organization or government.
2. **Uncertainty Avoidance**: The extent to which members of an organization or a society strive to avoid uncertainty of future events by relying on established social norms, rituals, and bureaucratic practices.
3. **Assertiveness**: The degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships.
4. **Institutional Collectivism**: The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.

5. **In-Group Collectivism**: The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.

6. **Future Orientation**: The degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying individual or collective gratification.

7. **Performance Orientation**: The degree to which an organization or a society encourages and rewards group members for performance improvement, innovation, high standards, and excellence.

8. **Humane Orientation**: The degree to which individuals in organizations or societies are encouraged and rewarded for being fair, altruistic, friendly, generous, caring, and kind to others.

9. **Gender Egalitarianism**: The degree to which an organization or a society minimizes gender role differences while promoting gender equality.

The United States and Kuwaiti GLOBE scores are reported below: Responses are recorded on a scale of 1-7. It is useful to compare and contrast the scores between countries. They similarities show possible cohesiveness and goals that both cultures value. Differences in practice show areas where countries would need to effectively communicate to avoid ineffective cross-culture transfer of knowledge.

<table>
<thead>
<tr>
<th>GLOBE</th>
<th>USA Practice Response</th>
<th>USA Value</th>
<th>Kuwaiti Practice Response</th>
<th>Kuwait Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance</td>
<td>4.88 (B)</td>
<td>2.85 (C)</td>
<td>5.12 (B)</td>
<td>3.17 (B)</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>4.15 (B)</td>
<td>4.00 (C)</td>
<td>4.21 (B)</td>
<td>4.77 (B)</td>
</tr>
<tr>
<td>Assertiveness</td>
<td>4.55 (A)</td>
<td>4.32 (B)</td>
<td>3.63 (B)</td>
<td>3.76 (B)</td>
</tr>
<tr>
<td>Societal Institutional Collectivism</td>
<td>4.20 (B)</td>
<td>4.17 (C)</td>
<td>4.49 (B)</td>
<td>5.15 (A)</td>
</tr>
<tr>
<td>Societal In-Group Collectivism</td>
<td>4.25 (C)</td>
<td>5.77 (B)</td>
<td>5.80 (A)</td>
<td>5.43 (B)</td>
</tr>
<tr>
<td>Future Orientation</td>
<td>4.15 (B)</td>
<td>5.31 (B)</td>
<td>3.26 (C)</td>
<td>5.74 (A)</td>
</tr>
<tr>
<td>Performance Orientation</td>
<td>4.49 (A)</td>
<td>6.14 (B)</td>
<td>3.95 (B)</td>
<td>6.03 (B)</td>
</tr>
<tr>
<td>Humane Orientation</td>
<td>4.17 (C)</td>
<td>5.53 (B)</td>
<td>4.52 (B)</td>
<td>5.06 (C)</td>
</tr>
<tr>
<td>Gender Egalitarianism</td>
<td>3.34 (B)</td>
<td>5.06 (A)</td>
<td>2.58 (C)</td>
<td>3.45 (D)</td>
</tr>
</tbody>
</table>

The GLOBE (Global Leadership and Organizational Behavior Effectiveness) splits countries into different regional clusters which provides a convenient way to analyze similarities and differences between cultural groups and make meaningful generalizations about culture and leadership (Virkus, 2012). The closer the clusters are on the cluster wheel, the more cultural similarities they share; and vice versa. United States is in the Anglo regional cluster (described as competitive and result-oriented) and Kuwait is in the Middle East regional cluster (described as devoted and loyal to their own people, women afforded less status) (Virkus, 2012).

Several of the European countries (England, Germany, Ireland, Denmark, Sweden, Finland, Switzerland) border the cluster that includes USA. However, Middle Eastern countries (Turkey,
Kuwait, Egypt, Qatar) are on the exact opposite side of the cluster wheel (Center for Creative Leadership, 2012). This suggests the farthest distance between what values and attitudes are considered cultural norms.

**THEORY DEVELOPMENT AND DISCUSSION**

**Hypotheses:**

**H1:** There is a difference in the mean rank of “Opportunity for personal and professional development” as a motivator to accept an international assignment between American and Kuwaiti students.

We predict that there is enough difference between the American and Kuwait culture, that each respective culture will place differing amounts of value on “opportunity for personal and professional development.” Hofstede culture dimensions would argue that is simultaneously a masculine (professional) and feminine (personal) argument. GLOBE culture dimensions would argue this is a matter of performance orientation and/or in-group collectivism. Given these frameworks we were not inclined a directional difference, but rather a meaningful difference between the two cultures.

**H2:** There is a difference in the mean rank of “Salary and financial incentives” as a motivator to accept an international assignment between American and Kuwaiti students.

We also assume that the difference between the 2 cultures (American vs. Kuwait) will be reflected in a difference of rank for “salary and financial incentives” as a motivator to accept an international assignment. This hypothesis is based on Hofstede’s argument that some cultures emphasize masculine concepts (money, achievement) and others emphasize more feminine concepts. GLOBE’s argument here would consider performance orientation as the driver to receive the financial incentives. Considering these 2 frameworks, we are inclined to believe Americans considering this variable more influential in accepting an international assignment.

**H3:** There is a difference in the mean rank of “Exciting new life experiences” as a motivator to accept an international assignment between American and Kuwaiti students.

We predict that the difference in culture between Americans and Kuwaitis will result in each respective culture placing differing value on exciting new life experiences as an influencer to accept an international assignment. Hofstede’s framework would argue this as a matter of uncertainty avoidance, and GLOBE would also argue this as a matter of uncertainty avoidance. These frameworks lead us to believe that Americans ranking this variable higher than Kuwaitis.

**H4:** There is a difference in the mean rank of “Networking and meeting new people” as a motivator to accept an international assignment between American and Kuwaiti students.
We believe that each culture values networking and meeting new people differently. This runs parallel with Hofstede and in fact is a motivator that measures masculinity and femininity in a culture simultaneously. This tests GLOBE’s dimension of societal in-group collectivism and assertiveness dimension. These frameworks do not give us a feeling of direction, but rather a significant difference in value between the two cultures.

\[H5: \text{There is a difference in the mean rank of “Acquiring new knowledge and understanding of other cultures” as a motivator to accept an international assignment between American and Kuwaiti students.}\]

We believe that each culture values acquiring new knowledge and understand of other cultures differently. Hofstede’s cultural framework would argue this as a measure of uncertainty avoidance, which would also align with GLOBE’s uncertainty avoidance dimension. This would lead us to believe Americans valuing this variable more than Kuwaitis.

We feared that there may have even been a cultural difference in the variation of answers provided. Americans may be more likely to express and record extremes of emotions on paper. However, after checking the variance and standard deviation of our data, we have concluded that this was not the case.

Geographic size of the home country was something we also paid attention to. Part of the reason Kuwaitis have more international experience is that fact that it is easy (short distance) to leave the country. Americans have only 2 physical neighbors (Mexico and Canada); where Kuwait has Saudi Arabia, Iraq, and Iran physically bordering the country (with UAE and Qatar at a small distance from Kuwait that would not even cross many state to state boundaries in America).

**METHODOLOGY**

**Sample 1 (USA Sample)**

A survey instrument was distributed to undergraduate business students at a American public Midwestern AACSB accredited university in 2011. The sample consisted mainly of undergraduate (86%) students, but also graduate (15%) students and a small percentage (1%) of post-graduate students. The survey was administrated within the School of Business which resulted in mainly business major (87%) responses. This university breaks up the business majors into five majors of study: Accounting, Finance, Management, Marketing, and Management Information Systems (MIS). This sample consisted of 15% accounting, 13% finance, 22% management, 24% marketing and 7% MIS. Additionally, our sample contained more males (65%) than females (35%). Most importantly, the respondents were mostly USA citizens (96%) with an average age of 21.9 years old ranging from 18 to 54 years of age. Only the U.S. citizen responses (298 respondents) were used in this comparison study.

**Sample 2 (Kuwait Sample)**

The same survey was administered to students at a private university in Kuwait. 132 respondents replied to the survey, but we only used the Kuwati citizens in this comparison study. Our second sample also consisted mainly of business majors (80%). The respondents identified themselves
as: Accounting (11%), Finance (2%), Management (8%), Marketing (52%), MIS (4%), and other (24%). The comparison sample, however, consisted of more females (72%) than males (28%). We tested for statistical differences in response between the genders so make sure the results were not gender biased and determined that that was not the case for the purpose of this study.

Instrument

The survey instrument was designed after a thorough literature review and input from multiple management, marketing, and international business scholars. The survey was a careful development of item questions that were deemed crucial to examine the subject matter.

The first section of the instrument was made up of questions of socio-biographical factors and demographic information (age, gender, relationship status information, major of study, highest degree earned, etc.). The second section consisted of questions concerning proficiency in foreign languages. This proficiency was rated from 0 (no ability at all) to 5 (fluent and native speaker). The 3rd and last section was comprised of questions related to willingness to work internationally and asking what most influences students to accept an international assignment. The willingness was rated on a 1 (strongly disagree) to 6 (strongly agree) scale. We eliminated the traditional neutral answer that the likert scale provides. The influence question is provided in appendix A, which is also the section of the survey we analyzed the most in this study.

Procedure

The data were analyzed with 2010 Microsoft Excel add-in Analysis ToolPak. We used the t-Test: Two-Sample Assuming Unequal Variances test to test H1 through H5. The results for each hypothesis are reported below. The t-tests show a difference in the mean rank between Americans and Kuwaitis for each influencer. A negative t-stat indicates the variable is more influential for Americans, and a positive t-stat indicates the variable is more influential for Kuwaitis.

EMPIRICAL ANALYSIS AND FINDINGS

We have concluded that each respective culture has different motivators and influencers in accepting an international assignment. Our results also show that Americans are more willing to work abroad short term but there is no statistical difference for USA versus Kuwait for medium or long term assignments. We find that Americans are more willing to work abroad than Kuwaitis if they will receive a comparable or higher salary than that of their home country too.

Based on T-tests comparing USA and Kuwait influences to accept an international job we can say:

Opportunity for personal and professional development is more influential for Americans (H1). Our t-test results indicate a difference in rank. In fact, they show that opportunity for personal and professional development is more influential for Americans. Personal and professional or career benefits are essentially characterized as outcome expectancies by Social Cognitive Career Theory, which explains how people form career interests, make choices and achieve their occupational goals (Wang & Bu, 2004; Lent, Brown & Hackett, 1994, 2000). Despite the mix of masculine and feminine within the question, and the combination of dimensions from the
The GLOBE study within the question, we do see this falling within the scope of both Hofstede’s and GLOBE’s frameworks.

Salary and financial incentives is more influential for Americans (H2).

Our t-test results indicate a difference in rank of salary as an influencer. It also shows that salary and financial incentives are more influential for Americans to accept an international assignment. This is in agreement with Hofstede’s argument that some cultures emphasize “masculine” concepts (money, achievement) and USA has a more masculine score than Kuwait. It also runs parallel with GLOBE findings of performance orientation. Americans have a higher performance orientation practice score, which suggests they would expect a higher salary based on their performance (including willingness to work internationally).

<table>
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<tr>
<th></th>
<th>USA ProfessDevelop</th>
<th>Kuwait ProfessDevelop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2.8792</td>
<td>3.4688</td>
</tr>
<tr>
<td>Variance</td>
<td>1.3726</td>
<td>1.9148</td>
</tr>
<tr>
<td>Observations</td>
<td>298.0000</td>
<td>96.0000</td>
</tr>
<tr>
<td>Hypothesized Mean Difference</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>142.0000</td>
<td></td>
</tr>
<tr>
<td>t Stat</td>
<td>-3.7626</td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) one-tail</td>
<td>0.0001</td>
<td></td>
</tr>
<tr>
<td>t Critical one-tail</td>
<td>1.6557</td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) two-tail</td>
<td>0.0002</td>
<td></td>
</tr>
<tr>
<td>t Critical two-tail</td>
<td>1.9768</td>
<td></td>
</tr>
</tbody>
</table>

Salary and financial incentives is more influential for Americans (H2).

The USA Salary versus Kuwait Salary comparison shows:

<table>
<thead>
<tr>
<th></th>
<th>USA Salary</th>
<th>Kuwait Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2.2483</td>
<td>3.1875</td>
</tr>
<tr>
<td>Variance</td>
<td>2.2277</td>
<td>2.0908</td>
</tr>
<tr>
<td>Observations</td>
<td>298.0000</td>
<td>96.0000</td>
</tr>
<tr>
<td>Hypothesized Mean Difference</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>165.0000</td>
<td></td>
</tr>
<tr>
<td>t Stat</td>
<td>-5.4910</td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) one-tail</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>t Critical one-tail</td>
<td>1.6541</td>
<td></td>
</tr>
<tr>
<td>P(T&lt;=t) two-tail</td>
<td>0.0000</td>
<td></td>
</tr>
<tr>
<td>t Critical two-tail</td>
<td>1.9744</td>
<td></td>
</tr>
</tbody>
</table>

Exciting new life experiences is more influential for Americans (H3).
Our t-test results do indeed indicate a difference in rank. In fact, they show that exciting life experiences is more influential for Americans. Both Hofstede and GLOBE suggest this outcome. The uncertainty avoidance scores for both frameworks indicate that Americans would value an exciting new life experience more than Kuwaitis.

<table>
<thead>
<tr>
<th></th>
<th>USA Life Experience</th>
<th>Kuwait Life Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>2.5872</td>
<td>2.9375</td>
</tr>
<tr>
<td>Variance</td>
<td>1.6506</td>
<td>2.0592</td>
</tr>
<tr>
<td>Observations</td>
<td>298.0000</td>
<td>96.0000</td>
</tr>
<tr>
<td>Hypothesized Mean Difference</td>
<td>0.0000</td>
<td></td>
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<tr>
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<td></td>
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<tr>
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<td></td>
</tr>
<tr>
<td>t Critical two-tail</td>
<td>1.9762</td>
<td></td>
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</table>

Networking and meeting new people is more influential for Kuwaitis (H4).

Our t-test results indicate a difference in rank of networking opportunities as more influential for Kuwaitis. In fact, our results show that networking is more influential for Kuwaitis to accept an international assignment. This aligns with Hofstede’s masculine and feminine cultural difference factors. Arab cultures exhibit a more collectivistic than individualist perspective that focuses on group dynamics. Employees tend to be more idealistic and motivated towards family welfare, honor and prosperity, and maximizing social common good. (Ardichvii, Jondle, and Kowske 2009). This suggests they value the group and opportunity for transfer of knowledge across cultures more than their cultural norm of avoiding anything new or novel.

<table>
<thead>
<tr>
<th></th>
<th>USA Networking</th>
<th>Kuwait Networking</th>
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<tr>
<td>Observations</td>
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<td>96.0000</td>
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<tr>
<td>t Critical two-tail</td>
<td>1.9768</td>
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</table>
Cultural Learning is more influential for Kuwaitis (H5).

Our t-test results indicate a difference in rank of cultural learning between American and Kuwaitis. In fact, our results show that it is actually more influential for Kuwaitis. Moreover, some have observed that North Americans resist internationalizing and exhibit ethnocentrism (Baraya et al., 2005). Evidence offered in support of this view includes the observation that most North Americans are relatively unable to speak foreign languages, a condition that has been recognized since the 1980s (Shannon, Turley, & Miller, 1996). This suggests that Kuwaitis value cross-cultural transfer of knowledge more than they avoid new things. This does not run parallel with Hofstede’s or GLOBE’s cultural frameworks.

<table>
<thead>
<tr>
<th></th>
<th>USA Culture/Learn</th>
<th>Kuwait Culture/Learn</th>
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<tbody>
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</table>

**DISCUSSION, LIMITATIONS, AND CONCLUSION**

**Discussion**

We are led to discuss to what extent are national cultures stable. With ongoing globalization, including increased technological connectivity (internet), we could expect cultures to grow towards each other (University of Groningen). Despite American-ized cultured education, American educated professors, American influenced classroom, and Americans in the classroom we see that, in this case, there is not a global culture emerging. Our results show that there are differences between Americans and Kuwait cultures in what influences each society to accept an international assignment. With the rapid pace of cultural change, it might be true that people in different cultures are developing similar perspectives on certain issues, but it just as often as it seems a global culture is emerging, we discover habits unique to individual countries or cultures (Wild, Wild & Han, 2010).

Noe, Steffy, Barber, and Allison (1988) and Groeneveld (2008) indicate that there is a positive relationship between expatriate experience and willingness to accept a new international assignment. This suggests that future studies should include some kind of willingness to work
abroad. Factors to include could be self-efficacy, (KSA’s) positive/negative expatriate experience, language proficiency, length of assignment and level of international interactions. Evaluating these other influences within a culture would be beneficial to predicting cultural norms or determining cultural behavior towards international assignments.

Our findings were mostly supported by Hofstede’s cultural dimensions and the GLOBE cultural dimensions. The only hypothesis that didn’t run parallel with these dimensions was “Acquiring new knowledge and understanding of other cultures.” However, as discussed below in the limitations, our variables may not be considered mutually exclusive. Our other hypotheses and test results showed high correlation with the already established cultural frameworks presented by Hofstede and GLOBE.

Limitations

Our survey did not include a section about family income, so we do not have that data. We are prone to believe that part of the Kuwaiti’s disregard of salary as a primary influencer is due to the fact that the Kuwaiti students are all from a private university which leads us to believe they are from well-to-do homes. They may not be worried about money because they always have it, and don’t know what it is like living without it. They have, in effect, skipped that variable because it has already been fulfilled. A Maslow’s Hierarchy “jump” because the “need” has been subsidized.

One weakness of our study is that the five influencer questions that were on the survey are not necessarily mutually exclusive. What one person considers personal development, another could see as an exciting life experience, or opportunity to learn about a culture, or even professional development. This puts some limitations on the strength of our results.

Conclusion

We also notice that other countries, not just the USA, such as Canada (Wang & Bu, 2004), Peru (Spillan & Thomas, 2011), Australia (Hugo, Rudd, & Harris, 2001), New Zealand (Inkson et al., 1997), Finland (Suutari & Brewster, 2000), etc., are also concerned with the issue of staffing for international operations. This implies that the world is going through the process of globalization and exchange of knowledge and human resources. Therefore our results are valuable to countries, scholars, and employers interested in American or Kuwaiti expatriates.

Our results based on the hypothesis test indicate that:

1. Opportunity for personal and professional development is more influential for Americans
2. Salary and financial incentives is more influential for Americans
3. Exciting new life experiences is more influential for Americans
4. Networking and meeting new people is more influential for Kuwaitis
5. Acquiring new knowledge and understanding of other cultures is more influential for Kuwaitis.

We have also found that both Americans and Kuwaitis are disinclined to work abroad for lower salary. Americans are more willing to work abroad short term, and Americans are more willing to work abroad than Kuwaitis if they will receive a comparable or higher salary than that of their home country. Another study has suggested that the length of assignment and benefits offered play an important component when deciding whether to accept foreign positions (Konopaske & Werner, 2005).

Overall, our paper discusses, and tests the framework of two prestigious cross-cultural studies. Our findings do fit within the scope of both Hofstede and GLOBE’s cultural dimensions framework. We were able to successfully test these theories between Kuwait and the United States of America and accurately apply them to answer the question of: What influences Kuwaitis versus Americans to accept an international assignment?

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University of Groningen. Cross-national Culture Differences, 2007. Pages 74-75, 92


FACULTY PREFERENCES REGARDING A VARIETY OF CASE METHODS USED IN THE TEACHING OF INTERNATIONAL BUSINESS: A STUDY UPDATE

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ABSTRACT

How cases are used to maximize learning across the spectrum of disciplines and institutions varies. In earlier research, several of this paper’s authors utilized a pilot survey, face-to-face interviews and a review of the literature to ascertain how faculty use textbook cases, computer-based simulations, real-life/current event (heavy media coverage) cases, and face-to-face real world (usually regional) local companies cases as methods to enhance the teaching/learning experience. That original survey was conducted at a public institution located in the Mid-Western part of the United States. This current paper addresses the findings of that same survey which was conducted at two additional institutions, a private institution in a North East metropolitan area and another public institution located in the Mid-Western part of the United States. One of the most interesting results of this recent set of surveys was that the method most preferred by the faculty in both the institutions was News event cases and least preferred was the use of Regional Client cases. Also, both the institutions rated News event cases the most effective and Regional client cases as the least effective method. Faculty at both the institutions appear to have the most difficulty with Regional Client cases (local companies). Future surveys of public and private institutions in other regions and other countries will provide a greater depth of information on the variety of case method teaching approaches and their perceived effectiveness.

Keywords: Business cases, simulations, current (news) event cases, regional client cases.
INTRODUCTION

International business faculties have a wider range of choices and challenges as they seek ways of enhancing the teaching/learning experience. Cases have long been part of the teaching tradition. Cases are a method to maximize learning, but how do faculty define and utilize cases? There are many choices, including both extensive and short textbook cases, computer-based simulations (CB-Sim), current event (heavy media coverage) cases and face-to-face real world (usually local regional companies) cases.

It is true that for many years the traditional textbook cases have been the old standby for faculty. Textbook cases permitted the instructor to teach analytical, decision making and strategic thinking skills. Today, faculties have a broader array of tools at their disposal. Will faculty avail themselves of these tools, and if so, which tools are best in what teaching situation?

As mentioned earlier, this paper is an extension of earlier research and survey results concerning alternative teaching styles. It should be noted that although our intent is to understand better the case teaching methods that may be applied in international business, the pilot itself reached out to faculty in a cross-section of disciplines. The most recent surveys have widened the respondent group to private institutions and to other regions of the U.S. Our goal is to grasp why and how faculty choose a particular case methodology. (DeVito, Freeze & Pore 2013).

REVIEW OF LITERATURE

The current literature review builds on previous reviews by many of the same co-authors. Sections of their 2013 journal article and their 2014 conference paper presentation have been incorporated directly into this manuscript. (DeVito et al 2013; Dalecki et al. 2014). After providing an overview of criteria for case selection the review will touch on aspects of the literature related to Textbook Cases, News Event Cases, Regional Client Cases and Simulations.

In 1999, Schullery described five specific criteria for selecting a case method. First, given student backgrounds, cases should be applicable to all students in your class. This becomes more challenging with the greater diversity of students in our classes. Second, cases should be complex enough to provoke questions and lead students to develop alternatives. Third, cases should lead to a range of solutions. Fourth, cases should be able to be covered and processed in the allotted class time. Fifth, the case should be sufficiently complex to be challenging but not discouraging to the students. Schullery’s findings leads us to questions regarding how appropriate are cases in the classroom. Cases may require considerable effort from the instructor and students. This effort becomes more important and demanding as the number of international students in classes increases. Instructors must develop appropriate teaching styles to use this tool (Hackney, McMaster & Harris, 2011). But first comes the question of defining what is meant by a “case”.

20
In their *E-Handbook of Teaching with Business Cases*, Ganglewski and Helm (2010) interview faculty and students to solicit definitions across disciplines and identified a number of common threads in the responses including:

- Cases should tell a story and describe action characters;
- There should be a problem with facts, issues and background;
- The case must have workable outcomes and usually more than one;
- It needs to be authentic. Students prefer real-world experiences with the potential for real-life decision making;
- The case should test critical thinking skills in students;
- For international business, cross-cultural learning opportunities should be present; and
- Cases should enable students to connect theory to practice.

Reinforcing many of the above points, previous literature also suggests that engaging cases, “tell a story, focus on interest-arousing issues, are set within previous ten years require appraisal of decisions already made, and require a search for solutions to management problems (Federico Moore, 1995). Leonard and Cook (2010) comment that “…the case method has proven to be a successful pedagogical approach because it reflects a democratic type of teacher-student… relationship… it enables the college professor to become closely involved with students in the classroom and yet maintain his or her professional role. A teacher’s status with students rests upon scholarly knowledge, on ability to teach, and (shows) interest in students as individuals” (p.101).

Computer based simulations (CB-Sim) were introduced to the business classroom in the 1970s (Schrieier and Komives 1977, Alpert 1993) and have become much more popular worldwide in recent years as a teaching tool. Students are more comfortable today with computers and gaming in general (Bobot, 2010). “Learning by doing” is the phrase being heard on more campuses today (Martin, 2005). Simulations have been used to extend theory, test hypotheses, and provide good practice for critical thinking exercises. However, some courses, core courses in particular, may not lend themselves to simulation applications (Antonoaie & Antonaie, 2010). Certain simulations combine a regional setting with an online format (Gruca, 2000). Some of the literature suggests that online asynchronous formats can promote student participation, yet that learning gains are lower than in a face-to-face format (Chen, Shang and Harris 2006).

Real Life/current event cases, usually incorporating heavy media coverage, present another opportunity for faculty. Most of the time these cases deal with large MNCs. The research in this area is limited. A variation of the current event approach can be designed by a faculty member developing his or her own case and fictional company around a current issue (Bowers, 2010). An example of this would be the concept of corporate social responsibility (CSR) and issues relating to the impact global companies have on resources in developing countries. Using this approach, international current event CSR topics focused on real companies can be addressed creating a fictional company in that selected industry. Students would then apply their analysis skills to the fictional firms as a player among real companies in the focused industry. A possible shortcoming remains in that students prefer real cases over fictionalized versions.
A more common approach is the face-to-face real world case usually conducted with local companies. Schick (1997) describes a public relations course where student teams worked to help a client resolve issues. One of this paper’s authors has utilized international SMEs in two ways. The first way involves having company officials visit the class, present internal and external information, followed by student teams working on the stipulated issue or issues, as presented by the companies. A variation of this approach is to have the class receive as much information as possible about the company and the issue at hand. At the end of the semester, all class teams go to the company and present their findings and recommendations to the CEO and other members of management. Feedback is immediate.

An additional benefit of real world local companies cases is presented by Pitt and Watson (2011) who proffer that cases can be a valuable teaching tool for students in emerging economies, because it provides those students the necessary (local) realism to make it a valuable learning experience. Furthermore, real world “live cases” reduce the likelihood of cheating that is commonplace with published case studies (Sparsk and Langfor 2012). Some business school instructor-researchers involve their students as “course researchers” such that participating students assist in gathering and analyzing live-case materials and ultimately in the theory-building process (Christensen and Carlile 2009).

Regarding the use of cases and the teaching of business ethics, there are questions centered around whether or not true learning takes place (Cahn & Glass, 2011). Students may show a high level of ethical integrity when analyzing a business-ethics issue in a current event or textbook case, however, that attitude changes when the ethical issues become more personal and has a direct financial impact on the student. As these do become more personal, the first priority shifts to financial rather than ethical criteria. The lasting effects of cases as learning tools in the teaching of business ethics is brought into question. Some scholars have suggested that the use of fiction which presents scenarios wherein business-manager characters face ethical dilemmas may be a more engaging and effective than traditional ethics-focused case study approaches (Kennedy and Lawton 1992).

Pennell and Miles (2009) advocate problem-based learning (PBL) as an approach that merits consideration. Rather than teaching the concepts first, and then presenting a problem/case, the situation is presented first. In order to analyze and present alternatives for the problem/case, students must ask “What do we know?” “What do we need to know?” and “How will we learn it?” Student teams, on their own must use the text and outside sources to identify the concepts that are involved in a particular problem/case. This inverted instructional sequence has proven to move effectively implant an understanding of the course concepts.

The case approach is not an easy path for an instructor to follow. As a result of their study, Parent, Newfeld, and Gallupe (2002) suggest “The case method is at once one of the most difficult and most rewarding of pedagogies. For instructors to successfully use it as a central part of their curriculum implies a willingness to forego some of the control and rigidity associated with lecture-based approaches…” (p. 9).

Importantly for this study, there is some indication that business students prefer Regional Client Cases. In particular, when they are “live cases” over textbook cases (Johnson and Helm 2008). In any event, most instructors would agree with Christensen’s sentiment that “the art of case
method teaching is the ability to ask the right question of the right student at the right time in the right way” (HBS 2012).

RESEARCH QUESTIONS
As referenced in the abstract and introduction, the research questions are as follows:

1. Which case approach do faculties use?
2. Which case approach is actually preferred by faculty?
3. Which case approach is more effective in achieving course goals?

SURVEY
Survey Construction and Administration
For this most recent study, the authors used a web based survey which was conducted at two different institutions, a private institution in a North East metropolitan area (PrNE) and a public institution located in the Mid-Western (PbMW) part of the United States. The survey collected information about various case teaching methods used by the faculty. The survey was divided into three sections. The first section collected data related to demographics, the second section related to teaching methods using closed-ended questions and the final section collected additional information related to teaching methods using open-ended questions. The results of this survey and the feedback from the respondents will be used to modify the online survey which will be circulated to a wider range of institutions for the purpose of collecting data related to faculty case teaching methods.

Response Rate
In PrNE, nineteen faculty members out of a total of twenty-nine responded to the survey and in PbMW, twelve faculty members out of a total of twenty-eight responded to the survey.

Respondent Demographic Information
The first survey section collected information related to gender, rank, highest degree earned, experience in years (in academic teaching, nonacademic teaching and professional experience) and teaching area.

a) Gender, rank and highest degree earned
PrNE - Sixteen females and three males filled out the survey; the ranks of the respondents were one adjunct/visiting, twelve assistant professors, three associate professors and three professors. Seventeen of the respondents had earned a PhD, along with one CPA and one JD.

PbMW - Eight males and three females filled out the survey (one respondent did not answer the questions); the ranks of the respondents were one instructor/lecturer, three assistant professors,
two associate professors and six professors. Eleven of the respondents had earned a PhD along with one MBA.

b) Academic teaching, nonacademic teaching, professional experience and teaching area

PrNE - Academic teaching experience of the respondents ranged from no experience (one respondent), 1-2 years (two respondents), 3-5 years (seven respondents), 6-10 years (three respondents), 11-15 years (no respondents), over ten years (six respondents) and two respondents did not provide an answer. As far as nonacademic teaching experience (e.g., corporate training) is concerned: no experience (six respondents), 1-2 years (two respondents), 6-10 years (one respondent), over 16 years (one respondent) and six respondents did not provide any answer. Professional (nonacademic) experience of the respondents was: no experience (one respondent), 1-2 years (four respondents), 3-5 years (two respondents), 6-10 years (four respondents), 11-15 years (one respondent). Seven respondents did not provide any answer.

As far as teaching area of the respondents is concerned, four of the respondents teach courses related to Accounting; four, Economics; three, Finance; three, Marketing; and seven related to Management.

PbMW - Academic teaching experience of the respondents ranged from 3-5 years (one respondent), 6-10 years (three respondents), 11-15 years (one respondent), over 16 years (seven respondents).

As far as nonacademic teaching experience (e.g., corporate training) is concerned: no experience (five respondents), 1-2 years (one respondent), over 16 years (one respondent) and five respondents did not provide any answer. Professional (nonacademic) experience of the respondents was: no experience (two respondents), 1-2 years (one respondent), 3-5 years (one respondent), 6-10 years (one respondent), 11-15 years (one respondent), over 16 years (four respondents). Three respondents did not provide any answer.

As far as teaching area of the respondents is concerned, four of the respondents teach courses related to Accounting; two, related to Economics; three, Finance; one, Information Systems; two, Marketing; two, and four in Management.

Information related to teaching methods

Survey information collected is related to use of the four teaching methods, faculty preference for teaching methods, effectiveness of teaching methods related to various goals such as critical thinking, mastering discipline related knowledge, preparing students for employment after college and understanding basic operation of business, interrelatedness of business processes and the importance of decision making. Also, for some of the questions in this section, respondents were asked to think of a particular course and answer questions related to percentage of total course points allotted, percentage of total class period spent and optimal class size for each of the four teaching methods.
The second survey section relates to the four basic case teaching methods:

a) Textbooks cases refer to cases that are typically at the end of a textbook chapter, contain some information about a situation a company is facing and also provide some discussion questions that the students can use to analyze them.

b) News Event cases include cases based on current news events (e.g. BP oil spill). The instructor provides some guidelines on the issues to be discussed related to the company in the news.

c) Regional Client cases are based on local companies geographically close to the faculty’s university. The instructor provides some guidelines on the issues to be discussed related to the real-world company. d) Finally, Simulations (CB-Sim) refer to running a virtual company in head-to-head competition against companies managed by other class members. The instructor provides guidelines on the objectives of the game.

RESULTS

Survey results for this study were analyzed according to frequency for five key closed-ended questions and according to responses for open-ended questions related to faculty likes and dislikes regarding the four case methods.

Use of Teaching Methods

PrNE - Textbook cases were used in: none of the course (two respondents), some of the course (eight respondents), all of the course (five respondents) and four respondents did not answer this question. News Event cases were used in: some of the course (seven respondents), most of the course (four respondents), all of the course (four respondents) and four respondents did not answer this question. Regional Client cases were used in: none of the course (ten respondents), some of the course (four respondents), most of the course (one respondent) and four respondents did not answer this question. Simulations (CB-Sim) were used in: none of the course (six respondents), some of the course (eight respondents), most of the course (one respondent) and four respondent did not answer this question.

The survey data suggests that the most used teaching method was News Event cases (fifteen respondents), followed by Textbook cases (thirteen respondents), followed by Simulations (nine respondents) and Regional Client cases (five respondents) seemed to be the least popular.

PbMW – Textbook cases were used in: none of the course (four respondents), some of the course (two respondents), most of the course (two respondents), all of the course (one respondent) and three respondents did not answer this question. News Event cases (cases based on current news event) were used in: none of the course (two respondents), some of the course (five respondents), most of the course (one respondents), all of the course (one respondent) and three respondents did not answer this question. Regional Client cases (cases based on local companies) were used in: none of the course (six respondents), some of the course (three respondents), and three respondents did not answer this question. Simulations (CB-Sim) were used in: none of the course
The survey data suggests that the most used teaching method was News Event Cases (seven respondents) followed by Regional Client cases (six respondents), followed by Textbook cases (five respondents), and Simulations (three respondents) seemed to be the least popular.

**Ranking of Teaching Methods**

**Preferred teaching method:**

PrNE - The News Event case approach was rated as the most preferred (ten respondents), followed by Textbook cases (four respondents), followed by Simulation (two respondents). None of the respondents rated Regional Client cases as the most preferred teaching method. Also, Regional Client cases was rated least favored (nine respondents), closely followed by Textbook cases (four respondents) and Simulation (four respondents). None of the respondents rated News Event cases as the least preferred teaching method.

PbMW- The News Event case was rated as the most preferred (five respondents), followed by Textbook cases (three respondents), Regional Client cases (one respondent) and Simulation were given the highest ranking only by zero respondent. Also, Regional Client Cases were rated least favored (four respondents), followed by Textbook, News Event and Simulation (two respondents each).

**Most effective teaching method:**

PrNE - News Event case was rated as the most effective (nine respondents), followed by Textbook cases (five respondents), Simulation (four respondents) and one of the respondents indicated that Regional Client cases were the most effective. Also, the Textbook case and the Regional Client case was rated least effective (four respondents), closely followed by Simulation (three respondents).

PbMW - News Event case was rated as the most preferred (five respondents), followed by Textbook cases (three respondents), Regional Client cases (one respondent) and Simulation were given the highest ranking only by zero respondent. Also, Regional Client Cases were rated least favored (four respondents), followed by Textbook, News Event and Simulation (two respondents each).

**Effectiveness of Teaching Methods in Achieving Certain Goals**

**Critical thinking:**

PrNE - News Event cases were rated as the most effective (six respondents) in terms of helping students think critically, followed by Simulation (three respondents), Textbook case (two respondents), and Regional Client cases were given the highest ranking with respect to achieving this goal by zero respondent.
PbMW - Textbook cases were rated as the most effective (three respondents) in terms of helping students think critically, followed by News event cases (one respondent), Regional Client cases and Simulation were given the highest ranking with respect to achieving this goal by zero respondent.

Mastering discipline related knowledge:

PrNE - In terms of helping students master discipline-related knowledge, News Event cases were rated as the most effective (five respondents), followed by Textbook cases (three respondents), Simulation (one respondent) and Textbook case (one respondent).

PbMW - In terms of helping students master discipline-related knowledge, Textbook cases were rated as the most effective (three respondents), followed by News Event and Simulation (one respondent each) and none of the respondents felt that Regional Client cases were the most effective in achieving this goal.

Preparing students for employment after college:

PrNE - News Event cases were rated as the most effective (five respondents) in terms of preparing students for employment after college, followed by Simulation (four respondents), Regional Client case (two respondents), and one respondent felt that Textbook cases were the most effective in achieving this goal.

PbMW – Textbook cases were rated as the most effective (three respondents) in terms of preparing students for employment after college, followed by News Event (two respondents) and none of the respondents felt that Regional Client cases and Simulation were the most effective in achieving this goal.

Understanding basic operation of business processes: The questions in this section were designed to see which of the teaching methods would be most effective in helping students understand the basic operation of business.

PrNE - Simulation was rated (six respondents) as the most effective method in this regard, followed by Textbook cases (four respondents), News Event cases (three respondents), and Regional Client cases were given the highest ranking with respect to achieving this goal by zero respondent.

PbMW – Except for Regional Client cases and Simulation (no respondents) the other two methods Textbook cases (five respondents) and News Event cases (one respondent) were reported as the most effective in achieving this goal.

Understanding the interrelatedness of business processes:

PrNE - Simulation was rated (six respondents) as the most effective method in this regard, followed by News Event (four respondents), Textbook cases (three respondents) and Regional Client cases were given the highest ranking with respect to achieving this goal by zero respondents.
PbMW – Textbook cases was rated (four respondents) as the most effective method in this regard, followed by News Event cases (one respondent) and Regional Client cases and Simulation were given the highest ranking with respect to achieving this goal by zero respondent.

Understanding the importance of business:

PrNE - Simulation was rated (eight respondents) as the most effective method in this regard, followed by News Event (five respondents), Textbook cases (three respondents) and Regional Client cases were given the highest ranking with respect to achieving this goal by zero respondent.

PbMW – News Event cases was rated (three respondents) as the most effective method in this regard, followed by Textbook Cases (two respondents), Regional Client cases and Simulation were given the highest ranking with respect to achieving this goal by zero respondent.

Specific Course Related Questions

Respondents were asked to think of a specific course in which they used one or more of the four teaching methods and provide the approximate values for each method.

Percentage of total course points allotted:

PrNE - The majority of respondents allocated less than 10% of the course points to Textbook cases (seven respondents), News Event cases (seven respondents), and Regional Client cases (three respondents), whereas for Simulation respondents were allocated 31% to 40% (three respondents).

PbMW – The majority of respondents allocated more than 40% of the course points to Textbook cases (four respondents), less than 10% to Regional Client cases (two respondents), 11% - 20% to Simulation (two respondents), whereas for News Event cases were split between allocating between less than 10% to 11% - 20% (two respondents each).

Percentage of total class period spent:

PrNE - Majority of respondents spent 11% to 20% of the class period on News Event cases (eight respondents) and Textbook cases (seven respondents). There were no clear trends for this variable for both Regional Client cases and Simulation.

PbMW – Majority of respondents spent more than 40% of the class period on Textbook cases (three respondents), less than 10% (four respondents) and 11% - 20 % (two respondents) on News Event cases and followed by less than 10% Regional Client cases (one respondent). There were no clear trends for this variable for Simulation.

Optimal class size:

PrNE - For this variable a class size between 11-20 was the most preferred class size - Textbook cases (eight respondents), News Event cases (seven respondents). A slightly larger class size
between 21-30 was the most preferred class size for Regional Client cases and Simulation (seven respondents each).

PbMW – For this variable a class size between 11-20 was the most preferred class size – Textbook cases (three respondents) and Regional Client cases (four respondents). There were no clear trends for this variable for News Event cases, Regional Client cases, and Simulation.

Additional information: This section contained opened-ended questions aimed at finding out what the respondents liked, disliked and any other comments about the various teaching methods.

Textbook Cases:

PrNE - a) Likes- Respondents indicated that they liked the following about Textbook cases: Directly related to the concepts introduced and detailed in the textbook (2 comments); Easy to relate to topic and short (2 comments); Easy, well described and explained; usually based on real-life cases. They are closely related to the conceptual and other learning material of the text; they are designed by the publisher to coordinate with the material being taught, so they clearly exemplify the concepts for each chapter; They can be planned on, whereas news cases do not always happen when you need them for the topics in class; Encouraging students' critical thinking, Encouraging students' writing skills (managerial reports to superiors, etc.); they are short enough for students to read in-class and discuss immediately. There is no prep required from the students and minimal prep from the instructor.

b) Dislikes- The author's view; Students might get unauthorized access to the solution; Some are not very interesting (3 comments); They are static and usually pretty dull - you have to work at bringing life into them; There are no definite answers to such open-ended questions; It is hard to get students to think beyond basic connects in a textbook case.

c) Additional comments- None.

PbMW - a) Likes- The students are most familiar with Textbook cases. One respondent mentioned that the Textbook cases are like real life and also interesting. Another respondent said Textbook cases are extended, intensive examples of course content.

b) Dislikes- Boring; often fail to illustrate course concepts.

c) Additional comments- None.

News Event Cases:

PrNE -a) Likes – They are versatile - with one news event I can point to a number of concepts and topics studied in class and thus make a better relation between real life and the classroom (4 comments); Very useful for job interviews and a deep understanding of the theoretical concepts introduced in class; Students have interest based on currency; Keeps class discussion lively; students see real life connection to course material; Allows class to have open ended discussions and analyze what outcome should be; The students typically have some background information specially if that's related to some hot topics they have already heard in the news; Students get
excited and engaged about current events and so it is easier to make the points and have a good engaged class.

b) Dislikes – More time-consuming for the faculty because more thoughts need to be put into to adapt to materials taught (3 comments); It is sometimes hard to find detailed, unbiased media report of event (2 comments); Require a solid background from the students; Less related to specific topic; It is sometimes hard to find detailed, unbiased media report of event; grading.

c) Additional comments – Additional comments about the News Event cases were: Provides constant source of new case examples.

PbMW - a) Likes – Real world applications; Short, timely illustrations of course concepts.

b) Dislikes – Sometimes the relationships between the theory they learn in the book and the news event seem to complicated and overwhelm the student; Time spent in "harvesting."

c) Additional comments – None.

Regional Client Cases (Face-to-Face usually Local Companies):

PrNE - a) Likes - Respondents indicated that they liked the following about Regional Client cases: Students may have interest for future employment; Most respondents have never used Regional Client cases.

b) Dislikes - One of the dislikes for the Regional Client cases were: Harder to find.

c) Additional comments – none.

PbMW - a) Likes - Local relevance.

b) Dislikes - Often lack the global reach present in cases about larger firms.

c) Additional comments – None.

Simulation

PrNE - a) Like - Respondents indicated that they liked the following about Simulation: Engage students quite well (2 comments); Close to real cases, but yet simplified; Help students to understand the business process; Allows the instructor to include case details for the students to discuss; Undated material so case can be used for several semesters, and require them to make decisions, and see the outcomes of those decisions first hand; The students feel they are learning something useful;

b) Dislike - Some of the dislikes for the Simulation were: More time-consuming (3 comments); students divide up the work and don't engage in the decision making process together; The students do not take them seriously as it is understood that this is all a game. It is also hard for
them to see the interconnectedness; It typically takes a while for the students to get familiar with simulation software; expensive.

c) Additional comments – Additional comments about the Simulation were: Not sure if simulation projects are more suitable for individual or group projects.

PbMW - a) Like – None.
b) Dislike - Often fail to teach concepts but emphasize ability to read detailed accounting reports.
c) Additional comments – None.

DISCUSSION

Value of this Current Survey

As stated earlier, the use of cases will continue to grow in importance in the teaching of international business. These current surveys gave the researchers an opportunity to compare results between public and private schools of business in two different regions of the United States. These results serve as stepping stones upon which to build a body of information regarding the use of cases in different environments.

Findings

Although this was a limited survey (nineteen respondents in one school and twelve in the other) where statistical analysis other than frequencies could not be applied, there were several interesting preliminary findings. One of the most interesting results of these surveys was that the method most preferred by the faculty in both the institutions was News Event cases and least preferred was the use of Regional Client cases. Also, both the institutions rated News event cases the most effective and Regional client cases as the least effective method. Faculty at both the institutions appears to have the most difficulty with Regional Client cases (local companies). Developing these local company contacts tends to be a restrictive factor. This approach appears to present a greater challenge in time and energy investment for faculty. International business faculty will have to become more involved with companies in their regions.

In terms of effectiveness of teaching methods in achieving certain goals such as critical thinking, mastering discipline related knowledge, preparing students for employment after college respondents from PrNE seem to prefer News event cases, whereas respondents from PbMW seem to prefer Textbook cases. Also, in terms of understanding basics operations of business, understanding the interrelatedness of business processes and understanding the importance of business respondents from PrNE seem to prefer Simulation, whereas respondents from PbMW seem to prefer Textbook cases.

At the heart of these questions and subsequent responses seems to be that although faculty know which approaches might be more effective on multiple fronts, they are constrained by the
economic reality of time and money. Smaller classes are not a likely solution, given budget considerations today.

**Future Study**

Given the added and comparative information gleaned from these surveys, the researchers plan to go further with surveys at other public and private institutions in the United States and in other countries. The researchers have begun the process of conducting this survey at a French school of business.

Without a doubt, cases are and will continue to be a valuable tool in the teaching of international business. However, faculty time, energy, and resources are at a premium, and therein lies the dilemma. If the most effective case approach is the Regional client case, then faculty have to find the time to develop these cases, and the reward system must reflect those additional efforts.

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LEADERSHIP FOR INNOVATION: FUNDAMENTALS OF HUMAN INFLUENCE

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**ABSTRACT**

In today’s hypercompetitive global world of commerce there are two organizational imperatives. The first organizational imperative is to have a distinctive that explains what attracts customers: why someone would do business with your organization. Second is the imperative to become and remain innovative which is absolutely necessary to assure that an organization has an evolving distinctive that gives customers new reasons to use an organization in an ever-evolving future. Together these imperatives require effective leaders who can lead innovativeness into the future. This paper identifies key success factors (KSF) for innovative leadership in the form of behavioral and attitudinal guidelines.

*Keywords:* Innovation, Leadership, Innovation.

**INTRODUCTION**

Using fads, theories, teachings, and personal stories of great and not-so-great individuals, we have identified hundreds of enduring guidelines that can be of use to one who desires to achieve personal leadership success (Service, Loudon and Kariuki, 2014).

Against our better judgment we are providing 10 graphically definable concepts that can be useful in beginning the life-long journey to making yourself a better leader of innovation. Our reluctance to identify the “top 10” stems from the fact that true understanding always beats mere categorization. Moreover, careful study of this research will reveal that our Principles 1, 2 and 3 of the top 10 are themselves stand-alone models for overall innovation leadership from three points of view: 1) Figure 1 is a Global Leadership Effectiveness model for guidance; 2) Figure 2 is a more individualized Leadership Quotient model for self-development and; 3) Figure 3 is a Global Leadership Quotient model for development and selection. These three models and all of our other Top 10 will come into focus as you study the following descriptive of our leadership for innovation principles.

The fluff so prevalent in our media-genic information soaked society makes a direct approach to leadership effectiveness rules in order. Those seeking to understand leadership must be willing to start on a lifetime journey to leadership development. The current crop of bestselling leadership books fall into two categories: egocentric philosophies and silly parables. Likewise, the teachings provided by most academic articles are too stiff and narrow. Almost all
of the contemporary press articles, books, and academic based writings on leadership offer little that one can adapt and use to lead in their specific situation with their unique followers. If one cannot internalize a leadership principle and put it to use it is of little value. Moreover, what worked for Colin Powell, Attila the Hun, Rudi Giuliani, Winston Churchill, Tony Soprano, and even Santa Clause simply will not work for most of us in our situations with the followers we are given. In fact, it would not have worked for many of those famous leaders without the situation they inherited or the situation that was invented. In this paper we will present the concepts of innovation leadership for the rest-of-us (Service and White, 2012).

Time after time when we are asked to define leadership we keep referring to one word: influence. Leadership centers on human influence and a leader is the one exhibiting the influence. Real leadership results in moving people into the unknown and requires leaps of faith. Of course that influence can be for good or bad and leaders can be misleaders as well as real leaders (misleader was a term often used by Peter F. Drucker for Hitler and Stalin among others: Cohen, 2010). Often we have to wait for history to tell us which leaders are misleader or real leaders. Sometimes if not most often, the winners are the leaders and the misleaders are the losers. But regardless, the human influence that moves people into the unknown, are foundations for principles of leadership for innovation which are of no value unless they can be tested through application (Kerlinger, 1986).

All of the KSFs presented here are founded on the fact that when leadership occurs, it has three components, 1) leaders, 2) followers, and 3) environments. And that overall, balance and fit in those areas are the keys of what works for an individual in one situation that may or may not work for someone in another situation or with different followers. To improve effectiveness, academic articles on leadership must begin to take leaps of faith and learn to depend less on the model of research and proof. Empirical evidence is not absolute gospel or even useful nor are editorial opinions necessarily untrue or un-useful.

An example we would like to make about many of the academic writings on management and leadership is illustrated quite well in an article from Organizational Dynamics (Bedeian and Wren, 2001). In attempting to develop a list of the most influential management books of the 20th century, the authors opted to say: “By ‘influential,’ we mean those books that had a major impact on management thinking at the time of their publication (p. 221).” The problem is they should have looked for books that had the most influence on management not on management thinking. Having spent the last 40 years studying and practicing management and leadership we can testify that they did not identify the books that most affected actual management. They selected the books that affected academicians studying management. Those are quite different points of view.

Henry Mintzberg (2004) makes many points supportive of our preference for application over theory in Managers Not MBAs. Mintzberg effectively disparages the way we currently teach MBAs (also see Service and Cockerham, 2007). Mintzberg clearly shows that all too often instead of teaching managerial practices we teach test-taking, how to get jobs and knee-jerk decision making. Management is more of an art than a science and requires the ability to think, define, convince, motivate and allocate and we must begin to teach the soft underbelly of managing. “Calculate it” based teaching develops too many managers with a false sense of knowledge. If managerial decisions were calculate-able, management could be programmed
without humans making choices under varying degrees of uncertainty. Management cannot be learned without experience. Anyone really serious about studying and teaching management and leadership must read Mintzberg’s books (also his 2009 book and Cohen’s 2010 book on Drucker are also must reads).

Academics investigating management and leadership most often follow the real world and only test things after they have proven successful in the “real world” lab. The lab of management and leadership research in the world of competitive organizations is practice and it is going on out there right now. Medical and other related fields of study must reside outside the area of actual practice, but not the labs of leadership and management. Theory over application is not something you’ll find in this article. Remember, that in theory there is no difference between theory and practice, but in practice there is!

Too many current writings on management and leadership exemplify the problem with leadership development and they deserve the criticism heaped upon them. We argue that management is being replaced with leadership, but that is another paper! Many of these fads highlight our dumbing down through dependence on sound “bytes” and 60 second “in-depth” news stories. And, way too many academic articles kill the living leadership events as we so-called social scientist dissect the phenomena in order to operationalize or describes it. Many demand a quick fix and most pay the price when they get it. Do not waste valuable time on musing and temporal leadership fads: learn and practice the fundamentals. We like the analogy of weight loss. Yes, the diets normally work, one can lose a lot of weight only eating bacon, but for extended success, one must learn and practice the fundamentals of healthy eating with a healthy lifestyle: don’t kid yourself.

Though we cite much here and base most of our pronouncements on many hundreds of writings for the most part the literature does not provide the crucial information for leadership knowledge. Leadership is way beyond a position or concept. It is a living influence with definable principles and processes that is observable, understandable, and learnable through the Leadership Quotient (Service and Arnott’s: LQ©, 2006) practices (study Figure 2 now and later) that are available to everyone and are represented in the fundamentals shown in this article. Leadership is a special field of great demand that is very recognizable in its affect or absence. This article can enable you to become a better leader, but only if you invest your time and attention to understanding yourself, others and situations in light of truly understanding our overriding principles of leadership for innovation.

Historically leadership emphasized stability and control. Today's trends guide us toward facilitation for speed, empowerment, flexibility, and organizational learning all directed at increasing individual and organizational innovativeness. The information revolution, globalization, technology, communications, and widespread education all make it necessary to involve everyone in change. Drucker said innovation is exploiting change opportunities and all organization (business and otherwise) will go down fast if they do not innovate. Drucker asserts that not becoming and remaining innovative is the single largest reason for organizational decline (Drucker, 1980, 1985 and 1999). Regarding leadership for innovation and change, Fullan (2004 among many others) tell us that leaders are bridges connecting people to the future. Yet, no trends lead to an envisioned future without a leap of faith and much hard work (Friedman
2005 and 2008). Warren Bennis said to be a truly innovative leader one must be curious and daring; and that, study, travel, people, work, play, reflection and mistakes are all sources of knowledge and understanding (Bennis and Bennis and others, all dates). Theories, suppositions, innovative successes and failures, and experiences will help move inclinations outside the boxes, frames and models that limit thinking and innovativeness. Leaders must understand the process and context of leadership situations, and they must be innovative in their approaches to guiding others to the "envisioned future." Current and historical events, people, places and times help in gaining a better understanding of what it takes to be an innovative leader in the future. For truly, leadership is defined by one's form of participation, so participate as you work toward the following objectives to improve the ability to lead innovation:

1. Improve critical thinking skills and the ability to think outside the box: what's inside the box?
2. Experience leadership and innovation inside and outside a classroom or seminar.
4. Apply leadership and innovative thinking and precepts to life events.
5. Experience anticipating, analyzing, acting and adapting to new situations.
6. Contrast invention and innovation; and leadership and management.
7. Experience leadership during the relationships people form doing something together.
8. Explore leadership and innovativeness topics within professions outside your own.
9. Experience the contextual aspects of leadership and innovation.
10. Experience the process of leadership and followership.

Realize that every person has the potential to become a leader, though it is always harder for some than others (Cohen, 2010, Pink, 2001 and Sternberg, all dates). And, forget that crazy nature versus nurture debate. It is simply both and only a really dull person does not fully realize that every single thing in the world is easier for some than others (Pinker, 2002 and Ridley, 2003). This article allows you to recognize what you have and do not have in your leadership toolbox, and directs discovery of how to leverage your good leadership characteristics and negate your bad ones. The principles here are a more comprehensive definition of leadership for innovation and are more universal and applicable than those found in much of the literature.

TOUGH IS NOT IMPOSSIBLE

Preparing one’s self or others to lead highly educated, and not always motivated, people in today’s complex and ever-expanding world is relatively complex and confusing. For learning to be an effective leader requires attention, focus, dedication, hard work, and rapid continuous innovation. Simplifying fundamentals and developing the top guidelines for leaders and learners to share in their quest to improve leadership is our goal. Enterprise and personal application and university education should not be separated; excellence must be sought in everything related to
leadership. Science, especially social science, does not describe reality it represents reality with models and a framework. Any so called scientific principles are our reality: it are not the reality. The purpose here is to provide models and guidelines as frameworks on improving innovative leadership education (self or otherwise). Improved effectiveness can only be realized through understanding and application of derived principles that are solidly based in the extant literature and experience. Our top 10 leadership principles are for application that can lead to enhanced innovative leadership. They are given below in text form and followed by complimenting “visual” models (Figures 1-10).

Self-discovery—a start to understanding and improvement

Many human activities, especially leadership, are concepts that are visible and yet not thoroughly definable. However, all can agree leadership can and continues to be the focal cause of accomplishments. Leadership, for innovation or otherwise, requires a high level of self-discovery. Models, frames, modes, metaphors, rules, principles, filters, and so on, guide the way we think, the way we make sense, and the way continue to exist. It is simply not a matter of whether these many and varied oversimplifications exist (models are always there in our brains), but how they influence us and our abilities to recognize, discover, sort through, select, learn, and ultimately use effective philosophies to guide ourselves and others to accomplishment.

As we continue to stress, everyone has the potential to be a better leader. Think of several of the world best singers: Justin Beber (ugh), Bocelli, Church, Elvis, Streisand, etc. They all are good singers. But, can good always be defined? No. Then so it is with leadership, the definition of good or effective leadership is difficult to articulate, as is good singing. The continued study and practice of leadership has taught two overriding principles: 1) the rareness of “real” knowledge and 2) the fact that almost anything can be made to work or to fail; can be good or bad—often only thinking makes it so! It is apparent that in order to define terms and success, if you would, to operationalize variables to study, and to make things into generalize-able and transferable principles, we too often developed processes that destroy the very thing that was trying to be described for purposes of replication: in this case, leadership. Leadership is organic not mechanistic and it lives and breathes.

All research is a process of continuous expansion of knowledge that involves the generation, acceptance or refutation, and application of ideas and theories. Anticipation, research, learning, continual improvement and innovation are used by most successful people and organizations. Moreover, the academic and current press, and instructive literature are filled with examples of organizations that did not learn the lessons provided by innovative examples. Ours is not to do or die in this debate on how to become better leaders, but ours as educators is to determine how to develop the best questions and answers to help others realize more of their potential. Leading anything is about influential leverage for ourselves and our followers. No magic formulas, pills, or miracle moments will save us. We have only diligence, credibility, desire, and a lot of hard focused work.

What really works as we apply it is what matters. After spending many years in the practice and study of leadership, the truth is there is only one undeniable fact about leadership: We have got a lot to learn about leadership, especially leadership for innovation. So, where do we start? After desire to be a better leader, start with the simplest of concepts, the definition of
leadership as we have given you, and some of its principle rules. The principles outlined here are a great foundation, but we are not bold enough to proclaim these principles as The principles, they are simply Some of the “better” overriding principles we have discovered.

THE BIG 10 LEADERSHIP FOR INNOVATION PRINCIPLES

The Be-Know-Do Leadership-life Effectiveness Model

Remember, the primary purpose of doing qualitative research is discovery, not hypothesis testing (p. 317). . . . not trying to control variables, but to discover them (Corbin and Strauss, 2008: p. 318).

Before looking at the other nine principles start by studying Figure 1 closely and understand that the ideal sweet-spot of leadership effectiveness wisdom is an amalgamation of other sweet-spots. Leadership Wisdom is an ideal balance of what fits the combination and permutations of circumstances and people at the appropriate time and in the proper manner. The key is to know what it depends on and to develop your own insights as to what it takes to Be, Know and ultimately Do as you analysis yourself, others and situations in order to apply new found knowledge to develop skills for leadership effectiveness. Only you can internalize your insights by experiencing leadership. We realize this paragraph is dense. So it must be if one desires something beyond the quick and dirty. The unfortunate truth is that you cannot give another person an insight especially one you have gained through the experience of hard work and sacrifice or loss. This applies most especially for an insight that one must internalize and apply about themselves related to religion, relationships and our topics of management or leadership. The only hope to gaining and using new found leadership effectiveness insights is to be prepared to recognize the insights as you are exposed to them. But, they still won't be effective insights until you adapt and adjust them for the people and circumstances involved. This transcends us into the next section where we describe the first sub-model of our “favorite” leadership for innovation models.

Principle #10: Match your mind-the rational, with your heart-your desires (Figure 10).

Humans take actions that take care of what is important to them, to serve their values. A huge mistake is to think others value what you do as you do (Goldsmith, Govindarajan, Kaye, & Vicere, 2003). We remind you that when someone meets you they want to know two things: 1) can I trust you and 2) what can you do for me (Holtz, 1999). People are motivated in the way an organization desires when they really believe the relationship between effort/performance and rewards are as their leaders proclaim them to be (Covey, all dates-trust: and Robbins, 2002). People change what they do because they see a truth that influences their heart and feelings (Kotter & Cohen, 2002). “The litmus test of all leadership is whether it mobilizes people’s commitment to putting their energy into actions designed to improve things. It is individual commitment, but it is above all collective mobilization (Fullan, 2001: p. 9).” The hard and the soft side of leadership and management can be equated to the heart and the head, tangibles and
intangibles, or the content and the context. For in leadership as in art and music there are those that are nearly perfect, yet they are not as successful as those with a unique style. In leadership being technically perfect does not guarantee success, you have to appeal to others sensibilities within their situations. Hesselbein (2002) says leadership is more a matter of how to be than how to do.

**Principle #9: Build foundational relationships as you do things with others (Figure 9).**

One becomes a leader by virtue of their form of participation and in no other way. Power alone does not equate to leadership. All organizations have *Social Capital* that acts as the connectors among people which make an organization more than a collection of individuals out to achieve their own private purposes. It is not simply about being nice, liking or accepting one another, it is about the collaboration involving many people. That is, demonstrating in practice what is of value to the group. Core competencies revolve around “creativity, entrepreneurial zeal, and institutional dynamism (Cortada & Hargraves, 1999: p. 27).” “In the long run, all enduring and effective relationships—including leader-follower relationships—are voluntary and reciprocal in nature (Clawson, 1999: p. 117).” “The leader has to set the tone for the quality of relationships (Hesselbein & Cohen, 1999: p. 20).” “What counts most in creating a successful team is not how compatible its players are, but how they deal with incompatibility (Sports Illustrated Advertisement, 2002).” It can be argued that far too many of today’s challenging problems result from education that stresses technical competence over relationships, context, and process. Strategy for investing in and exploiting your and your organizations intellectual assets must be the focus. The efficiency of knowledge work and knowledge workers must be a key goal. Effectively successful leaders see relationships as multifaceted: linear, sequential and serial, discrete, singular and independent, parallel and simultaneous, connected, murky, multiple, interdependent and on and on in all combinations and permutations you can imagine. It is a necessity to go outside of the normal boxes, frames and models, and direct our thinking toward developing a truly innovative spirit within all organizational members. Understanding self, others, and the basic principles of leadership is required as a starting point to building enduring relationships that are authentic.

**Principle #8: Embrace leadership over management (Figure 8).**

We are not saying to forget management but we are saying that every good manager must be more than just a bit of a leader of innovation in today’s fast paced and globally hypercompetitive world. The central business paradigm has shift from an effective leader or manager of the past where power, position, and fear were paramount to a new model based on openness, trust and knowledge just as society is in the midst of change to an “instatinterinfodigitalreligiosity” age where everything “works through sound bites and film clips (our word, concept comes from Barber, 1996: p. 17).” Our constantly evolving and increasingly complex globally diverse world requires executives, managers, supervisors, and team leaders that have shifted their thinking from that of a past manager to that of a modern leader. Modern leaders deal with many external and internal ambiguities, and internal and external people that demand, and deserve equal consideration: note we did not say equal treatment. Treating un-equals as equals is perhaps the greatest most heinous forms of discrimination (Service and Carson, 2010b). The models, paradigms and rules of the past are being replaced by unknowns and complexity coupled with more information than even the most
brilliant can perceive and use to solve the major issue they face. These varied complexities coupled with the limitless choices boggle our minds and past understandings. The dichotomies shown in Figure 3 will guide one toward acting as a modern leader versus staying a manager. The science of leadership is management which is reducible to measurable principles and policies. The leadership side is the art component which is much more difficult to systematize and measure though the lines between leadership and management are blurred. Understanding of management’s and leadership’s art and science is a precursor to effectiveness improvement. Management must replace leadership as we manage people who can think and are as educated and informed as their influencers.

Principle #7: Realizing that good often is the enemy of great (Figure 7).

Collins in his top selling and influential book, Good to Great (2001) said, “Larger-than-life, celebrity leaders who ride in from the outside are negatively correlated with taking a company from good to great (p. 10).” He also discounted strategy, forms of executive compensation, concentrating on what to do to become great, technology, management of change, named programs, and a great industry as a cause of good to great moves. This begs the question, what type of leadership style does it take? Collins says very directly it is “Level 5 Leadership [which is] . . . self-effacing, quite, reserved, even shy—these leaders are a paradoxical blend of personal humility and professional will (p. 12) . . . leaders [who] look out the window to apportion credit to factors outside themselves when things go well (and if they cannot find a specific person or event to give credit to, they credit good luck). At the same time, they look in the mirror to apportion responsibility, never blaming bad luck when things go poorly (p. 35).”

Charisma and strength of personality can cause problems, when people see the brutal facts separated from personality. Drucker simply would not believe charisma was of any positive use (Cohen, 2010 explains this well). Overcoming the liabilities of charisma require a conscious effort. Winston Churchill compensated from the liabilities of his strong personality beautifully during the WWII (p. 73). When one starts with a diligent effort to determine the truth of the situation, right decisions become self-evident (p. 88). “Good is the enemy of great” exemplifies Good to Great’s message.

Principle #6: Commit to real two-way communications (Figure 6).

Meaningful dialogue allows leaders to continuously give and accept honest feedback: there is no communication unless there is mutual understanding--it is two-way. It should baffle our minds that businesses and universities operate with a one-way model and expect good results. I told you so you know, just “ain’t” so. Ensuring high levels of understanding in communications between management and employee, and organization and customer, and so on, requires questions and answers; listening and understanding all around. When it is done right talking as communicating is an incredibly effective business leadership tool. We all need for our leader/ follower relations to progress from shared feelings, beliefs, and ideas to an exchange of
wants and needs to clear action steps and mutual commitments. Discuss any and everything and follow that with action (Gaynor, 2002; Harkins, 1999).

Information and communication are not one and the same. For communication we must have mutual understanding. Do you get it? If not, have we communicated? Absolutely not! Information is the most expensive item in most products and services. "Look at your company's budget: Add up all you spend for accounting, advertising, brochures, catalogues, communications, computers, conventions, faxing, newsletters, networks, overheads, research, software, training, videotapes, xerography -- estimate the value of the time people spend looking stuff up . . . i.e. the total cost of obtaining, maintaining and producing information (Stewart, 1995: p. 119).” However, information is only valuable when it gets communicated to the right people at the right time and used in the right way.

Leadership is judgment, integrity, self renewal, managing and appraising performance, attention, courage, open minded, challenging, problem solving, anticipation, consequences, confidence, dedication, perception, collaboration, culture and climate, attitude, keeping score, involvement, significance, consequences, feedback, appropriate behavior, inspiration, desire, luck, timing, enthusiasm, serving, following, contextualizing, influence, and on and on, but none are important without communication Adding meaning to these many and varied leadership terms challenges even the strongest of communicators.

Principle #5: Embrace, start and implement change (Figure 5).

Change has always occurred over and over, and it's not just the same old thing! When leaders wish to facilitate organizational change, they must continually increase the number of individuals taking responsibility for their own change. “... the charisma of certainty is a snare, which entraps the child who is latent; in us all ... the most powerful coherence is a function of having worked through the ambiguities and complexities of hard-to-solve problems (Fullan, 2001: p. 116).” Change will happen whether you cause it or not, or embrace it or not. But, you have got to anticipate and monitor it so that you can adapt to and possibly even enjoy it (Johnson, 1998). “All living things, whether plants, animals, people, or groups of people, exhibit patterns or cycles of development, moving from periods of vitality and growth, to periods of decay and disintegration. The pattern of business growth and decline—and the behavior of leaders—follow this same course (Miller, 1989: p. 1).”

All failures have the potential to be turned into successes when lessons are learned from failures. We all need to stop and review the old beliefs seeing what has changed and make conscious decisions about current applicability before moving to a new way of doing things. Way too often we keep asking the wrong questions and making the wrong assumptions as we wait for that miracle moment when everything will turn around (Collins, 2001).

Peter F. Drucker believed in strategy and continuously said you cannot predict the future but you can create and enact it (Cohen, 2010).
**Principle #4:** Develop self-perpetuating learning organizations (Figure 4).

Continually reassess and ask these two tough questions: 1) Why would someone do business with me or my organization? 2) How can I become (and get others to become) and remain innovative? Bennis and Nanus state “management controls, arranges, does things right; leadership unleashes energy, sets the vision, does the right thing (2003, p. 701).” “Leadership plays the prime role for the creation of excellence in an organization (1985, p. 21, cited in Kanji and Moura e SA, 2001: p. 701).” Our globally complex hyper-competitive world requires that we shift managing from a focus on stability and control to leadership focusing on speed, experimentation, flexibility, change, innovativeness and continuous leaning.

In *The Future of Leadership* (Bennis, Spreitzer and Cummings, 2001) it is clearly shown that it is not an individual’s leadership that ensures lasting organizational success, but the degree to which leadership is institutionalizing and embedding in systems, practices, and cultures of organizations that establishes permanence. Management of teamwork is another important must. “There are major differences between leaders who gather followers and leaders who develop leaders (Maxwell, 2000: p. 348).”

**Principle #3:** GLQ and SQ—Global Leadership Quotient and a new IQ that is SQ (Figure 3)

In our top 10 countdown you will notice that principles 3, 2 and 1 have longer descriptions than do the preceding seven principles. This is by design because these top three principles are super principles, for want of a better term, which are composites of much in the preceding principles.

Developing your successful intelligence (SQ) and emotional aptitudes always seem to lead to success in leading innovation. And, indeed there are differing types of intellect, some of which are more conducive for innovativeness and the most meaningful areas of intelligence can be improved. In Howard Gardner’s pioneering book *Frames of Mind* (1993), the notion of many types of intelligence was presented. Gardner noted seven basic types of intelligence: verbal, mathematical-logical, spatial, kinesthetic, musical, interpersonal, and intra-personal. His work seems to explain why traditional IQ tests are poor at predicting success in many of life’s endeavors. Goleman’s (1995) work extended Gardner’s into the area of emotional intelligence (EQ—how well someone manages their own emotions), which is presented as more predictive of managerial and leadership success. The next step would be to propose that just as there are many ways to measure Intelligence (IQ) so there are many ways to measure Leadership. IQ and EQ are not enough, intellect and people abilities only help if they are properly honed and applied. Dimensions of EQ, self-awareness and management, social awareness, and relationship management, are critical to accomplishment of innovation through others (Goleman, Boyatzis, & McKee, 2002). Goleman (1995) said that emotional maturity and soft skills play a greater role than intelligence in eventual success in part because differing EQs lead to more innovation. Two characteristics, the ability to manage one’s self and the ability to handle relationships are requirements for directing the development of an innovative learning organization.
Characteristics displayed by those with SQ are directly related to becoming a more successful person. A person that is effective because in part their successful intellect is more controllable than traditional IQ. We must seek to make IQ meaningful and applicable to you and your situation now and as your new situation will be in the future: make IQ SQ. Most of us will die regretting not mistakes, but never trying (Covey 1990; Gulford 1967 and 1986; Pinker 2002; Service and Arnott 2006; and Sternberg all dates):

A substantial amount of progress on studying the neurological basis for human intellect has been made of late. However, the developing nature of research, and its potential and drawbacks to advancing our understanding of the neurological basis of intelligence often goes array and simply becomes too complex. The notion of SQ presented here (see all Sternberg and Service, 2005b and c for complete descriptions of SQ) must make sense to be useful. Much of the research we found during the development of this paper shows that the mental efforts related to intelligence testing are often exercises that most normal people cannot use.

Developing your nurtured and natural skills requires a good understanding of what you can control and what you are not likely to control. Simply put, the leadership nature versus nurture debate has been settled. It is nature plus (+) nurture and anyone can improve as a leader by correctly identifying what leadership enablers they naturally have and those that they don’t; and then developing or improving those that they have the potential to mold and compensate for those that they cannot develop. As Pinker (2002) said in his book *The Blank Slate*: “Haven’t we all moved beyond the simplistic dichotomy between heredity and environment and realized that all behavior comes out of an interaction between the two (p. vii) . . .differences of opinion arise not because one mind is equipped to grasp the truth and another is defective, but because the two minds have had different histories (p. 5).” For anyone still doubting the complexity of the interaction of the nature and nurture effects on leadership you should read Pinker’s book and study closely the theories of the blank slate, the noble savage, and the ghost within with an open mind! Figure 3 is useful for an aspiring leader, for if one can categorize their natural and developed strengths and weaknesses then they can began to use them to their fullest and help others develop as leaders as well.

Look closely at the precepts defined in the SQ model and realize the importance of these elements over the normal IQ measurement factors and realize that a good SQ is required to develop innovations that are useful and sellable. Now let us shift to the GLQ—Global Leadership Quotient—part of this principle which can assist in meeting the called for necessity to gain intercultural competence (Bennett and Castiglioni, 2004).

Using our extensive literature review, SQ model, $LQ^O$’s research and a GLQ questionnaire (described more fully in Service and Carson, 2013) we have developed our GLQ Model which revolves around intentionality (Glynn. and Giorgi, 2013 and Groves and Feyerherm, (2011). Vigilant attention and sustained effort to understand the precepts represented in the model and to maximize strengths and to minimize or deflect weaknesses are required for GLQ to be of use: as described above for SQ. The GLQ can be used as a developmental, measurement and selection tool providing a launching point to propel dialogue on cross-cultural leadership and how one might get principles across. Mendenhall, et al. offers several concepts that map nicely onto the GLQ.

Today’s world of global business requires that companies must “innovate by learning from
the world . . . transform individuals in ways that make them more valuable employees (p. 129). . . . today’s leadership will not be sufficient for the future (p. 50). . . . The passion to make a difference and the willingness to allow others to participate in creating it is more likely to lead to leadership success than simply acquiring and checking off a list of skills (2008: p. 62).”

The GLQ precepts were tested and extended by mapping the results of interpretive analysis of 50 preliminary questionnaires (Service, 2012). Using methods clearly described in Chopra and Mlodinow (2011), Corbin and Strauss (2008), Eisenhardt (1989), Mendenhall et al (2008), and Ropo and Hunt (1991), the GLQ precepts shown below were developed—coded from the questionnaire narratives in light of the research and writings outlined in this paper. It proved difficult to code varied statements into meaningful concepts that could be defined and researched. We realize that the “coding” as percepts-labels is subject to normal human biases and knowledge, but that does not make them un-useful.

The range of nationalities and situations represented in the completed questionnaires (shown in Service, 2012) was broad. It included people with experiences in America that are from Germany, Vietnam, China, South Africa, Sweden, Cuba, and Spain; and Americans who have worked or lived in many countries.

Hall said, “[W]hatever wisdom we manage to achieve derives from genes, nurture, mentorship, culture, and, perhaps most of all, an openness to the possibility of continual leaning and self-improvement (2011, p. 225).” Corbin and Strauss provide an important message regarding the Model’s complexity: “What is important is that research findings don’t oversimplify phenomena, but rather capture some of the complexity of life. . . . conditions/consequences do not exist in a vacuum (2008, p. 91).” Harrison, Shaffer and Bhaskar-Shrinivas (2004), Shaffer, Harrison and Gilley (1999) and Shen and Hall (2009) add empirical research that declares expatriate situations are complex and filled with dimensions and determinants that all must be considered GLQ precepts shown in Figure 3 are to be selected, trained, developed, studied and considered for any wishing to more successfully lead diverse or differing followers ((Allik’s, 2013; Andreason, 2008; Earley, Ang and Tan’s 2006; Ang and Van Dyne, 2008 (all referenced Handbook); Bard, and Guerra, 2011; Caligiuri, 2006; Kim and Van Dyne, 2012; Ng and others, all dates; Service and Arnott, 2006 and Service and Kariuki, 2012: provide more complete descriptions of key precepts).

Principle #2: FISO: Fit in before you stand out-LQ© (Figure 2).

In this principle and principle #1 we began to see overall influences that direct all of leadership for innovation. This principle sets on a firm foundation of the notion and detailed definition of our Leadership Quotient: LQ©. Stay with us as we describe the next two principles in greater detail.

“We are in the midst of a major managerial paradigm shift that is transforming what it means to be an effective leader (Clawson, 1999: p. 171).” “But leadership isn’t a position; it’s a process. It’s an observable, understandable, learnable set of skills and practices available to everyone, anywhere in the organization (Hesselbein and Cohen, 1999: p. 37).” LQ© innovatively clarifies the complexities of interactions of people and processes involved in measuring and improving leadership. For as Einstein said, “The significant problems we face today cannot be
solved at the same level of thinking we were at when we created them (cited in Oakley and Krug, 1991: p. 13).”

Our LQ© as depicted in the formula in Figure 2 did not come from thin air. It came from over 1,100 respondents (average age of 36 with 15 years of working experience and 17 years of education), over 50 years of combined personal experiences and observation, and literally 1,000s of published sources (Service and Arnott, 2006). The leadership quotient being defined here evolved over 10 years as shown in some 50 of the first author’s academically referred articles.

Development started with research in the areas of the IQ, EQ and related psychological and instructive literature in an attempt to go beyond the normal “business leadership” disciplines. Additionally, many pre-test and re-test efforts have solidified the understanding of all aspects of leadership. The resulting LQ© defines leadership as a measure of the components that are observed as key when leadership occurs. Positive elements indicate effective or good leadership, and negative elements indicate poor or ineffective leadership. LQ© is a function of the interaction of: 1) Leader, 2) Followers and 3) Environments (Situations) as shown in LQ©’s formula (and relationally) in the leadership success triangle in Figure 2.

It should be noted that the LQ© efforts being recounted here only scratched the surface in explaining the depth of effort, work and rework that has resulted in the individual quotients and their noteworthy precepts that are detailed here as guides to measuring and consequently improving leadership. LQ©’s concepts have been used successfully by its original authors and others with college students, in military training and in T & D organizational efforts (Service and Arnott, 2006).

The Leadership Quotient helps one realize the traits, abilities, and behaviors that they naturally have and do not have and how to adapt those to followers and environments. It stresses honing those possibilities (maximize strengths) and figuring out a way around shortcomings (minimize weaknesses). This is the application of the current author’s max-min principle (Service, 2005a). Once possibilities are realized, wisdom through appropriate leadership can occur to match capabilities with the situation and follows at hand. This is not a simple task and I am not offering a pseudoscientific pill to cure all leadership ills. Remember, however, “The more complex society gets, the more sophisticated leadership must become. Complexity means change, but specifically it means rapidly occurring, unpredictable, nonlinear change (Fullan, 2001: p. ix).” Some will misinterpret this quote and think they need to lead with complexity. Nothing could be further from the truth. The successful leader is the one who can interpret the difficult and complex, and present it in a simplified and understandable way to followers. Leadership style can be developed and honed as appropriate using the 12 Quotients. Though the measures are simple, their development and eventual application is rather complex. That has to be so, because leadership is a complex human interaction that can be simplified only so much.

As a practicing managers, consultants and professors, we see management as controlling, arranging and doing things right. Whereas leadership sets visions and does the right things (inspired by Maas, 1998; and Service all dates). And, “leadership plays the prime role for the creation of excellence in an organization (Kanji and Moura e Sa, 2001: p. 701).” Moving into the arena of global competition requires shifting from managing with a focus on stability and control to leadership focusing on speed, experimentation, flexibility, change, and innovativeness.
(Service 2006). “Leadership is the art of accomplishing more than the science of management says is possible (Colin Powell quoted in Harari, 2002: p.13)”

The three-point outline in Figure 2 demonstrates the art and science of leadership as it is used to characterize the interactive influences of leaders: The Leadership Quotient Triangle. Study to understand the three interactive angles of leadership and the 12 associated quotients: individually and interactively. Following are very brief overviews of each of the quotients represented in the leadership quotient concept.

**DQ**—**Desire Quotient**: Effort, persistence—basically a willingness to do whatever it takes. Figure 5 depicts the traits, actions and characteristics leaders must display in the arena of DQ. The most often cited exemplars of DQ were Lance Armstrong and Nelson Mandela.

**RQ**—**Reality Quotient**: Correctly clarifying inclusiveness, objectives, forward-sightedness, and visions. Eighty percent of the respondents listed Winston Churchill as the exemplar.

**EQ**—**Emotional Quotient**: Self-awareness, social awareness, empathy, exhibited mood, ability to control first impressions of self, and level of validity of assessment of self and others. Dr. Phil and Oprah were the most cited in this area which indicates impressions can be controlled by the media.

**IQ**—**Intelligence Quotient**: Read on and understand how LQ’s IQ replaces the IQ of academic fame with successful intelligence. Albert Einstein, Steven Hawkins and Bill Clinton were most common exemplars.

**CQ**—**Communications Quotient**: Verbal, written, body language, dialect, clarity, command, presentation skills, and listening effectiveness. All of these aspects of communication must fit with the leader’s followers and environment (Service, 2005a contains a more complete description of CQ). Old and young mentioned Ronald Regan.

**PQ**—**People Quotient**: Ability to relate with people; includes relationships, social skills, poise and demeanor, teaming, networking, etc. Newscaster Charlie Gibson and Raymond from “Everybody Loves Raymond” were exemplars. Bill Clinton was mentioned often as a negative.

**BQ**—**Behavioral Quotient**: Exhibited external focus, ethics, values, credibility, direction, flexibility, savvy, social graces, timing, inspiration, and dependability. Does the leader behave in a way that appeals to the followers? Billy Graham’s “good” behavior was most often cited.

**AQ**—**Appearance Quotient**: Manifestation of correct level of confidence, appropriate dress, vitality, mannerisms, physical appearance, posture, poise, demeanor and fit with the environment from the perspectives of the followers. Examples were basically all athletes or “stars.”

**XQ**—**eXperience Quotient**: Accomplishments. Gates and Warren Buffet were examples.

**KQ**—**Knowledge Quotient**: Leader’s ability to learn, pay attention, recognize, imagine, and keep up to date on technologies. Alan Greenspan and Bill Gates were often cited as exemplars in this area (Harris, Johnson and Souder, 2013).
**SQ—Situational Quotient:** Ability to interpret cues and develop appropriate strategies for addressing. Jay Leno and David Letterman were exemplars mentioned in this area.

**MQ—Management Quotient:** General admin skills for systems and procedures, planning, organizing, controlling, ability to motivate, evaluate and manage. Jack Welch was the most often cited example. A new book, *Jacked Up*, by Welch’s former speechwriter is a new view of Welch’s impatience, wit and disdain for those that don’t speak candidly (Lane, 2008; also see Hersey, Blanchard and Johnson, 2013).

Study Figure 2 and think about each of the quotients defined and remember that effective leadership, and a happy successful life, requires a balanced fit among environments, behaviors, contexts, processes, contents, and needs. Apply the previously defined max-min principles to make the best use of what you have and to make irrelevant weakness you cannot (or even will not) change. Balance and fit are key also to so many things. “Do not separate yourself from the community (Hillel; from Safire & Safir, 2000: p. 187).” “Consider well who you are, what you do, whence you came, and whither you are to go (English proverb; from Safire and Safir, 2000: p. 209).” Learn from the people who not only challenge and conquer the context but who change it in fundamental ways (Bennis, 1989). “. . . leadership . . . is about getting alignment and it’s about inspiring people to achieve (Fullan, 2001: p.19).” Well thought out organized processes do not become effective until the right people are in place for execution of the processes. By the same token, great people need to have good processes to be successful. The balance is precarious and difficult, yet powerful when achieved through application of the following: a) Adapt to followers. b) Fit with environments and tasks. c) Balance self, followers, and the environment. d) Create adaptable “fitability” with time, place, people, and things. e) *Fit in* before you *Standout*.

**Principle #1: Cross-Cultural Leadership for the Rest-of-us (Figure 1).**

All of the prior 9 principles are amalgamated into the comprehensive Global Leadership Effectiveness Model. This overriding model provides a comprehensive view of leading innovativeness in a flat world. Drucker said becoming a more effective leader for innovation is possible if it becomes a life-long self-development activity (Cohen, 2010). Drucker stressed the fact that people can learn to be more innovative and more effective leaders and ends much of his writing by saying not only can we all improve, but that we must continue progressing in these areas if our society is to continue to progress. The learning never ends if cross-cultural intellect is the objective (Blasco, Feldt and Jakobsen, 2012)!

The rest-of-us leadership model shows the amalgamation of sweet-spots of leadership effectiveness as the "wisdom" to balance combinations and permutations of circumstances that are a timely fit for the involved people in the proper manner. Focus must be on analyzing yourself, others, and situations and applying new-found knowledge to improve leadership effectiveness in the ever more complex contexts of leading innovation. A complete description of this Model is limited by space and the reader is encouraged to review Service and Carson (2013) for additional detail.

**Individual Realism-Personal and Professional-History:** “[N]one of us exists, self-made, in isolation (Brooks, 2011: p. 32).” This sub-model centers on introspection and reflection through “thought experiments” where you mentally practice leadership precepts
One’s history determines their KSAs—knowledge, skills, and even abilities to a great extent. The **might, can, want and ought of** leadership requires philosophical and psychological understandings. **Might** is the market for a given leader. **Can** rests on abilities and knowledge. **Want** is desire. **Ought** is the ethics and values involved. When one contemplates introspectively the variables about themselves they are being philosophical; when they help others, they use “reflective” psychological skills (Service, 2012).

**Collective Realism – Perspectives and Practices:** The perspectives aspect of this sub-model shows collective humanistic influence that gets to the nature of leadership where leaders motivate and move “groups” of people: sociology. Management-practices start with “Knowing thyself—and being ready for reinvention (Lublin, 2010: p. D4).” Management to us is characterized by ambiguity and uncertainty. “That leaves the managers mostly with the messy stuff—the intractable problems, the complicated connections. And that is what makes the practice of management so fundamentally ‘soft’ (Mintzberg, 2004: p. 13; also see Service and Carson, 2009; and Service and Lockamy, 2008).”

**Leader-perspectives:** “Leadership is a combination of strategy and character. If you must be without one, be without the strategy (Schwarzkopf in Corsini, 2006: p. 33).”

**Follower-perspectives:** All successful global leaders understand their followers’ cultural orientations (Goleman, all; Service and Fekula, 2008; and Yukl, 2013).

**Situation-perspectives:** Situational awareness is directed toward developing strategy that encompasses people for it is through people (leaders, followers, stakeholders, societies, cultures) that goals get accomplished (Hunger and Wheelen, 2011).

**Contextual-perspectives:** Humans are unable to understand total reality (Gladwell, 2008; Levitt and Dubner, 2009; and Pink, 2009). However, one can move their perception closer to reality and manage the others involved to move them to enact the situations one wants. Solid global leadership moves beyond solving problems to new ideas and views (Charan, 2007; Collins, 2003; Mintzberg, 2004; and Service, 2009a).

The **practices** part of this sub-model is where collective wisdom starts for in one situation “management” (doing things right -- efficiency) is called for; or the situation might call for “relationship building;” or it might require “innovation;” or it might require “leadership” to move people into new directions. **Leadership-practices-overview:** Leadership wisdom only comes when one knows when to tell, sell, ask, collaborate, back off, jump in, shoot from the hip, do research, become a follower, create or enact a new situation, recruit different followers, return to the old followers, jump up and down and shout, be still and quiet, and so on. There are no simple answers. There exists only **balanced** hard work and focused discipline behind becoming an effective global leader that **fits** culture and more (Service and White, 2012).

**Leadership-practices-LQ**®: “The leader must be able to self-diagnose and have a high degree of self-awareness. . . . an expert observer of others. . . . able and willing to intervene, coach, and influence. . . [the] leader’s ultimate task is to build organizational competence (Runde and Flanagan, 2007: p. 83; also see Potoker, 2011 for cross-cultural imperative).”

**Relationship-practices:** Enduring relationships are based on mutual benefit and trust (Covey, 1991 and 2004). Saba (2011), a true expert in crossing-cultures, says clearly that curiosity that enables one to relate “with” not just “to” others and their situations is the clear game breaker in success within new cultures.

**Innovation-practices:** Friedman and Mandelbaum (2011) proclaim, “Continuous innovation is not a luxury anymore—it is becoming a necessity. In the hyper-connected world, wherever can
be done, will be done (p. 96).” Hall (2010) and Porter (1990) among many others stress the need to become and remain innovative (also see Service and Loudon, 2013 for an example of innovation in an unusual way and area).

**How can we apply?**

In this model we see the influence of worldviews and leadership concepts coming together to foster applying all parts of the other sub-models by using relevant earned and learned relational, management and leadership "wisdoms." "Wisdoms" can NOT be reduced to principles or secrets presented by the rich and famous (Gladwell, 2008). The Global Leadership Effectiveness Model (Model 3) provides a roadmap towards becoming a cross-cultural leader capable of understanding the wisdom sweet-spots of varied reflections, perspectives, and extro- and introspections.

Lastly remember “All generalizations are false—including this one (Rumsfeld, 2013: p. xiii).” The point is that rules can never replace considered judgment. Each situation and all those involved are at best slightly different. Recognizing the appropriate differences and applying all principles in a balanced way is cross-cultural wisdom. Contemplate another warning from Rumsfeld: “What should they know of England who only England know (citing Rudyard Kipling: p. 106)?” An inside only view is seldom a fully intentionally useful reality. Consider GLQ as a bridge to success in another culture that is supported by the solid “rest-of-us” leadership paradigm.

The literature base is clear and our Models show how: 1) There is huge need to develop people with the right knowledge, skills, and abilities that are willing to work for success in global leadership (Earley and others all dates). 2) Finding and developing people with the relatively rare and correct balance of knowledge, skills and abilities are difficult (Caligiuri, 2006). 3) Comprehensive interdisciplinary approaches to research in this area are required (Bate, and Child, 1987). 4) Globally leadership occurs in a world of varied complexity, with interactive patterns among subunits of many varied constituents with pressures for stability and change (Crowne, 2013). 5) The wisdom of leadership and culturally appropriate actions requires a life-long commitment to searching and learning (Elmer, 2002). 6) Re-asserting your or your organization’s competitive identity in this web of relationships is the expected norm (Hofstede, 2001). 7) Power, feelings, concerns, dependences, collaborations and competition, team and individual efforts are foundational considerations (Bhaskar-Shrinivas, Harrison, Shaffer and Luk, 2005; and Mendenhall et al., 2008).

Influence through leadership, global or otherwise, is characterized by ambiguously-complex interrelated relationships, communications, values, missions, motivations and visions (Gundling, 2003; Kupka and Cathro, 2007; Lee, 2005 and 2007; Lee and Sukoco, 2008; Lee, 2009; Service and Arnott, 2006; Service and White, 2012). This complexity shows when one views the varied constituents commanding attention with their all too often mutually exclusive desires (Furrer, Tjemkes, Aydinlik and Adolfs, 2012; Takeuchi, 2010; and Takeuchi, Seakhwa Yun, and Telsluk, 2002). It seems “unconscious processes are better when everything is ambiguous (p. 243)... [Acquire] a set of practical skills that enable [you] to anticipate change (Brooks, 2011, p. 249).”
CONCLUSIONS

Everyone wants to feel needed and appreciated and they want something to build their lives around. Leaders have to give them those things and more importantly remember: “What people want in leaders today, more than ever before, is integrity—walking their talk, (Blanchard in Despain, & Converse, 2003: p. xvii; also see Shinn, 2011).” J. Dennis Hastert, Speaker of the House (Despain, & Converse, 2003: first unnumbered introductory page) “I have come to understand the truth behind the saying ‘leaders aren’t born, they are made.” Despain and Converse (2003) based their book on a lifetime of experiences and they espoused that the key is values defined with shared beliefs coupled with standards for workplace behaviors. “Leadership is about others and not about self” (p. xxii).” James Despain, “I give people freedom to handle work their own way, I listen more than I talk, I work with ever employee to create a development plan, and I say something positive to every employee in my group every day (p. 148).” Indeed, leaders must move from a control-based leadership to a values-based-leadership model.

Yes, leaders need enough intellect to handle the tasks, but they also must motivate, guide, inspire, listen, know how to gain consensus, teach and learn, innovate, anticipate and analyze (Phan, 2011 and Pink, 2009). Leaders must ultimately move and act because beyond talent and principles lay all the usual words: discipline, endurance, love and luck. Life and its close subset, leadership are truly tests and they do not come with clear exact directions. The 10 principles briefly presented here can lead on to a life-time desire and lead a shift toward a more effective way of leveraging leadership for innovation given the desire and effort.

(Note: references shown within the following 10 Figures are the primary one’s for the overall ideas of the models; many other references went into the components of the models as noted in the entirety of the paper).

REFERENCES


Figure 1: $LQ^\circ$’s Global Leadership Effectiveness Model

Individual Realism-personal & professional

Collective Realism-perspectives/practices

History/Philosophy/Psychology

KSAs

Want

Introspection

Reflection

Sociology/Culture-co.org.-FISO

Management

Extrapolative Perspective

Relationship

Introspection

Multiplicitic

Worldviews-ID; then mind the gaps with $LQ^\circ$ & GLQ

Useful Applications

Situations

Self $LQ^\circ$ & GLQ

Useful Applications
> **Sweet spots** are intersections that **satisfice** through **optimizing** differing perspectives in a **balanced** and **appropriate** way that fits the **people** and **situations**: it depends!

> **The multiplicity of wisdom** is knowing what “**it**” **depends** on and being able to **apply** "it."

> **Effectiveness** of personal and professional (job-social) emotional and intellectual cosmopolitanism, acumen and relational abilities merge to form **GLQ worldviews** (intellectual and emotional).

> **GLQ** revolves around generalizeable reflective, relational, analytical, creative, applicable, worldly, collaborative, action orientated actions and **mindsets** (Service, 2011; and Mintzberg, 2004 & 2009).

**Success** in global leadership requires **worldviews** that are useful across varied contexts. (Hubbard. and Kane, 2013; Klopf and McCroskey, 2007; Service, 2012; Service and Arnott, 2006; Service and Kennedy, 2012; Service and Loudon, 2012; Service and White, 2011; and White and others, 2008 and 2011).
Leadership is human influence occurring as people do things together (Blanchard, 2007). It requires: an understanding of self, others, and environments; learning to balance people, contexts and tasks; commitment, fit, intellect, principles, desire, and more. A leader’s goal should be to help others learn how to fit in yet stand out and make a difference through others. A truly self-perpetuating leader develops others as leaders first and foremost. The road to personal leadership improvement starts with desire and self-awareness, and goes on to continuous commitment to development, and ends with practice: application by you and your followers (Yukl, 2013 and Zecca, et al, 2013).

**Learn to understand the quotients and apply for you, your followers and your situations.**

\[ LQ \circledast = \text{function of:} \]

**Leader’s characteristics and traits**

\[ DQ - \text{ Desire} + RQ - \text{ Reality} + BQ - \text{ Behavior} + AQ - \text{ Appearance} + \]

**Follower Qs perspectives of leader**

\[ CQ - \text{ Communications} + PQ - \text{ People} + EQ - \text{ Emotional} + IQ - \text{ Intelligence} + \]

**Environmental influences and perspectives**

\[ XQ - \text{ eXperience} + KQ - \text{ Knowledge} + SQ - \text{ Situation} + MQ - \text{ Management}. \]
FIGURE 3: GLQ "Required Worldview" Strengths and Weaknesses

I. Strengths – advantages, enablers in contextual adaptive development
   A. Natural - more uncontrollable ‘good’ traits-key abilities and attitudes
      1. Flexible-openness: equifinality 2. Dispassionate
      3. Gender and gender orientations 4. Internal locus of control
      5. Ability under psychological hardiness 6. Attitudes & awareness-curiosity
      7. Humility 8. Empathic listening
      9. Time is theirs 10. Identificational-new as different
   B. Nurtured - more controllable ‘good’ traits-key knowledge and skills
      1. Known "open" mindsets 2. High social/cultural intellect
      3. Weak ethnocentricity 4. Observant
      5. Knowledge/skills-job/tasks 6. High EQ
      7. Patience 8. Cultural sensitivity
      9. Preparation 10. Integrity

II. Weaknesses – disadvantages, derailers to leadership development
   A. Natural - more uncontrollable ‘bad’ traits-key self-centered
      1. Strong national affiliation 2. Narcissistic
      3. Change avoidance 4. Large power distance
      5. Cognitive simplicity 6. Psychological immaturity
      7. Fixed worldview 8. Blunt-dogmatic
      9. Knows without study 10. Lacks moral compass-integrity
   B. Nurtured - more controllable ‘bad’ traits-key avoidance
      1. Disdaining other views 2. Confirming mindset
      3. Learned behavior pervasiveness 4. Un-accepting of differences
      5. Low EQ 6. Relationship challenged
      7. Extractionist-to change worldview 8. Telling over discovering
      9. Seeing as right or wrong 10. Timeframes vs. events

IQ as SQ: Strengths and Weaknesses

I. Strengths - advantages that are enablers in leadership development

A. Natural - more uncontrollable ‘good’ traits
   1. Memory and scholastic abilities.  2. Rationally creative.

B. Nurtured - more controllable ‘good traits
   1. Thoughtful and reflective.  2. Education for success.
   3. Wise and witty.  4. True thirst for knowledge.

II. Weaknesses - disadvantages and derailers to leadership development

A. Natural - more uncontrollable ‘bad’ traits
   1. Poor memory and or vocabulary.  2. Inability to use IQ.
   3. Unprepared and or nervous.  4. Gives poor impression of intellect.

B. Nurtured - more controllable ‘bad’ traits
   1. Poor study and scholastic abilities.  2. Unfocused and inattentive.
   3. Doesn’t learn from experience.  4. Poor mathematical abilities

(Gilford, 1967 and 1986; and Sternberg all-provides the idea of Successful Intelligence).
FIGURE 4: Develop self-perpetuating learning organizations

Build a Self-perpetuating Organization

FROM GOOD TO GREAT RELATIONSHIP BASED
CHANGE SELF AND ORGANIZATION

MANAGEMENT
COMMUNICATION
INFLUENCE
LEADERS

You -- Followers -- Situation
Attention -- Focus -- Action -- Learning

UNDERSTANDING LEADERSHIP FUNDAMENTALS

Focus on
Fit between environment, followers

Internal &
External
FIGURE 5: Embrace, start and implement change

Four of five change efforts fail. Why? Keep performance key, get more people involved, harmonize, synergize, use teams, structure for effectiveness not authority, create energy, AND stay open. Lead with the courage to change your self first.

Innovative

Reinvent to survive
Self, Others, Organization.

Strategy of
Rapid
Incremental

Use all innovations, technological or not: structure to take advantage.

New realities of flexibility, speed, experimentation.

SKILLS NEEDED –
- kaleidoscope thinking,
- communications, persistence,
- coalitions, teaming, sharing credit.

FORGE ALLIANCES -
with constituents in global and dynamic business communities
(From Drucker, 1980 and 1999; McIntosh, 2011; Michelli, ...
FIGURE 6. Commit to real two-way communications

- Enables one to lead others.
- Leaders are measured by ability to speak and write with clarity and conviction.
- Develop organizations that interacts at all levels to foster an innovative, timely, quality conscious, customer focused organization.
- Understanding yourself & how you communicate before asking others to improve.

(Mathis and Jackson, (2013); Service, 2005a; Service and Carson, 2010a and b-and 2013).
FIGURE 7: Realizing that good often is the enemy of great

_You as a leader_- look, listen, ask, and seek (research, practice, and theory)

_Understand your-might, can, want, ought capabilities and possibilities._

_Have a strong vision you sell._

_Ask the right question of your self!

1. Determine how to increase your odds of becoming a great leader.

2. Organizational excellence
   Dealing with paradox
   Level 5 Leadership, right people, never lose faith, hedgehogs, flywheel vs. doom loop (Collins all dates).

3. Necessity to become and remain innovative—constant improvement and updating. New and better ways to do are a fact of life (Gaynor, 2002; and Peters all dates).

4. Speed, too late—you die!

5. Necessity to Gain Commitment
FIGURE 8: Embrace leadership over management:

<table>
<thead>
<tr>
<th>Management</th>
<th>Leadership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information hub [ask me]</td>
<td>Gets problems solved [let’s you say]</td>
</tr>
<tr>
<td>Content [things]</td>
<td>Process &amp; context [people]</td>
</tr>
<tr>
<td>Power [drives]</td>
<td>Empowerment [allows and coaches]</td>
</tr>
<tr>
<td>Vertical integration [we do it all]</td>
<td>Alliances [can’t always be #1]</td>
</tr>
<tr>
<td>Experts [stay narrow]</td>
<td>Teams [expanded knowledge]</td>
</tr>
<tr>
<td>Life time employment [never works anyway!]</td>
<td>De-jobbing [your job—what it takes]</td>
</tr>
<tr>
<td>Stability [stay the same]</td>
<td>Innovativeness/change [the way to survive]</td>
</tr>
<tr>
<td>Invention [not very likely]</td>
<td>Innovation [likely continues]</td>
</tr>
<tr>
<td>Caution [kills organizations]</td>
<td>Experimentation/speed [survival over time]</td>
</tr>
<tr>
<td>In-house [only if best in world]</td>
<td>Outsourcing [use the best]</td>
</tr>
<tr>
<td>I [win]</td>
<td>We [win—win]</td>
</tr>
<tr>
<td>Control [demands respect]</td>
<td>Trust [is respected]</td>
</tr>
<tr>
<td>Autocrat [administrates – authority]</td>
<td>Coach [leads - good will]</td>
</tr>
<tr>
<td>How [not enough time]</td>
<td>Why [makes the time]</td>
</tr>
<tr>
<td>Credit or blame [fear]</td>
<td>Shared responsibility [enthusiasm &amp; fixes it]</td>
</tr>
<tr>
<td>Administer [watches the bottom line]</td>
<td>Innovate [watches the horizon]</td>
</tr>
<tr>
<td>Maintain [gets worse on its own]</td>
<td>Develop [use everyone &amp; thing]</td>
</tr>
<tr>
<td>Accept status quo [and don’t improve]</td>
<td>Challenge [to always get better]</td>
</tr>
<tr>
<td>Surrender to context [it controls you]</td>
<td>Masters context [you control it]</td>
</tr>
<tr>
<td>A good soldier [gets killed]</td>
<td>Own person [kills the enemy]</td>
</tr>
</tbody>
</table>

(Keller and Barry, 2003; Kennedy, 1987; and Li, 2010).
FIGURE 9: Build foundational relationships as you do things with others

<table>
<thead>
<tr>
<th>What</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Build and treasure relationships.</td>
<td>1. Start with a higher being, friends and family and add professional relationships. Character, integrity and ethics show.</td>
</tr>
<tr>
<td>2. Visualizing the end in mind.</td>
<td>2. Think big, but start small. Ben Franklin said, “By failing to prepare we prepare to fail.”</td>
</tr>
<tr>
<td>3. Set goals that are step-by-step ways to reach your vision</td>
<td>3. Focus. Set initial short-term goals that build to your ultimate goal.</td>
</tr>
<tr>
<td>4. Be proactive and try.</td>
<td>4. Successful people and failures fear the same things: the desire to succeed overcomes fear for the successful. Passivity leads to failure. Not good enough beats not trying.</td>
</tr>
<tr>
<td>5. Success is hard work--there are no shortcuts.</td>
<td>5. Put in the work and results will follow. Don’t do thinks half-heartedly. Don’t let others pull you down.</td>
</tr>
<tr>
<td>6. Teamwork wins the war even though an individual may win a battle.</td>
<td>6. Selfless process—always thinks win-win. Talent or luck may win one or two times, but teamwork wins out over time.</td>
</tr>
<tr>
<td>7. Learn, refine and practice the fundamentals.</td>
<td>7. Covey’s 7 habits of effective people: 1) Proactive 2) Begin with end in mind 3) 1st things 1st 4) Think win-win – establish a relationship 5) Seek first to understand 6) Synergize 7) Continued self-renewal</td>
</tr>
</tbody>
</table>
8. Participate—set the example—I will be a good leader and a good follower—better yet, I will be both!

9. Learn to listen.

10. Reinvent myself and commit to continuous learning.

8. Learn awareness of self, others and the world. Back-up talk by example. Earn the title of leader or follower. Servant leadership should be a goal.


10. Drucker said, “Knowledge has become the key economic resource and the dominant, if not the only, source of comparative advantage.”

(Lombardi, 2001; Madjar, Oldham and Pratt, 2002; Reagan, 1990; Stidder, 2011).

FIGURE 10: Match your mind-the rational, with your heart-your desires

<table>
<thead>
<tr>
<th>Mind</th>
<th>Heart</th>
</tr>
</thead>
<tbody>
<tr>
<td>vision------&gt;communications-------&gt;empowerment</td>
<td>repetition&lt;-----&gt;representation&lt;--------&gt;assistance</td>
</tr>
<tr>
<td>(ideas)</td>
<td>(commitment)</td>
</tr>
<tr>
<td></td>
<td>(necessity)</td>
</tr>
<tr>
<td></td>
<td>(emotion/support)</td>
</tr>
<tr>
<td></td>
<td>(Thornton, 2012).</td>
</tr>
<tr>
<td></td>
<td>(Saroglou, 2011).</td>
</tr>
</tbody>
</table>

Metaphor of a Play:

(style, process, content, context, timing audience, players, music, etc. all must work together for success)

Actions for a new heart and mind leadership view
1. CHALLENGE VS STATUS QUO - REINVENT VS REDO
2. MORE COMPETENCIES GREATER SHARE OF REWARDS
3. BENCHMARKING, REENGINEERING AND TQM ARE OUT- YOU ARE FOLLOWING--GET OUT FRONT
4. CREATE NEW MARKETS & THE FUTURE-CULTURAL INTELLIGENCE
5. IMAGINE, EXPLORE & ENLARGE THE FUTURE
6. LEVERAGE EVERYTHING - CONCENTRATE, COMPLEMENT, CONSERVE, RECOVER, FOCUS, OPEN
7. MEGA-OPPORTUNITIES VS OPPORTUNITIES
8. MUST HAVE EXCELLENT HUMAN-RELATIONS SKILLS
9. COMMUNICATION--INCLUDE & TRUST PEOPLE, RECOGNIZE, PERSUADE
10. SUCCESS REQUIRES BUILDING A REPERTOIRE OF HABITS, SKILLS, STYLES, BASIC VALUES & A PROPENSITY FOR ACTION
    (Jackson, Meyer and Wang, 2013; Jepson, 2009; Livermore, 2010; Matsumoto and Hwang, 2012; O’Callaghan, 2010).
A Dynamic Taxonomy Computer Languages Model to Predict Information Technology Requirements for Industry and Education

Kevin Lohrasbi  
kevin.lohrasbi@llcc.edu  
Pace University- New York

ABSTRACT

The purpose of this study is to explore the taxonomy of Computer Science (CS) and Information Technology/Information Systems (IT/IS) fields with respect to the programming language skill requirements in different job settings. IT organizations need to focus on how to improve the skills of each employee. IT managers and employees should learn how to utilize efficiency in training and education related to helping individual users stay current in terms of skills and emerging technology.

INTRODUCTION

This study will investigate the past, present and future taxonomies of Information Technology (IT) programming and soft skills, wireless technologies, and emerging technologies. Research will also concentrate on advanced wireless technologies that will show that this taxonomy model will be very useful and applicable in the area of Information Technology (IT) that deals with the technology itself such as with software and networks, Information Systems (IS) that is intended to influence and distribute information through technological means and Computer Science that is with computer languages outlining a trend in the IT field. The framework of IT job skills consist of applications in the arrangement of IT job requirements and guidelines for prioritizing IT skills for organizations.

In addition, a managerial framework will show what factors are acceptable using one technical and soft skills perspective over another. While there is no one solution for IT skills management, this framework gives organizations an overall view of their IT skills needed to in planning, organizing, and implementing technical procedures (Choksy 2006, Gallivan et.al., 2004, and Nakayama & Sutcliffe, 2007).

LITERATURE REVIEW

In this research, a specific taxonomy model has been developed in the classification of data variations with IT jobs and skill sets. This will examine the past, present and future taxonomies that have flow charts created showing connections in each of the Information Technology (IT) areas such as: Information Technology (IT) Job and Knowledge Skills, Wired and Wireless, Software Development, Wireless Technology Model, and Systems Analyst (Guzman & Kaarst-Brown, 2004, Litecky et.al., 2006, and Shaw et.al., 2005).
Furthermore, this study will categorize IT programming languages that are in demand and IT programming languages in decline. Finally, this investigation deals with the technology itself such as in the software, Information Systems (IS) and Computer Science (CS) fields related to computer languages, delineating a trend in the IT field that is intended to distribute information through technological means. An examination of job skill requirements from job descriptions are analyzed from the Bureau of Labor Statistics (BLS), IT Index, Monster.com, Listserv.acm and other reliable sources (Dawes & Helbig, 2007, Huang et.al., 2009, and Utting et.al., 2011).

The IT field is experiencing innovation in software development, software technologies, and software engineering techniques and tools such as cloud computing, mobile technologies, and Web 2.0. The computing field, with respect to software development technologies, is continually advancing, so IT/IS professionals have had to update their knowledge and skill sets to meet technological and job requirements changes. Furthermore, IT professionals continually need to anticipate future IT/IS trends to prepare and advance in their careers (Joseph & Slaughter, 2005 and Lee & Mirchandani, 2009).

Figure 1 - IT Job and Knowledge Skills Requirements Model

Figure 1 IT Job and Knowledge Skills Requirements Model above shows the connections between computer language requirements such as JAVA, C++, SQL, and other programs, and project management techniques, user requirements, and knowledge skills for IT related jobs.
Figure 2 - Information Technology, Wired and Wireless

Figure 2 Information Technology, Wired and Wireless above shows the progress of technology’s innovation, both wired and wireless, at the present time. There are several relevant areas drawn from Figure 2 including jobs in telecommunications, project management, IT project management, technical support specialist (TSS), and wireless services, just to name a few of the numerous positions currently available in the IT job market.
Figure 3 - Software Developer Model

Figure 3 above models the relationship between software developer(s) with systems and applications development. It also illustrates how the technical and business components are interrelated. As an example to show the interrelated functions of software development with core business goals, the IT marketing needs are often specialized applications designed to meet the specifications of the business.

This requires application development to have built-in flexibility and accommodations that are unique to the marketing department’s business goals. The specialization of software development requires knowledge of different IT systems. Systems development can configure a software application to meet the users’ needs.
Figure 4 - Wireless Technology Model and Systems Analyst

As Figure 4 above indicates, with the addition of such new wireless technology the importance of System Analysts jobs are even more essential. The main aspects of the job field expand to require modifying systems to adapt to new technology, expanding to improve work flow, maintaining and monitoring the new systems.

RESEARCH METHODOLOGY

A total of 391 jobs for the past ten years from January 2003 to May 2013 were evaluated with respect to computer programming language and soft skills requirements.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of IT Job postings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>15</td>
</tr>
<tr>
<td>2012</td>
<td>43</td>
</tr>
<tr>
<td>2011</td>
<td>49</td>
</tr>
<tr>
<td>2010</td>
<td>50</td>
</tr>
<tr>
<td>2009</td>
<td>58</td>
</tr>
<tr>
<td>2008</td>
<td>50</td>
</tr>
<tr>
<td>2007</td>
<td>37</td>
</tr>
<tr>
<td>2006</td>
<td>45</td>
</tr>
<tr>
<td>2005</td>
<td>30</td>
</tr>
<tr>
<td>2004</td>
<td>7</td>
</tr>
<tr>
<td>2003</td>
<td>7</td>
</tr>
</tbody>
</table>

Table 1- Number of IT jobs evaluated each year

The foundation of this research looked at many job descriptions of various BLS Categories and other periodicals, such as major newspapers, company websites, and hiring agencies like Monster.com, Indeed.com, and Career Builder over this 10 year period and dissected those by looking into skills required year by year. The tables below document programming language skills that showed up in a job listing over this decade, and the programming languages that are in demand and in decline. Graphs featuring a trend line for each skill over the period were generated.
RESULTS

As the table [2] below shows, the languages that are in demand include JAVA, HTML, HTML 5, JavaScript, C, CSS, CSS 3, FLASH, AJAX, .NET, PHP, SQL, XHTML, and XML.

<table>
<thead>
<tr>
<th>Languages</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAVA</td>
</tr>
<tr>
<td>HTML</td>
</tr>
<tr>
<td>HTML 5</td>
</tr>
<tr>
<td>JavaScript</td>
</tr>
<tr>
<td>C</td>
</tr>
<tr>
<td>CSS</td>
</tr>
<tr>
<td>CSS 3</td>
</tr>
<tr>
<td>FLASH</td>
</tr>
<tr>
<td>AJAX</td>
</tr>
<tr>
<td>.NET</td>
</tr>
<tr>
<td>PHP</td>
</tr>
<tr>
<td>SQL</td>
</tr>
<tr>
<td>XHTML</td>
</tr>
<tr>
<td>XML</td>
</tr>
</tbody>
</table>

Table 2- Programming Languages in demand

Many of the old technical languages as indicated in the below table [3] show that FORTRAN, BASIC, and COBOL are no longer in high demand; ActScript3, JSP, ASP, J2EE, and APL are all in decline due to new technology improvements, and the inability of older computer programming languages to support the new platforms.

<table>
<thead>
<tr>
<th>Languages</th>
</tr>
</thead>
<tbody>
<tr>
<td>FORTRAN</td>
</tr>
<tr>
<td>BASIC</td>
</tr>
<tr>
<td>COBOL</td>
</tr>
<tr>
<td>ActScript3</td>
</tr>
<tr>
<td>JSP</td>
</tr>
<tr>
<td>ASP</td>
</tr>
<tr>
<td>J2EE</td>
</tr>
<tr>
<td>APL</td>
</tr>
</tbody>
</table>

Table 3- Programming Languages in decline

Please see combined table [4] below that shows which programming languages are in demand and programming languages that are in decline. Instead, new programming languages including object-oriented languages such as JAVA, HTML, FLASH, Android and others have
replaced the older procedural languages. Emerging wireless programming languages will be in high demand, and other new programming languages will be developed in the future; new languages will be developed as the technology advances in regards to future research.

<table>
<thead>
<tr>
<th>Present languages in demand</th>
<th>Past languages in decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAVA</td>
<td>FORTRAN</td>
</tr>
<tr>
<td>HTML</td>
<td>BASIC</td>
</tr>
<tr>
<td>HTML 5</td>
<td>COBOL</td>
</tr>
<tr>
<td>JavaScript</td>
<td>ActScript3</td>
</tr>
<tr>
<td>C</td>
<td>JSP</td>
</tr>
<tr>
<td>CSS</td>
<td>ASP</td>
</tr>
<tr>
<td>CSS 3</td>
<td>J2EE</td>
</tr>
<tr>
<td>FLASH</td>
<td>APL</td>
</tr>
<tr>
<td>AJAX</td>
<td>.NET</td>
</tr>
<tr>
<td>.NET</td>
<td>PHP</td>
</tr>
<tr>
<td>PHP</td>
<td>SQL</td>
</tr>
<tr>
<td>SQL</td>
<td>XHTML</td>
</tr>
<tr>
<td>XHTML</td>
<td>XML</td>
</tr>
</tbody>
</table>

Table 4- Combined table of programming languages in demand and in decline

The results of data analysis as indicated above show these projections. Computer programming languages in high demand takes into consideration emerging technologies such as 3G, 4G and other mobile technologies.

DISCUSSION AND CONCLUSION

With the growth of emerging technologies, including wireless and many different agencies implementing those technologies, there must be a system for job classification and definition based on IT job requirements. As this research shows, there is high demand for object-oriented computer programmers in the current job market. Another rapidly growing area in the IT field is the Wireless Technology jobs. These jobs involve wireless Internet, cyber security, 3G and 4G technology. These technologies allow people to communicate, locally or globally, regardless of location (Kaarst-Brown & Reich, 2004).

In the future, undergraduate and graduate programs at universities across the country will need to upgrade their curriculum and develop new courses related to the most popular languages and emerging technologies in IT. New coursework specifically tailored to advancements in wireless and mobile technologies along with new programming languages will be required to keep up with the skills and requirements sought by agencies for prospective hires. This new coursework will take into consideration the advancement of technology with respect to open source software programs typed directly into computers (Benamati & Mahaney, 2007 and Benbasat & Zmud, 2003).
Mobile technology is also a new area that is still rapidly growing at this moment, so there will be a need for more extensive research to be conducted in this area in the years to come. New languages such as HTML 5 have changed mobile technology drastically. There are bound to be new languages developed, and technologies will evolve and be faster than those of the present. Internet usage has increased exponentially on mobile devices as they have become capable of handling tasks that are more complex.

The more that phones can complete the same tasks as a computer, the more people will use mobile technology, including wireless Internet. Google Glass displays information such as pictures, maps, and film in a head-worn display through a screen that is similar to virtual reality.

Cloud computing can also be used as a tool where desktops can be phased out for units that have a central server to access needed information. Virtualization is helping lead this trend of using servers instead of stand-alone computer units.

Technological advances and updates have changed every aspect of life and business. This taxonomy forecast research model, as illustrated in this research, could guide private and public sector organizations and universities in educating and training people, especially those in IT fields accordingly, in order to keep up with the ever-changing technological world around them.

References


HUMAN RESOURCE SELECTION STRATEGY AND PRACTICE IN A GLOBAL ENVIRONMENT: A CASE STUDY APPROACH

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ABSTRACT

This paper examines various methods of selection of human resources in a global environment. Topics discussed include recent trends in labor demographics, work demand characteristics, and challenges of managing a global workforce. Case study examples are used to discuss applications of standardized and localized employment practices. The paper concludes with identifying critical factors in managing human resources in order to develop competency in cross-cultural understanding, global leadership practices, and managing employee policies and workforce behavior to build success and sustainable competitive advantage in a global environment.

Keywords: selection of human resources, managing a global workforce, trends and challenges of employment practices, HR strategy in a global environment

INTRODUCTION

As organizations expand globally, they face many challenges in conducting business in a global environment. The “one-size-fits-all” approach is not sufficient for selecting human resources and managing talent to build a competitive advantage. Human resource professionals need to develop different practices to satisfy the needs of diverse employees who often work with people of different countries and cultures across physical distance and in different time zones. Best-in-class industry trends are moving away from outdated, transactional talent selection processes to adopt strategic, pro-active, agile talent management practices to address the challenges of developing effective, talented, and productive human resources in today’s globally integrated marketplace (Busser, 2012). HR responsibilities related to staffing include (1) identifying workforce needs and requirements to achieve the organization’s short-term and long-term goals and objectives and (2) analyzing labor market trends that impact the organization’s ability to meet the workforce requirements effectively.

LITERATURE REVIEW

Staffing requires decisions about the recruitment, selection, and retention of employees to meet work demands and satisfy organizational objectives in a timely and effective manner (Anthony, Kacmar & Perrewe, 2002). One of the primary considerations in making global staffing decisions is an understanding of the global labor market by assessing recent trends and opportunities and evaluating the company’s resource capabilities to identify human resource needs required for successful competitive strategy. Global staffing decisions include both internal redeployments and external recruiting.
As in the case of all human resource (HR) management decisions, the staffing plans must support the organization’s overall strategy (Dressler, 2013). To support the organization’s strategic plan, senior HR professionals need to conduct on-going forecasting and external environment assessment to identify recent demographic factors in global labor markets to evaluate labor market characteristics, emerging trends, skills and competency requirements, and changes in employee expectations, behaviors, attitudes, motivation, and differences in socio-economic, cultural, and ethical norms and values in the workplace (Vance & Paik, 2011). Organizations may develop a separate strategic and HR plan or combine these into one document. The key is that HR planning must consider the organizational strategy to anticipate employee skill and labor needs. To achieve this, HR professionals must look at where the organization is now and where the organization intends to be in the future.

**Challenges of Selection in International Human Resources**

Grossman (2010) notes that the fit between the individual and job characteristics is especially critical in overseas assignments as employees working in a foreign country often encounter loneliness and isolation and must adjust to differences in cultural, moral, and social behavior that requires strong interpersonal skills and an ability to learn to effectively cope with the foreign work environment.

In addition to verifying documents required in the application, including resumes, educational background checks, immigration verification, pre-employment screening, it is often useful to collect multiple measures of the candidate’s knowledge, skills, and abilities (KSAs). Using multiple measures in the selection process is more reliable and valid in predicting a candidate’s likelihood of success on the job, adapting to the foreign environment, and fitting in the organization.

KSAs requirements of an international assignment are more complex than KSAs of a domestic position. To function effectively in a foreign work environment, individuals must have cross-cultural sensitivity, adaptability, tolerance for uncertainty and ambiguity, respect and interest in the host-country’s culture, traditions, political and social environment. Studies on global competencies refer to these individual attributes as possessing and developing a global mindset (Jeannet, 2000, Jokinen, 2005). To develop an international cadre of employees with global mindset capabilities could give a significant advantage to an organization in today’s global environment. This, however, requires the organization’s commitment to global talent development with significant HR planning that should include cross-cultural training, simulation exercises, short-term and long-term international assignment opportunities, orientation programs, foreign field visits, case and field studies, and leadership mentoring to share the knowledge, skills, and experiences of executives who successfully managed global operations.

**SELECTION CRITERIA IN GLOBAL STAFFING**

Organizations may use various personality tests, skill-based tests, literacy tests, behavioral, psychometric, or experiential tests to assess personal and job related factors. It is often preferred to use multiple methods (triangulation) to assure a strong validity and high reliability of the tests.
and methods used in selecting candidates for foreign positions and international assignments (Grossman, 2010).

The Myers-Briggs Big Five Personality test may be useful in certain job performance tests as this is designed to measure an individual’s emotional stability; openness to experience (flexibility, broad-mindedness, curiosity, originality); conscientiousness (achievement-oriented, careful, hardworking, organized, responsible); agreeableness (cooperative, good natured, tolerant, trusting); and extroversion (sociable, talkative, gregarious). In addition to using personality tests, MNCs may develop their own customized global competency measures. A recent study found various assessment tools that may be used to measure an individual’s global business acumen, leadership competencies, global mindset skills and attitudes that are needed in international assignments (Konyu-Fogel, 2011).

Figure 1 shows three main areas of selection criteria often used in human resource staffing decisions. As shown in the Figure, cognitive ability tests can identify verbal skills, ability to reason, memory skills or mathematical aptitudes of an individual. Psychomotor tests are designed to measure hand-eye coordination, arm-hand steadiness, dexterity, and other psychomotor skills and abilities that may be critical in performing the job. Situational judgment tests may predict a person’s judgment in different work settings. This type of a testing could be useful in identifying a person’s ability to handle differences in cultures and work environments and an ability to adjust to cross-cultural differences.

INTERNATIONAL HUMAN RESOURCE STRATEGY

At global organizations, the selection of human resources must be aligned to one of the following global strategies based on the organization’s strategy: ethnocentric approach, polycentric
approach, regiocentric approach, geocentric approach, and international joint ventures. Each of these approaches have advantages and disadvantages (Vance & Paik, 2011).

**Ethnocentric Approach:** In the ethnocentric approach of staffing, the home-country’s HR staffing practices are considered as superior to the host-country’s staffing practices. The parent company generally will use the home-country’s HR policies and procedures in employee recruiting, selection, hiring, and promotion of current employees and prospective candidates. One of the advantages of such an HR practice may be that the parent company can control the staffing decisions in the foreign country. The staffing practices of the foreign subsidiary can be easily managed by the central office at the headquarters. However, this approach in staffing might not satisfy the local needs due to cultural, socio-economic, or political differences that may necessitate adjustments in the HR practices.

Without adjusting to local differences, the parent company could experience conflicts and dissatisfaction among local employees and may miss on certain local opportunities or the availability of local talent that could help the organization to respond to local differences more effectively. The ethnocentric view of HR practices may also result in high employee turnover in the foreign country as some of the more talented employees might leave due to the lack of promotion for local employees. An example of an ethnocentric approach could be when a US company decides to operate its subsidiary in a foreign country by using the American HR management practices which would be very different from the local country’s HR practice and workforce management practice.

**Polycentric Approach:** The polycentric approach of staffing holds that the foreign country’s environment is very different from the home country’s environment thus staffing decisions must be modified according to the local country’s political or cultural values and workforce behavior expectations to be able to pursue successful global strategy. This staffing may be used in industries where the product features, design, market characteristics, and values and expectations are significantly different from that of the home-country. For example, there might be unique language skills and other competencies required on the job in the foreign country that would necessitate the hiring of local talent rather than filling the position by home-country nationals from the headquarters.

Another situation might be political difference or high risk factors that would require the staffing from among local employees to assure good relations with local interest groups and political parties. This staffing practice however may be more expensive and time consuming than filling the positions by parent-company employees. In some cases, the host-country government might dictate that certain managerial positions be filled with local staff. For example, the Indian government requires that foreign investors hire locally for the majority of the local workforce. To use this approach in staffing effectively, the organization must evaluate carefully the key strategic role of its local human resources.

**Regiocentric Approach:** In the regiocentric approach of staffing, the recruitment, selection, hiring, and promotion of employees are made from a regional talent pool. This approach can be very economical and feasible when the firm has a regional center where local talent is available and integrated in the organization’s operations. For example, IBM could staff
its European subsidiary in Germany by having local employees with language skills, local cultural values, and relevant job skill hired to meet the needs of its work demand to be performed in several European countries.

**Geocentric Approach:** In the geocentric approach of staffing, the firm selects the best talent regardless of the country or location. This type of staffing decision requires the recruitment and selection of viable candidates from a global talent pool. Organizations that operate in multiple countries with globally integrated services can benefit from this staffing. This approach is often used in industries where the products and operations meet universal needs regardless of any cultural differences such as electronics, computers, cameras, or hand watches. In geocentric approach, professional skills, knowledge and competencies are considered as the primary factors in selection and promotion.

**International Joint Ventures (IJVs):** Staffing of international joint ventures (IJVs) can be a difficult undertaking as it requires developing a mutually satisfactory relationship between the partners of the joint venture who may have different cultural norms and management practices. The staffing decisions must be aligned with the strategy and shared goals of the joint venture. The partners must agree on a fair and equitable talent acquisition, knowledge dissemination, and development of human resources to assure alignment to the foreign country’s HR practices.

**DETERMINANTS OF GLOBAL STAFFING DECISIONS**

MNCs may choose from several approaches to conduct international staffing based on their preferred management styles, goals and objectives, and the stage of their international development. In addition to the company’s internal factors related to the organizational structure, strategy, culture, and international experience, there are context specific factors and local unit situational factors that must be considered for a successful global staffing.

Human resource practices in international staffing must comply with not only home country’s employment laws but also with host country’s laws and international labor laws as applicable in a given situation. Context specific factors include the foreign country’s government, institutional, legal, cultural, political, social, and ethical environment, the type of industry, availability and characteristics of the host country’s local staff, and the level of local knowledge, skills, behaviors, and attitudes of host country employees. The local unit situational factors may include the relationship between the parent company and the local unit, need for control of operations, autonomy and authority roles of host country nationals (HCNs) and parent country nationals (PCNs), locus of decisions, differences in communication, motivational factors, and management practices between PCNs, HCNs, and third country nationals (TCNs) as reflected in working relationships at the local unit.

In a company with multinational operations, international staffing may occur at three levels: parent country nationals (PNCs), host country nationals (HCNs), and third country nationals (TCNs). Table 1 outlines the differences and some of the advantages and disadvantages of using parent country nationals (PNCs), host country nationals (HCNs), and third country nationals (TCNs) in staffing international operation.
Table 1: Advantages & Disadvantages of PCNs, HCNs, TCNs in Global Staffing

<table>
<thead>
<tr>
<th>Parent Country Nationals (PCNs)</th>
<th></th>
<th>Host Country Nationals (HCNs)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Citizens of the country where the MNC has its headquarters also called home country nationals.</td>
<td></td>
<td>Citizens of the country where the parent company’s subsidiary or its affiliate is located generally working in manufacturing, assembly-type, basic service jobs, clerical, or other non-managerial positions.</td>
<td></td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td><strong>Disadvantages</strong></td>
<td><strong>Advantages</strong></td>
<td><strong>Disadvantages</strong></td>
</tr>
<tr>
<td>• Control and coordination by the headquarters of the parent company</td>
<td>• HCNs must adapt to parent company’s practices</td>
<td>• HCNs bring language skills and cultural understanding of the host country</td>
<td>• Parent company’s control and coordination by headquarters may be limited</td>
</tr>
<tr>
<td>• PCNs often may transfer special skills and experience to host country operations</td>
<td>• HCNs may have less opportunity for promotions or to pursue international assignments</td>
<td>• Hiring costs are reduced for HCNs as no additional living expenses or visas are needed</td>
<td>• Hiring HCNs may limit opportunities for PCNs in international assignments</td>
</tr>
<tr>
<td>• Opportunity for PCNs to gain international experience</td>
<td>• PCNs may use inappropriate management style and practices</td>
<td>• Company may keep continuity in its operations in the host country, smooth transition of HCNs</td>
<td>• HCNs may not be offered opportunities outside of their home country that could be limiting to their career advancement and interests</td>
</tr>
<tr>
<td>• High expenses needed for PCNs for living and work arrangements, visa and other permits</td>
<td>• Differences in HCNs and PCNs may lead to conflicts or lost opportunities, inefficiencies</td>
<td>• Meets host country government requirement for hiring local staff (HCNs)</td>
<td>• HCNs may not have a full understanding of the organization’s priorities and management practices of all its global operations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Improves morale among HCNs as they see opportunity for advancement in the company</td>
<td></td>
</tr>
</tbody>
</table>
Third Country Nationals (TCNs)

Citizens of countries who work in a foreign country other than their home or host country to assume usually management jobs or are hired for knowledge or skill-based positions

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• TCNs may have more knowledge and understanding of the host country environment and management style than PCNs</td>
<td>• Host country government may not accept TCNs</td>
</tr>
<tr>
<td>• TCNs may accept lower salary and benefits than for PCNs</td>
<td>• TCNs may not be well received by HCNs due to cultural differences and perceptions</td>
</tr>
<tr>
<td>• TCNs may have more cross-cultural understanding and networking and negotiation ability in the host country than PCNs</td>
<td>• HCNs may perceive working with TCNs as less efficient than working with PCNs</td>
</tr>
</tbody>
</table>

CASE STUDY APPROACH IN GLOBAL HUMAN RESOURCES

To illustrate differences of organizational strategy, management approach, and selection of human resources in international management, a hypothetical case study situation was used in graduate MBA and Master of Management classes. Students were asked to serve as consultants to Brunt Hotels, PLC, a fictional UK-based company, to role play and make recommendations for selecting and staffing employees for the hotel chain’s foreign country operations. The first scenario asked participants to make decisions for the company’s recently acquired small hotel chain headquartered in France. Brunt’s chief executive decided that half of the new hotels in France would be retained and rebranded as part of the Brunt Hotels Group; the other half would be sold. This decision expected to support Brunt’s strategic objective of growing the organization slowly to make sure that new ventures are well supported and opened on time and on budget (Robson, 2008).

In a role-play activity, participants were asked to list key priorities for the selection of candidates for new hires. The premise of the case was that the hotel management needed advice if they should look only at internal candidates who are parent country nationals (PCNs) or recruit host country nationals (HCNs). Three groups were formed and each group was asked to prepare a 3-minute argument as follows: Group 1 believes that only PCNs should be hired; Group 2 believes that only HCNs should be hired; Group 3 believes that a combination of PCNs and HCNs should be hired; Present the advantages of the approach your group was allocated to the class.

The second activity was based on Brunt management’s decision that because this is their first venture into a country outside the UK, they wanted to use PCNs to set up the new hotels and that
only internal candidates should be considered. They thought that this is important so they can incorporate the organization’s values. However, they believed that once the hotels were up and running, HCNs could be hired. In this scenario, the consulting groups were asked to design recruitment advertisements for hotel staff positions based on Brunt Hotel’s core values: excellence in customer service, recruiting, retaining, supporting, and developing staff, striving to improve the business, securing safety and maintenance of physical property, buildings, and fixtures, and assuring a clean and comfortable environment for guests and visitors (Robson, 2008). Participants were in competition with other management consulting groups and had five minutes to present their ideas. The recruitment advertisements had to identify job responsibilities, candidate characteristics, and skills required for the jobs. Each group was required to justify their position and provide rationale for their recommendation. In the final role-play scenario, the groups were asked to design a selection process for the candidates. A multiple-factor selection method was required with time and budget considerations imposed by top management.

The global human resource case study exercise was designed to achieve several learning outcomes to illustrate and apply human resource management theory and practice in an international context. The role-playing scenarios provided an opportunity to transfer knowledge of domestic human resource issues to the international context and consider the roles and duties performed by expatriates, examining challenges of how organizations can develop human resource policies and practices to succeed in a global environment. The case study approach also provided an opportunity for analyzing trends in workforce demographics, foreign country business environments, employment laws and regulations, social norms, and cultural differences in recruiting, selection, staffing, and hiring decisions. In addition, students were able to get hands-on experience integrating management decisions and the process of aligning company strategy with home- and host-country human resource management practices in a global environment.

CONCLUSIONS

The recruiting, selection, and management of a global workforce is a complex task that requires a thorough understanding of individual country environments, government policies, labor conditions, employment laws, as well as the differences in social and cultural norms, business practices, economic, political, legal and ethical environments. There are several approaches organizations may pursue for international expansion. The characteristics of the job of an international assignment may vary according to the firm’s strategy and level of international involvement. The hiring and termination of personnel at foreign operations usually must be approved by local authorities such as city governments and municipalities. This creates a special burden on human resource professionals and expatriates who manage a global workforce and foreign operations. Selecting staff for international assignments requires resources and commitment to assure success in expatriate assignments. Human resource managers should assist the firm develop a strong and capable cadre of talent for international assignments. By taking a pro-active role, human resource professionals must have a commitment for developing a global workforce to help integrate foreign operations and align organizational strategy with local business practices.
Case studies and role play exercises are useful in developing analytical and decision-making skills which are crucial competencies for managing a global workforce effectively. In staffing foreign operations, human resource managers need to be able to attract and select local foreign professionals. Furthermore, it is important to foster an organizational culture of mutual respect, collaboration, and diversity. The active learning methods of role-play exercises can be helpful in developing competencies in cultural understanding and team work. To understand differences in business practices and cultural norms are important skills in human resource management as these influence the selection of human resources in a global environment. Case studies may provide an integrative experience in applying human resource management theory and practice. Human resource managers can help organizations develop a competitive advantage through effective human resource selection and workforce management practice.

REFERENCES


Bank Valuation in Malaysia: An Empirical Comparison of Conventional and Interest-Free (Islamic) Banking Models

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INTRODUCTION

Islamic banking, according to institute for Islamic Banking and Insurance “refers to a system of banking or banking activity that is consistent with the principles of the Shari’ah (Islamic rulings) and its practical application through the development of Islamic economics. Shari’ah prohibits the payment or acceptance of interest charges (riba) for the lending and accepting of money, as well as carrying out trade and other activities that provide goods or services considered contrary to its principles.”

The Islamic solution, commonly referred to as Profit & Loss Sharing (PLS), “suggests an equitable sharing of risks and profits between the parties involved in a financial transaction,” according to VentureLine. The same source continues, “in the banking business, there are three parties - the entrepreneur or the actual user of capital, the bank which serves as a partial user of capital funds and as a financial intermediary, and the depositors in the bank who are the suppliers of savings or capital funds. There are two different partnerships of the type mentioned in Islam: the partnership between the depositors and the bank, and the partnership between the entrepreneur (or the borrower) and the bank. Under this proposal, financial institutions will not receive a fixed rate of interest on their outstanding loans, rather, they share in profits or in losses of the business owner to whom they have provided the funds. Similarly, those individuals who deposit their funds in a bank will share in the profit/loss of the financial institution.”

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1 http://www.islamic-banking.com/what_is_ibanking.aspx

Currently, there are over 300 Islamic financial institutions worldwide across 75 countries. According to the Asian Banker Research Group, The World's 100 largest Islamic banks have set an annual asset growth rate of 26.7% and the global Islamic Finance industry is experiencing average growth of 15-20% annually, as reported by Bank Negara Malaysia, the Malaysian Central Bank. Bank Negara further proclaims that “today, Malaysia's Islamic finance continues to grow rapidly, supported by a conducive environment that is renowned for continuous product innovation, a diversity of financial institutions from across the world, a broad range of innovative Islamic investment instruments, a comprehensive financial infrastructure and adopting global regulatory and legal best practices. Malaysia has also placed a strong emphasis on human capital development alongside the development of the Islamic financial industry to ensure the availability of Islamic finance talent. All of these value propositions have transformed Malaysia into one of the most developed Islamic banking markets in the world.

Comparison of various performance measures between conventional banking system and the Interest-Free Islamic banking systems are inevitable. Ding, Maysami, and Charoenwong (2012), for example, compared the returns from Islamic banking system to the returns from conventional banks through evaluating the differences in equity returns from the two banking types in Malaysia. They concluded that the returns from Islamic equity and returns from conventional equity had no significant differences. This, they said “would make sense since in a market driven scenario, the principle of Islamic PLS holds as the growth of the Islamic funds are dependent on the equity growth of the businesses that the funds were being invested in. Thus, the returns generated by the Islamic PLS scheme would be highly dependent on the market and economic conditions, as would be the return from conventional equity.”

The thrust of the current article is to examine the underlying factors and variables that guide the valuation of a sample of five Malaysian banks—four hybrid banks engaged in both Islamic and conventional banking facilities and one which provides only Islamic financial products. The goal is to understand the fundamental differences in the value drivers for the two banking systems.

The study employs the traditional financial and accounting information obtained for the 5-year period beginning 1999 obtained from the annual financial reports of the following publicly listed financial institution: Malayan Banking Berhad (MayBank), Public Bank Berhad (Public Bank), Hong Leong Bank Berhad (Hong Leong), Southern Bank Berhad (SBB), and Bank Islam Malaysia Berhad (BIMB), the fully Islamic institution. May 1999 is selected because it coincides with the introduction of the Syariah Index at the Kuala Lumpur Stock Exchange (KLSE). Data was collected through the CEIC Asia Economic Database.

The gathering of data from financial institutions in a single country offers a simplifying advantage for an exploratory study such as ours where we have effectively removed the effects

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5 CEIC Asia Economic Database from CEIC Data Company Ltd (CEIC), which sources its data directly from over 150 major government statistical agencies, over 80 recognized non-government issuing agencies, and over 300 reference statistical publications through direct data distribution arrangements.
of cross-country variables such as market size, investor behavior, and differing economic and political climates from the statistical and empirical analysis. A cross-country analysis of the Islamic banking value drivers, in itself, would be a logical extension of the current study.

The selection of Malaysia for this analysis is for several reasons. Malaysia boasts a strong economy and a sound banking system; Malaysia’s vibrant and well-structured Islamic banking sector currently accounts for over 10% of the market activity; Malaysian Islamic banks operate side-by-side conventional banking institutions and are regulated with a parallel set of rules, as established by the Islamic Banking Act (IBA) of 1983, authorizing Bank Negara Malaysia (BNM), the country’s central bank, to supervise and regulate Islamic banks; Accordingly, Islamic banking regulations in Malaysia are well-established and explicitly reported by BNM, providing researchers with a clear understanding of the institutional issues which may otherwise influence the results of an investigative empirical study such as ours.

Methodology and Hypotheses

We employ Chung and Pruitt’s (1994) approximation of Tobin’s (1969) $q$ as a standardized performance measure of the banks’ value so as not to subject the figures to the scale biases inherent in other measures of value based on simple differences such as Market Value Added (MVA) or Economic Value Added (EVA). The approximate $q$ used here is simply defined as follows:

$$\text{Approximate } q = \frac{(\text{MVE} + \text{PS} + \text{DEBT})}{\text{TA}}$$  \hspace{1cm} (1)

where MVE is the product of the bank’s share price and the number of shares of common stock outstanding; PS is the liquidating value of the bank’s outstanding shares of preferred stock; DEBT is the value of the bank’s short-term liabilities plus the book value of the bank’s long-term debt less the value of its short-term assets; and TA is the book value of the bank’s total assets. The above data is readily available and was collected from the reported financial and accounting statements of the five publicly listed institutions.

The approximate $q$ values of each of the four banks offering both Islamic and conventional banking services, as well as that of the single pure Islamic bank are set as the dependent variable and regressed against five independent variables often suggested in the literature:

$$q = \beta_0 + \beta_1[\text{Islrev}] + \beta_2[\text{Inddir}] + \beta_3[\text{ROE}] + \beta_4[\text{TA}] + \beta_5[\text{Leverage}] + \varepsilon$$  \hspace{1cm} (2)

where $\text{Islrev}$ is the proportion of the bank’s total revenue attributable to Islamic Banking operations; $\text{Inddir}$ is the proportion of independent directors sitting on the board of the bank; $\text{ROE}$ is the bank’s return on equity ratio; $\text{TA}$ is a logarithm of the bank’s total assets; and $\text{Leverage}$ is the bank’s financial leverage ratio.

A Pearson’s Correlation test is run on the variables in the regression model (equation 2) to find the correlation of values between all possible pairs of the dependent and independent variables used. The regression is then run via four different regression models revolving

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6 Return on Asset (ROA) has also been separately used in place of ROE in the analysis. The conclusions drawn from the analysis using ROA were found to be similar and thus not reported in this paper.
around the basic regression formula so as to examine the significance of each of the individual independent variables to the regression model.

In the first model, only Islrev is selected as the single independent variable in the regression. Inddir is added as a second independent variable in the second model to investigate the impact of corporate governance on the model. In the third model, Inddir was replaced with the other three factors--ROE, TA and Leverage--together with Islrev, in order to investigate the impact of such common variables upon bank value in the absence of Inddir. All five variables are included in the fourth and final regression model.

Results:

Based on the Pearson’s Correlation coefficients (Table 1) the value of ROE is highly correlation with the values of TA (coefficient of 0.554) and Islrev (-0.632), both significant at the 1% level. Additionally, ROE is positively and significantly correlated (at the 5% level) with Inddir (0.423). TA, interestingly, is correlation with all other variables--negatively with Islrev (-0.516) and positively with the rest. Results were significant at the 1% level. This shows the significance of TA in banks having a major impact on its operations and ultimately, its value, hence the high correlation against all other variable values.

Leverage has no significant correlation with the variables other than its correlation with TA as previously mentioned. Inddir has a positive correlation with ROE (0.423) at the 5% level, signifying the impact of good corporate governance on a bank’s returns. In addition to the strong correlation with TA, Islrev is negatively correlated with return on equity, ROE, (-0.632) at the 1% significance level.

Table 2 shows the results of our four-model regression analysis. When Islrev is employed as the single independent variable (column 1), the adjusted R^2 of 0.138 implies that this model can explain only 13.8% of all the variation in the dependent variable. The explanatory power of Islrev is somewhat more significant at the 5% level, despite its lack of explanatory power for q. The addition of Inddir to the second (column 2) improves the explanatory power of the model for variation in q slightly, with an improved adjusted R^2 of 0.158. However, Inddir is not a statistically significant variable in the model.

The third model, with the removal of Inddir and the additions of ROE, TA and Leverage as variables in the regression, significantly improves the explanatory power of the model, with adjusted R^2 of 0.524. The significance of Islrev, however, decreases, as exhibited by the t-value of -1.727 and the reduced beta coefficient of -0.066. Meanwhile, both Leverage and TA are significant at 1% level, with TA showing a relatively high beta coefficient of 0.308. ROE, even though not significant here, has a rather high beta coefficient of -0.630.

Finally, the addition of Inddir back into the fourth regression model, increases the adjusted R^2 to 0.544, signifying a further increase in the explanatory power of the model. Islrev continues to remain not significant. However, the combination of Inddir with the other variables ROE, TA and Leverage have improved its significance such that it is now significant at even a 1% level, in addition to increased absolute value of its beta coefficient to -0.218. ROE has also shown an increased significance (significant at a 5% level), as well as a significant beta coefficient of -0.738.

These results imply the lack of a significant influence in value from the utilization of a high proportion of Islamic Banking operations. As a matter of fact, the differences in returns
from banks in the two different systems are significantly attributable to factors other than the operation of Islamic Banking facilities—Return on equity is the single most significant factor involved, with it exhibiting a large beta coefficient of -0.738. This large beta coefficient value shows that the banks’ use of equity in generating revenues has a negative significance value creation.

Despite the basic fundamentals of Islamic Banking that treat depositor’s funds as equity investments rather than as debt, Islamic Banks do not exhibit better return on equity figures on the management of their proportionally larger amounts of equity funds. Even if good return on equity figures were produced, it would likely lead to a decrease in value.

This is in contrast to the effects of Leverage on value, as exhibited by the low beta coefficient of -0.0345. Despite the high proportion of mainly conventional banks in the regression analysis, where depositors’ funds are considered debt, the effect of leverage on value is surprisingly small, thereby implying that levels of debt financing used have no significant effects on value creation.

The beta coefficient of 0.271 for TA also implies that despite the use of approximate q values as the valuation medium for the five banks involved in the regression analysis, which attempts to remove scale and size biases, the size of the banks involved still has significant effects on value creation. This has been well-documented in the literature—the size momentum has a positive effect on revenue-generating activities due to the economies of scale opportunities that greater size can create.

Meanwhile, Inddir has been shown to have a surprising negative significant effect on value creation, as shown by a beta coefficient value of -0.218. Corporate governance as represented by Inddir, has a negative relationship with q, implying that greater levels of independence and transparency in a bank does not necessarily lead to higher value. It is however noted that corporate governance only exhibits significant effects when other factors are taken into account. In model (2), for example, Inddir has no significance on the variation in q, with its beta coefficient also exhibiting a lower value of -0.103.

These regression results have some interesting implications on banks, given that they now face certain important and far-reaching decisions revolving around the field of Islamic Banking. The growth levels and potential market size of the field has been well-documented in much literature and news reports. However, its results and impact on banks’ values has been shown to be insignificant so far. Banks will have to make some difficult decisions with regards to their focus upon this field.

Conclusion

The results of this study show that differences in returns in IBS investment accounts and conventional fixed deposits are attributable to factors other than the differing nature of the banking systems involved. Other factors such as the banks’ return on equity, total asset size, debt financing level and its level of corporate governance, are more significant factors that affect bank
value and hence differences in returns, rather than the level of Islamic Banking operations it carries out.

This has great implications on banks’ business decisions – whether to adopt a short-term view to creating value, in which other factors such as ROE and TA are more attributive to value creation, and ignore the currently insignificant Islamic Banking operations; or to aim for a long-term decision and prepare for the potential growth and revenues that Islamic Banking could possibly bring in the future, since it is well-documented that Islamic Banking is the fastest growing financial field in the world. Banks will have to make difficult decisions on whether to adopt a short-term or a long-term view towards Islamic Banking and decide on the horizon of their focus upon it.

Table 1. Pearson’s Correlation

<table>
<thead>
<tr>
<th>Variable</th>
<th>ROE</th>
<th>TA</th>
<th>Leverage</th>
<th>Inddir</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE</td>
<td>1.000</td>
<td>0.554**</td>
<td>0.238</td>
<td>0.423*</td>
</tr>
<tr>
<td>TA</td>
<td>0.554**</td>
<td>1.000</td>
<td>0.694**</td>
<td>0.517**</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.238</td>
<td>0.694**</td>
<td>1.000</td>
<td>0.210</td>
</tr>
<tr>
<td>Inddir</td>
<td>0.423*</td>
<td>0.517**</td>
<td>0.210</td>
<td>1.000</td>
</tr>
<tr>
<td>Islrev</td>
<td>-0.632**</td>
<td>-0.516**</td>
<td>-0.193</td>
<td>-0.185</td>
</tr>
</tbody>
</table>

* Significant at 5% level.
** Significant at 1% level.
Table 2. Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islrev</td>
<td>-0.0835</td>
<td>-0.0923</td>
<td>-0.0660</td>
<td>-0.0597</td>
</tr>
<tr>
<td></td>
<td>(-2.200)*</td>
<td>(-2.416)*</td>
<td>(-1.727)</td>
<td>(-1.525)</td>
</tr>
<tr>
<td>Inddir</td>
<td>-</td>
<td>-0.103</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-1.238)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Leverage</td>
<td>-</td>
<td>-</td>
<td>-0.0383</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(-3.621)**</td>
<td></td>
</tr>
<tr>
<td>TA</td>
<td>-</td>
<td>-</td>
<td>0.308</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(5.250)**</td>
<td></td>
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<tr>
<td>ROE</td>
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*Significant at 5% level.
**Significant at 1% level.
Empathy as a Major Contributing Factor to Sustainable Business Development in China

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Abstract

This paper is based on the author’s seven years of field work in China (2006-2012) concerning the challenge of sustainable business development in China. She interviewed 30 Chinese executives from 20 different foreign multinational enterprises. Only two foreign multinational enterprises chose to practice more communication with their Chinese suppliers despite their interests in operational efficiency. They exemplify empathy, not sympathy, when they pursue sustainability. They change their organizational culture and provide training to their selected Chinese suppliers. Managing sustainability through empathy is essential to the competitiveness of firms and the well-being of multi-generations. This paper will discuss how the barriers of sustainability of enterprises in China be reduced by empathetic not sympathetic relationships. It will describe two foreign multinational enterprises which know how to manage sustainability and exemplify the practice of empathy in the Chinese context. These two cases may encourage other companies to learn how to increase their capacity of sustainability and to provide “holistic and integrated” corporate social responsibility programs in China. One of China’s contributions to marketing is to managing sustainability which is driven by the spirit of empathetic people and its environment. When companies show their empathy toward their stakeholders in marketing activities in China, they will develop the capabilities of stakeholders in meeting the social, environmental, and economic requirements. They will adopt procedural justice and strengthen their communications with their stakeholders. Many companies need to learn from these two exemplars to develop partnerships with their stakeholders. The practice of empathy is a constant through training to their companies’ stakeholders and strengthening their internal organization culture about corporate social responsibility practices. Companies also can use their global presence in China to experiment with various sustainable practices. When Chinese executives in the field of marketing develop the skills of empathy and know how to diffuse the concept of sustainable development across different functional areas in the enterprises in China, an internal culture of human prospering based on the sustainability concept can be shared and embraced by employees and stakeholders even outside China.

Introduction

Many foreign multinational enterprises, which design products or services, have strong customers’ brand loyalty, or have strong power in the global supply chain, are required to be responsible for socially and environmentally performances of their suppliers in China (Electronic Industry Code of Conduct; International Labor Organizations; the OECD (Organization for Economic-Cooperation and Development) guidelines for multinational enterprise; Schepers, 2006; Seuring & Muller, 2008; United Nations Global Compact). During the years 2011—2016,
The social and environmental performances of multinational enterprises in China will be closely monitored by the Chinese government and international non-government organizations (BSR, 2010a; 2010b; Chang, 2010; China’s twelfth five year plan, 2011). Some enterprises may use their global presence in China to experiment various sustainable practices for the competitiveness of their firms and well-beings of multi-generations (Abdul-Gafaru, 2009; Aguilera et al., 2007; Bernstein and Greenwald, 2009; Kenrick, 2011; OECD Roundtable on Corporate Responsibility, 2010; Philipp, 2009). Empathy is affirmed to be the key element for innovative collaborative activities in human history and a global civilization (Dutton, 2003; Dutton, et al., 2006; Ehrenfeld, 2008; Eshelman, et al., 2012; Pruazn, 2008; Vaill, 2007, 1996, 1989; Young, 2008). It is defined as “the ability to comprehend another’s feelings and to re-experience them oneself” (Salovey & Mayer, 1990:194-195). How is empathy aligned with the best sustainable practices? What are the best sustainable practices of foreign multinational enterprises in China? How will these best practices be aligned with the expectations of the Chinese government on global companies’ behavior in China toward sustainable development—approach economic growth, social progress, and environmental protection in a “holistic and integrated manner” (National Development and Reform Commission of China, 2009; Synato, 2010)? This paper will discuss how empathy is a distinctive contribution to sustainability. It will describe two companies that know how to manage sustainability and exemplify how empathy is a major contributing factor toward sustainability in China. These two cases will inspire other companies to know how to make choices to increase their capacity of sustainability and to provide “holistic and integrated” corporate social responsibility programs.

**Literature Review**

Empathy is advocated as an alternative paradigm in the global supply chain management when the prevalent norm of managing partners is oriented toward low-cost operational efficiency (Lam, 2012a). It is stated as “the fundamental competence of social awareness” (Goleman, et al., 2002:50). Empathy is considered to be one key component of servant leadership (Walumbwa et al., 2010) or effective leadership (Ashkanasy et al., 2002; George, 2000; Kellett et al., 2006). It relies on active listening and a secure space for the practice of vulnerability in collaboration (Cook et al., 2013; Highton, 2006; Horder, 2010; Vaill, 1987). It is the foundation for the practice of partnership and justice in the global supply chain management (Auroi, 2003; Beji-Becheur et al., 2008; Boyd et al., 2007; Crul & Zinkhan, 2008; Laczniak & Murphy, 2008). Practicing justice in the supply chain collaborations needs to invest extensive of time and resources in helping the partners to perform beneficially for the entire supply chain (Drake and Schalchter, 2007; Tate et al., 2009).

In the journey of sustainability, organizations need to embrace empathy as their corporate culture (Lyon, 2004; Vaill, 1996) and practice empathetic communications with their suppliers (Ehrenfield, 2008; Kanter, 2009; Krueger, 2008; Inkpen and Tsang 2005; Lam 2007; Pruazn, 2008; Vaill, 1996, 2007; Wood & Kaufman, 2007; Young, 2004). Empathy is advocated to be a major contributor in human relationships and the organization process for sustainability (Aguilera et al., 2007; Baumgartner & Ebner, 2010; Nidumolu et al., 2009; Lyon, 2004; Mirvis & Googins, 2006; Laszlo, 2008; Zadek, 2004). Sustainability will also drive innovation in the
global supply chain (Burke & Logsdon, 1996; Husted & Allen 2007; Lam, 2010b; Laszlo, 2008; Nidumolu, Prahalad, & Rangaswami, 2009; Porter & Kramer 2006).

Sadly, many foreign companies tend to pass their costs of sustainability to the weaker parties and get unjust proportions of earnings from the global supply chain by using power and non-procedural justice (Ellramet al., 2008; Gugler & Shi, 2009; Lam, 2010a, 2010b; New, 1997; Rondinelli, 2006; Stiglitz, 2006; Tate et al., 2009; Visser, 2008). Many powerful multinational enterprises frequently adopt compliance-oriented approaches (i.e., monitoring, evaluation, reporting, and sanctioning) rather than partnering approaches (i.e., training and education of suppliers) because they have more market power over their suppliers (Philip, 2009). Their relationships with many suppliers are found to be damaged when there are higher levels of monitoring (Boyd et al., 2007). When many dominant channel members acquire most of the value of the global supply chain through the implementation of codes of conduct, suppliers are more suspicious about the intentions of these influential companies and will not accept engagement in many sustainable initiatives for the interest of the global supply chain (BSR and EICC, 2010; Cox, 1999; EPA, 2010). Many multinational enterprises’ suppliers in China are found to use their corporate social responsibility or international codes of conduct to mask their labor and environmental abusive programs (Abdul-Gafaru, 2009; Harney, 2008; Murdoch & Gould, 2004; Lam, 2007, 2009a, Lund-Thomsen, 2008; SACOM report, 2011; Sum & Ngai, 2005).

In summary, when foreign multinational enterprises practice empathy towards their Chinese suppliers, they are willing to practice empathetic communications and develop the capacity of the Chinese suppliers as fair partners. As a result, companies can develop a network of organizations to be socially, economically, and environmentally responsible through internal organizational cultural changes and innovative practices.

Research Methodology

This paper is based on the author’s extensive literature review, seven years’ field work in China, Japan, and the U.S., personal reflections, and previous publications (Lam et al., 2010; Lam, 2000; 2002; 2005; 2006; 2007; 2008; 2009; 2010; 2011; 2012; 2013). She uses the process model of organizational sense making explaining how Chinese managers, who are working for foreign multinational enterprises in China think, discuss, and act with their key stakeholders and the world (Basu and Palazzo, 2008). During her seven years of field work in China, she interviewed thirty Chinese executives from twenty different foreign multinational enterprises which are classified as global corporate citizens (Logdson & Wood, 2005). Eighteen foreign corporations in the study have earned corporate citizens’ awards from the Chinese government during the past seven years. Fifteen interviewees were responsible for corporate social responsibility programs while the others were working for sales, marketing, purchasing, human resources, and software development. Sixteen companies were in the areas of information technology, electronic, and plastic industries. Two companies were in the pharmaceutical industry. One was in consumer packaged goods industry and another one was in the apparel industry.

The data for the perception of these Chinese executives about their corporations’ sustainability practices were collected through semi-structured, in-depth personal interviews during 2006—2012. Several interviewees were interviewed twice during this seven year period. Each interview was conducted in the interviewee’s native tongue and lasted from one to three hours. The interview instrument included four major parts: personal experience, internal organization practices, impact of the companies’ sustainable programs, and the expectations and recommended changes in their companies’ sustainable programs. She also validated the data and her interpretations by evaluating the interviewees’ corporate reports, their American and Japanese headquarters’ interviews, published Chinese documents, articles, and Chinese students’ dissertations about corporate social responsibility and multinational enterprises (Huberman & Miles, 1984; Glaser & Strauss, 1967). She also used feedback from different professional communities in the U.S., France, Japan, and China to validate her findings.

Findings

Many foreign multinational enterprises encounter five major obstacles of practicing sustainability in China: seeking low cost and production efficiency; lacking internal alignments between the commercial and responsible supply chain objectives; lacking incentives to practice procedural justice or develop trusting relationships with their suppliers in China in which there is weak legal enforcement system and civil society; easily bypassing many social and environmental responsibilities in China; using evasive compliance-oriented mechanism (i.e., monitoring, evaluating, reporting and sanctioning) over Chinese suppliers (Lam, 2012a). Eighteen companies (80% of companies in the study) just wanted to gain legitimacy and minimize their operating cost in China through corporate social responsibility programs (Lam, 2010a). They are not committed to invest in the capacity of their Chinese suppliers to be partners. Twenty-six of thirty interviewees perceived their companies’ corporate social responsibility (CSR) as a cost to the companies. Their companies selected the suppliers based on cost and production efficiency criteria rather than CSR performance. When global buyers demanded quicker delivery, the Chinese suppliers had to keep the contract from these global companies and demanded their workers to work overtime and frequently violated the labor laws in China in which there is weak legal enforcement. These global buyers can compartmentalize their sustainable supply chain activities and fulfill the requirements of international code of conducts without paying the cost of labors in China. It is easier for Chinese suppliers to fake compliance of global buyers’ international codes of conduct and exploit the weakest parties, poor workers and consumers in China. One interviewee told the researcher the company had to cover up the cost of making fake documents to comply with the international codes of conduct such as SA 8000 (Social Accountability 8000 standard) at the expanse of labor’s welfare. Several interviewees told the researcher their corporate social responsibility or sustainable development reports were used for the global investors and the stock prices of their companies in the U.S. stock market.
Two Exemplars

Only two out of twenty companies developed the practice of empathy through the investment of their selected Chinese suppliers. With persistence, compassion, and humbleness of these dedicated CSR officers, the development of sustainability through empathy becomes a synergistic progress. The key idea is to have empathy toward their Chinese suppliers’ capabilities in the journey of managing sustainability in China.

Case A — Practice empathy through the improvement of workers’ conditions in its company and suppliers in China

One Japanese multinational company’s corporate social responsibility officer in Tokyo had to legitimate the rights of those Chinese workers outside Japan. Although 80% of sales revenue of the company was generated by those workers in China, her Japanese staff did not consider these Chinese workers as employees of the entire company. She had to persuade her Japanese colleagues to treat those workers in China as their colleagues. She was persistent to improve the working conditions of those Chinese workers in China. With the support from the top management in Tokyo, she developed a new CSR position in China. These two CSR officers still had to keep on persuading their boss in Japan to allocate more resources for CSR activities in China. They successfully convinced the company to invest U.S. $2 for each worker’s training in the area of public health, education, and social security because many Chinese workers coming from rural areas had to struggle how to adapt factory conditions in an urban city. When the company gained more experience of retaining its Chinese workers, two CSR officers helped their selected Chinese suppliers to solve similar labor problems. Through its numerous empathetic communications and interactions with their selected Chinese suppliers in many workshops and trainings for suppliers in China, the company and its selected Chinese suppliers can develop shared norms of social and environmental practices and common codes of conduct in the global supply chain management. As the chief CSR officer in Tokyo practiced more positive identifications with the local Chinese suppliers and Chinese workers, the company earned trust from their suppliers in China before it implemented its suppliers’ codes of conduct. The company shows how to practice empathy through the improvement of workers’ conditions in its company and suppliers in China.

Case B — Practicing empathy through the investment in the education and training of their selected suppliers and continuous improvement

A Japanese multinational company is well-known for its environmental policy in the entire global supply chain. The company managed its suppliers through a comprehensive “green policy” and suppliers’ codes of conduct. The company issued three-year green certificates to selected suppliers whose environmental performance were much higher than the shared standards created by their members of same industry. One interviewee had empathy about the fear of Chinese suppliers who would like to get the contracts and have no confidence of fulfilling the requirements of green certificates. He knew that some Chinese suppliers perceived that these environmental standards were used to reduce their competitiveness. He had to persuade his supervisors to invest more money in the education and training of
selected Chinese suppliers in the green certificate program. The interviewee initiated to provide more on-going education rather than just using a survey to ask whether the Chinese suppliers complied with the green requirements. He knew that the self-assessment in the form of survey as part of the compliance mechanism in the industries in China was not valid as the Chinese suppliers tended to have more positive assessment on their environmental performance in the self-assessment surveys. He also knew that there were poor concepts of environmental stewardship among Chinese suppliers and many Chinese employees. He preferred to provide numerous training workshops, elaborate the requirements in-depth, develop progressive objectives, and manage the performance of these suppliers through a 3-year comprehensive green certificate program. As the interviewee practiced empathy towards these Chinese suppliers and enhanced their capability in reaching the requirements in the green certificates through many consultative face-to-face interactions, the selected suppliers were motivated to continue learning and being monitored if they wanted to renew their green certificates issued by this reputable global company. These selected suppliers also learned new practices and increased other buyers’ confidence in their environmental capabilities as they earned green certificates.

**Conclusion and Discussion**

These two exemplars demonstrated their empathy toward Chinese workers and selected Chinese suppliers through training and development. They legitimated the rights and power of these stakeholders who were once to be weak and could be ignored by powerful foreign multinational enterprises. They empowered these weak parties and invested in their capacities to be partners in their corporate social responsibility programs through on-going training and support. They selected the best suppliers who could align with their companies’ social, environmental, and economical values. They chose to practice empathy and diffuse the partnership approaches in their relationships with their selected suppliers. Their sustainability practices in China were driven by the spirit of empathetic people. Companies need to learn from these two exemplars. When companies show their empathy toward weak stakeholders through the development of their capabilities in meeting the social, environmental, and economic requirements, they will adopt procedural justice and strengthen emphatic communications with their stakeholders. Many foreign enterprises can also use their global presence in China to experiment with various empathetic practices in their journey toward sustainability. The Chinese executives of foreign corporations must develop the skill of empathy and develop better programs for human growth in and outside their own organizations.

**Acknowledgment**

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INSTITUTION FITNESS, INVESTMENT AND ECONOMIC GROWTH IN RWANDA

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Abstract

Foreign Direct Investment (FDI) plays an important role in the development of emerging economies and it has recently been considered a force for the integration of countries, particularly developing ones, into the global economies. After the 1994 genocide, the Government of Rwanda embarked on a continuous, aggressive, and ambitious agenda of political, financial and economic reforms to establish a conducive environment for both domestic and foreign investments. As a result, Rwanda is one of the fastest growing economies in Central Africa and has averaged a GDP Growth Rate of 8.23 Percent from 2000 to 2012. In this study we examine the overall impact of institution fitness to explain FDI determinants in Rwanda and we shed light on the government’s commitment to economic, financial, political reforms, improvement of environmental and investment risks factors such as: government stability, socioeconomic conditions, investment profile, internal conflict, corruption, law and order, bureaucracy quality, external conflict, religion in politics and ethnic tensions. The study follows the theoretical framework of Institutional FDI fitness concept model developed by Saskia Wilhelms (1998). Whilhelms states that FDI fitness is determined by four institutions: the government, markets, education, and socio-culture. Specifically, we believe that the capacity of Rwanda to attract FDI and experience economic growth during the last ten years was a result of institutional (government, economic, and financial) fitness reforms.

Key Words: Institution Fitness, Foreign Direct Investment, Economic Growth, Rwanda

Introduction

Theories on the growth of FDI have generated different explanations of why foreign direct investment occurs. Kindleberger (1969), Hymer (1972), and Horaguchi and Toyne (1990) have stated that FDI is the direct result of an imperfect global market environment. The internalization theory postulates that FDI takes place as multinationals replace external markets with more efficient internal ones (Rugman 1985 and 1986), and when internalization of such imperfect markets occurs across national boundaries, it leads to the creation of multinational corporations (Rugman, 2002). Dunning (1986, 1988), in his eclectic theory of international production, states
that FDI emerges because of ownership, internalization, and location advantages. Most empirical studies classify FDI determinants into demand and supply side determinants (Root and Ahmed, 1978 and 1979; Agarwal, 1980). They all argue that the demand determinants of FDI are aggregate variables grouped into three main categories: economic or marketing, social, and political. Some studies have given limited consideration to social and political influences (Root and Ahmed, 1979; Dunning, 1981; Schneider and Frey, 1985). Other studies have concentrated on economic factors (Dunning, 1973; Lunn, 1980 and 1983; Scaperlanda and Balough, 1983; and Culem, 1988). Hence FDI patterns are multi-dimensional phenomena that need to be examined from different perspectives. The study follows the theoretical framework of Institutional FDI fitness concept model, developed by Saskia Wilhelms (1998). Wilhelms states that FDI fitness is determined by four institutions: the government, markets, education, and the socio-culture. In this study, we believe that the recent economic growth in Rwanda is a result of economic, financial, market and social reforms, but more importantly political reforms and initiatives.

**Rwanda**

After the genocide against the Tutsis in 1994, Rwanda embarked on a continuous, aggressive, and ambitious agenda of political, financial and economic reforms to establish an attractive environment for both domestic and foreign investments. Rwanda has continuously improved its policy and institutional reforms towards poverty reduction. As a result, Rwanda is one of the fastest growing economies in Central Africa and has average a GDP Growth Rate of 8.23 Percent from 2000 to 2012. The government of Rwanda is committed to achieving sustainable economic growth, and its overall economy is growing at a significant rate: Its GDP per capita has increased from less than $200 in 1994 to $540 in 2010. It is evident that Rwanda is an example of success stories in post-conflict reconstruction (Bigsten and Isaksson, 2008). Rwanda has made progress in fighting corruption and promoting gender equality, as well as creating a soft business environment. It is one of the most improved countries in the world in the annual Doing Business Index, thus attracting both private and foreign direct investments.

According to the Country Policy and Institutional Assessment (CPIA, 2011), Rwanda scored 3.8 out of six points similar to the previous year despite the global economic country’s crisis and external shocks. “The CPIA is a valuable tool for governments, the private sector, civil society, researchers, and the media to monitor their country’s progress and benchmark it against progress in other countries,” said Punam Chuhan Pole, World Bank Lead Economist. The strong performance was driven by continued reforms in areas of public policy, social inclusion and equity. The poverty figure declined to 44.9 per cent in 2010/11 from 56.7 percent in 2005/06 with one million people jumping the poverty line. Rwanda has also maintained improvements in debt policy and management, and has strength its financial and economic sectors. Rwanda’s current CPIA score is above the average for all International Development Association (IDA) countries and among the top 25 per cent of IDA countries in Sub-Saharan Africa. Rwanda is 0.1 point above Tanzania, 0.7 point above Burundi and at the same level as Kenya and Uganda.
Note that countries are rated on a scale of 1 to 6 for each of the 16 indicators while an overall CPIA score reflects an average for the 16 indicators covering four areas. Indicators considered include, economic management, structural policies, policies for social inclusion and equity and public sector management and institutions.

**Vision 2020**

In 1998-1999, the President’s office of the Republic of Rwanda launched national reflection sessions on the future of Rwanda. Rwandans started thinking about what kind of nation they wanted in the future. After extensive consultation, the government drafted a document called VISION 2020 in which a long-term development path for Rwanda is outlined and ambitious goals to be reached by the year 2020 are formulated. Some of the goals are: reconstruction of the nation and its social capital anchored on good governance; transformation of agriculture into a productive, high value, market oriented sector; development of an efficient private sector spearheaded by competitiveness and entrepreneurship; comprehensive human resources development, encompassing education, health, and Information Communication and Technology (ICT) skills aimed at public sector, private sector and civil society; promotion of regional economic integration and cooperation; gender equality. In terms of human resources, Rwanda will become a knowledge-based economy. The government will actively encourage science and technology education and will also help to address the fact that Rwanda is landlocked country. The Vision expresses the aim of attaining per capita income of a middle-income country in an equitable way, and the aspiration to become a modern, strong and united nation, without discrimination among its citizens.

**Education:** At the core of the development process will be what constitutes Rwanda’s principal asset: its human capital. Dunning (1981) states that human capital development has a favorable impact on FDI inflow in terms of providing capable, trained, and skilled labor. A well-educated labor force in the private and public sectors facilitates FDI, and a country’s workforce is internationally competitive in terms of education and productivity (Schneider and Frey, 1985). Education aims at laying the foundations for lifelong learning and human development, by offering more subject- or skill-oriented instruction using more specialized teachers. Gundlach (1994) argues that a true human capital measurement ought to indicate a population’s attainment of skills and knowledge. Human resources will be improved, so that Rwanda can become a knowledge-based economy. In particular, Rwanda encourages science and technology education and ICT skills, which will also help in addressing the fact that Rwanda is landlocked. Another strategy is around capacity building and knowledge transfer through the use of expats and the development of technical skills program to satisfy the employment demand for skilled Rwandans.
INSTITUTION, GOVERNMENT FITNESS

All business transactions involve some degree of risk such as: political, economic, and financial risks. Country risk relates to the possibility of changes in the business environment, and to the possibility that these changes can adversely affect operating profits as well as the value of assets of investors. The risks arise from country environmental factors such as legal and regulatory changes, government transitions, environmental and human rights issues, currency crises, and terrorism, just to mention a few. For multinational companies, these instabilities can lead to political risk losses that threaten corporate financial positions, and the costs of doing businesses in an unpredictable, volatile, politically unstable country are much greater. Most country risk measurements use a mix of political, financial, and socio-economic indicators. In many risk systems, analysts reduce risks to some type of index or relative measure (Coplin and O’Leary (1994). Political, economic, and financial factors are very relevant to private investors, banks, companies, and individuals. Country risk ratings are reported to have a high correlation to actual future equity returns (Harvey et al., 1996; Hall and Jones, 1999). The analogy is that countries that have transparent political institutions, and which promote and improve their economic and financial institutions and structures, attract more FDI in particular and investment in general, and that foreign investors are less likely to invest in risky countries.

Political environment

The political environment of the host country can be an important factor in FDI decisions, mainly because FDI involves the transfer of control and resources, and its determinants can be affected by factors that are beyond the firm’s home country boundaries (Bende-Nabende et al. 2000). Schollhammer and Nigh (1984), and Schneider and Frey (1985) have argued that the presence of a political system hospitable to foreign capital in terms of property rights and civil liberties plays a favorable role in attracting FDI. Our assessment of political risk is composed of 12 separate dimensions whose effect we compute independently and sum to a composite score (although we realize that these components can have interactive effects). These dimensions include government stability (GS), socioeconomic conditions (SC), investment profile (IP), internal conflict (IC), corruption in government (C), military in politics (MP), law and order (LO), ethnic tensions (ET), democratic accountability (DA), quality of the bureaucracy (BQ), external conflict (EC), and religion in politics (RT). Higher risk points mean that a country has a transparent, reliable, independent, fair, and equitable judiciary system. Higher risk points are also expected to increase FDI by decreasing instability, and thus investment risk. We now discuss each of these 12 dimensions in greater detail.

**Government Stability:** Government stability is the ability of the government to stay in office and carry out its program. Government stability is about unity, legislative strength, and popular support. The literature shows that stability of the host country can be one of the most important considerations in the FDI decision (Schollhammer, 1974, Richter 1994). Kobrin’s work (1978) has underscored this, as he found a negative relationship between political instability and FDI. On the other hand, other studies have shown that stability can bring greater economic
growth, and can lead to greater private savings, greater capital imports, and hence, more FDI (Bennett and Green 1997).

**Socioeconomic Conditions:** Investors use country risks to anticipate changes in regulations, economic growth, unemployment, inflation, and other political and social events that may have a direct impact on economic growth. Because socioeconomic pressures can trigger social dissatisfaction against governments, investors assess the degree to which social conditions may affect market opportunities. Thus, we hypothesize a direct relationship between stable socioeconomic conditions and FDI inflow.

**Investment Profile:** This includes an assessment of the factors that affect the risk of FDI inflows beyond political, economic, or financial risks. Examples include contract viability and risks associated with expropriation, profit repatriation, and payment delays. We expect a direct relationship between investment profile and FDI inflows.

**Internal/External Conflict:** Conflict risk can come from a variety of sources, both internal and external. Guerilla warfare, armed attacks, assassinations, riots and strikes, coups d’états, and nationalization and expropriation of assets are among the greatest fears of firms in foreign environments. Conflicts such as terrorism and civil disorder can adversely affect both foreign and domestic business. The impact of these activities on business operations and FDI has been shown to be negative (Kobrin 1979). Therefore, we expect an inverse relationship between this variable and FDI.

**Corruption in Government:** Corruption deters FDI because it distorts the economic and financial environment, and reduces government and business efficiency (Shleifer and Vishny 1993). Firms prefer to operate in lesser corrupt environments (Davidson, 1980). While some work has not found a significant negative relationship between FDI and corruption in the host country (Wheeler and Mody 1992; Hines 1995), other work has found that the presence of corruption affects FDI inflows negatively (Wei 2000, Tanzi 1997). Other studies indicate that investment and trade can have a positive impact on the reduction of corruption (Selowsky and Martin, 1997). In this study, we expect an inverse relationship between the presence of corruption and FDI inflows.

**Military and Religion in Politics:** When the military is involved in politics, it can exert political power within the government, control significant private-sector assets, and diminish democratic accountability. Generally, the threat of a military takeover will deter foreign direct investment. With regard to religion, dominant groups seek to replace civil law by religious laws and try to exclude other groups from the political process. This can result in civil disobedience and can lead to civil war. Thus, holding all else constant, we expect an inverse relationship between the involvement of the military and religion in the public life of the country and FDI inflows.

**Law and Order:** Law and order traditions reflect the degree to which the citizens of a country are willing to accept the established institutions to make and implement laws and adjudicate disputes. Agreements on international investment provide the framework for transparent
conditions of capital movement, and create an environment that is conducive to FDI. On the other hand, the absence of contractual rights or their looser interpretation will have a negative effect on investment (North, 1990). Firms prefer to invest in environments where the government is committed to the rule of law. Thus, in our work, higher scores for law and order indicate that the host country has sound political institutions, a strong court system, and provisions for law and order, and thus higher FDI inflows.

**Ethnic Tensions:** Ethnic tensions happen due to racial, ethnic, and nationality differences or language divisions. Typically, if tensions are minimal, a higher score is attributed. We expect a direct positive relationship between ethnic tensions risk points and FDI inflows.

**Democratic Accountability:** In democratic environments, citizens are involved in decision making, and the government is responsible and accountable to its own people. Most democratic governments change peacefully while there may be violence in non-democratic environments. In our work, higher scores are associated with stable governments. We, therefore, expect a direct relationship between democratic risk scores and FDI inflows.

**Quality of the Bureaucracy:** The quality of the bureaucracy in a country measures the mechanisms for recruiting and training, autonomy from political pressure, and strength and expertise to govern without drastic changes in policy when the government changes. Sound political institutions and strong rule of law are conducive to economic growth, and therefore to more investments. In the low risk countries, bureaucracy is autonomous from political pressures, while in countries that lack a strong bureaucracy, a change in government may cause dramatic changes in terms of day-to-day administrative functions. As bureaucratic inefficiency impedes economic activities and imposes additional costs on business, foreign investors prefer to operate in stable bureaucratic environments (OECD, 1997b). In our work, this variable, which measures the general efficiency of government service, is directly related to FDI inflows (the higher the quality of the bureaucracy, the higher the FDI).

In sum, political environment indicators are of great importance in FDI decisions because they measure the institutional aspects of the political environment of a country that are directly pertinent to business operations. High political risks can endanger foreign business operations.

Rwanda is one the success stories of a post-conflict state in Africa. After the 1994 genocide, the Rwandan government has restored peace, stability and security. Elections are held at presidential, parliamentary and grassroots level in a democratic way and leaders are accountable to the electorate via a system in which they sign performance contracts with the masses and report back on progress every year.

**Financial Factors:**

A country’s financial condition plays an important role in attracting foreign capital (Feder and Just 1977, Cline 1984, Callier 1985). The financial risk rating provides a means of assessing a country’s ability to pay its financial and commercial obligations; the larger the proportion of
The financial factor system measures a country’s ability to finance its official, commercial, and trade debt obligations, and provides a means of assessing a country’s ability to pay its financial obligations; the larger the proportion of debt, the greater the financial risk. Feder and Just (1997), Cline (1984), and Callier (1985) argued that a country’s financial state plays an important factor in attracting foreign capital, and in economic development. Therefore, we assume that countries that have low financial risk attract more of FDI inflows.

In terms of financing, the Rwandan government foresees a reduction in aid dependency. The Government of Rwanda has projected a significant increase in tax revenues and a medium-term reduction in external grants as percentage of the budget which will significantly increase the share of the budget that is domestically financed as opposed to externally financed.

Coordination is one of the many challenges involved in the process of fiscal decentralization and enabling economic transformation to the grassroots in Rwanda. One of government’s key priorities is to strengthen the linkages between Central Government and Local Government, particularly improving the interaction and communication between line ministries.
and districts. These interactions vary in quality and this is partly dependent on the clarity with which line ministries and districts agree on measuring progress, on funds receipt, actions and implementation. Government is currently working towards strengthening these linkages through consultative meetings and active planning with central and local governments. Good progress has been made in mainstreaming cross cutting issues at the sector level. Sector working groups do recognize the importance of cross cutting issues and are increasing their effort to collect, for example, gender, age, or disability disaggregated data. One of the issues which should be addressed in order to improve high-level policy dialogue is the quality of monitoring and evaluation systems, which still need improvement (Joint Budget Sector Review report, 2010).

Economic Factors

Economic factors are associated with the overall health of the economy of the country in which the investment is made. It deals with factors associated with traditional measures of fiscal policy, such as inflation, per capita GDP and GDP growth, and budget and current account balances. An economic risk rating provides a means of assessing a country’s economic strengths and weaknesses, and focuses attention on the institutional factors that may affect wealth creation.

Inflation Rate: Economists use inflation rates as proxies for the financial soundness of the host economy. An economy that is experiencing high inflation rates does not attract foreign (or domestic) investment. Investors study inflation rates historically when planning for future FDI actions.

**GDP per Capita and Real GDP Growth:** GDP per capita gives an indication of the relative wealth of a country and the purchasing power of its citizens. Often, GDP is used as a proxy for the size of a market and as a measure of how well the economy is performing (Mankiw, 2000). As the size of a market expands, increased specialization can occur, enabling a country to host diverse transnational firms, and if the market keeps growing, economies of scale can be exploited and large-scale production can begin (Beer and Cory, 1996). Real GDP growth is an indicator of economic growth, and is a powerful indicator of the economic state of development. The growth rate of GDP can also be used to proxy the potential development of the economy as well as the potential market size. Investors are likely to prefer a market that has a greater potential to develop and expand. Investment causes GDP growth, which in turn, can attract domestic and foreign investment. Therefore, higher GDP growth may increase market opportunities and may attract more FDI.

**Budget Balance as a percent of GDP:** Economists say that the budget is in balance when government spending equals tax receipts. The balance of payments provides a systematic record of the value of a country’s transactions in goods, services, income and transfers with the rest of the world, and the changes in a country’s financial claims on assets and liabilities to the rest of the world. The budget balance as % of GDP is an important economic key indicator that is used by foreign investors to formulate and evaluate the economic investment environment and to plan and make business decisions. Thus, we expect a direct relationship between these variables and FDI inflows.

**Current Account as a percent of GDP:** Current Account Balance is the sum of net exports of goods and services, net income, and net current transfers recorded in the balance of payments. When the country's balance of payments is managed efficiently, it can transform economic stability into faster growth in the economy while attracting foreign private investment. Current account is a common measure of international payments, and includes net interest.
payments on foreign borrowing and lending and miscellaneous transfers between countries. Current account measures a country’s international financing requirements, and can be used to keep track of changes in the economy's financial position in comparison with the rest of the world.

**Policy reforms and environment for economic transformation:**

As part of the efforts to improve the policy environment for the economic transformation of the industrial and the private sector, the Rwandan government has launched a number of reforms, industrial policy documents and strategies, with actions to promote investment and exports and cut the bureaucratic procedures required to start a business. The focus of reforms is on increasing the value of existing exports, diversifying into new exports, facilitating trade through EAC integration, increasing investment, and improving the business environment (MINICOM, 2009). These include an Industrial Policy Review, the formulation of an Industrial Master Plan, as well as reformulation of the MINICOM Strategic Plan. This comes at the same time as the Rwanda Development Board (RDB) has been established as a one stop center with one important goal being private sector development through investment and export promotion. As a result of Rwanda being one of the high performing countries in terms policy end economic management for economic transformation, the IMF has approved a Policy Support Instrument (PSI), whose components are include maintaining fiscal stability, particularly through raising additional revenues; maintaining price stability and continuing the structural reforms to deepen the financial sector; diversify the export base and improve the business environment.

The government of Rwanda is currently implementing a Strategic Investments Plan (SIP or PSI). This plan aims at boosting Rwanda’s export growth through selected investments including the electricity roll-out program, the restructuring of Rwandair, the Isaka-Kigali railway and Bugesera airport, the construction of the Kigali Convention Complex and the ICT infrastructure network. The Strategic Investment Plan represents the longer term plan for diversifying into high value added exports and transforming Rwanda into a service based economy. This Strategic Investments Plan aims at boosting Rwanda’s export growth through selected investments above and is going to be partly financed through non-concessional borrowing, which will have an impact on debt sustainability. This strategic plan when fully implemented will increase Rwanda’s economic growth and exports, and will generate jobs and incomes for a large number of the population. This Strategic Investment Plan represents also the longer term plan for diversifying into high value added exports and transform Rwanda into a service base economy.

**Business Environment in Rwanda**

As far as reforms are concerned, Rwanda has recently seen a great success in the World Bank Doing Business 2010 report. For the first time since Doing Business started tracking reforms, Rwanda, led the world reforms. Overall, major reforms that have been implemented to assist the business community include easing the process of starting a business, register property, protect investors, trade across borders, access credit and paying taxes. These reforms made Rwanda to rise from 143rd to 67th place on the ease of doing business rankings 2010.

Getting credit was made easier with a new secured transactions act and insolvency act to make secured lending more flexible, allowing a wider range of assets to be used as collateral and a general description of debts and obligations. In addition, out-of-court enforcement of collateral has become available to secured creditors, who also now have top priority within bankruptcy. A
new company law has strengthened investor protections by requiring greater corporate
disclosure, director liability, and shareholder access to information.

Property registration was simplified by decreasing the number of days required to transfer
a property. Business start-up was eased by eliminating a notarization requirement; introducing
standardized memorandums of association; enabling online publication; consolidating name
checking, registration fee payment, tax registration, and company registration procedures; and
shortening the time required to process completed applications.

By implementing administrative changes—such as increased operating hours and enhanced
cooperation at the border, along with the removal of some documentation requirements for
importers and exporters—Rwanda has improved trading times. Lastly, paying taxes was made
easier by introducing online applications and tax clearance certificates and decentralized tax
information and payer services. The implementation of these various policies and reforms
contributed to the Rwanda’s improved ranking in the World Bank’s 2010 doing business report.
Rwanda’s Rankings on different aspects of the Business environment in terms of economic
freedom Rwanda is ranked 10th out of 46 economies in the sub-Saharan region by the Heritage
Foundation (2010) and was fourth most improved economy on the 2010 index. In terms of ease
of doing business, Rwanda moved from 143rd to 67th in 2009 and 58th in 2010 (The
International Bank for Reconstruction and Development/the World Bank 2009). Rwanda scores
are much better, compared with the other East African countries in terms of doing business,
economic freedom and corruption, and scores comparatively well on the Global Competitiveness
Index.

### Table 1: Key Indicators Comparison in EAC countries

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### Rwanda among top global reformers

During President Kagame’s leadership, the country has experienced a significant economic
transformation which translated into economic growth. The real GDP growth increased from
2.2% in 2003 to 7.2% in 2010 with a peak growth of 11.5% in 2008. Overall, the average growth
rate has been 7%. This was achieved through the long-term economic development plan, Vision
2020, and its medium-term strategy, the Economic Development Poverty Reduction Strategy
(EDPRRS) which gives a clear direction on how to move from poverty to a middle income
country. From Vision 2020, a blend of programs and policies have been formulated and
implemented in several key sectors—agriculture, investment, tourism and ICT.
A series of reforms have been implemented to create a conducive environment for business. Rwanda was ranked one of the top ten global reformers in the World Bank Doing Business Survey 2010, and second global reformer out of 183 countries. Rwanda is also the 9th easiest place to start a business in the world and the 6th most competitive economy in Sub-Saharan Africa according to the 2010 World Economic Forum global Competitiveness Report. These reforms have been made possible by Government of Rwanda’s commitment to a politically stable country with well-functioning institutions, rule of law and zero tolerance for corruption.

**Tourism on the rise:** Rwanda has become widely recognized as one of the safest countries in the world. The city of Kigali is the first city in Africa to be bestowed the prestigious Habitat Scroll of Honor Award in recognition of its cleanliness, peacefulness and security. With its rich biodiversity, stunning natural beauty and excellent climate, Rwanda is becoming an increasingly popular tourist destination. Gorilla tracking in the Virungas is the country’s premier attraction, supplemented by the mesmerizing savannah and plains wildlife of Akagera National Park, the incredible biodiversity of the extensive Nyungwe rainforest and a range of hills and lakeshore beaches around the expansively beautiful Lake Kivu. In 2010, Rwanda hosted 666,000 visitors who generated US$ 200M - a 14% increase from 2009.

**ICT for all:** In line with the Government of Rwanda’s commitment to increase nationwide access to ICT, the rollout of fiber optic cable has been completed. The use of technology was also extended to the agricultural sector with the establishment of E-Soko- an Agricultural Market Information System that has been deployed to provide farmers with reliable, up-to-date market price information. With this infrastructure, service delivery in public and private sectors will be dramatically improved and access to information will no longer be a luxury as high-speed internet connectivity becomes affordable and accessible.

**Private sector:** Rwanda’s commitment to private sector development has facilitated growth in exports, domestic investment and foreign direct investment inflows, as well as the implementation of effective fiscal policies supported by structural and institutional reforms. According to Vision 2020, Rwanda has developed a strong institutional pipeline for designing and implementing business regulation reforms. Since 2004 Rwanda has improved access to credit, streamlined procedures for starting a business, reduced the time to register property, simplified cross-border trade and made courts more accessible for resolving commercial disputes. Rwanda is among more than 35 economies where the executive branch has made private sector development a priority by establishing institutions whose main purpose is to design and implement business regulation reforms.

**SUMMARY AND CONCLUSION**

The role of the State in national development continues to be important. Rwanda has achieved impressive development progress since the 1994 genocide and civil war. It is now consolidating gains in social development and accelerating growth while ensuring that they are broadly shared to mitigate risks to eroding the country’s hard-won political and social stability.

Rwanda’s long-term development goals are embedded in its Vision 2020 which seeks to transform Rwanda from a low-income agriculture-based economy to a knowledge-based, service-oriented economy by 2020. In order to achieve the long-term development goals, the government of Rwanda has formulated a medium-term strategy. The Economic Development and Poverty Reduction Strategy (EDPRS 2)’s highest priority is growth acceleration and poverty
reduction through its four thematic areas: economic transformation, rural development, productivity and youth employment, as well as accountable governance. The EDPRS 2 aims to achieve the following goals by 2018: (i) increasing GDP per capita to $1,000, (ii) reducing the poverty rate to below 30% and (iii) the reducing extreme poverty rate to below 9%. An underlying macroeconomic assumption is to accelerate annual GDP growth to 10% over the period 2013-2018. These goals build on remarkable development success over the last decade including high growth, rapid poverty reduction and, since 2005, reduced inequality. Between 2001 and 2012, real GDP growth averaged 8.1% per annum. The poverty rate dropped from 59% in 2001 to 45% in 2011. Starting in mid-2012, Rwanda experienced a sudden and sharp decline in aid. Through appropriate fiscal and monetary policies, high growth and stability prevailed throughout 2012. The economy grew by 8% and inflation was contained below 6%.

Some reforms have been implemented successfully to improve the business environment and reduce the cost of doing business. As a result, the country was named top performer in the Rwanda Doing Business 2013 report, among the ten most improved economies in 2013 and Rwanda is now ranked as the third easiest place to do business in Sub-Saharan Africa. In addition, reducing the country dependency on foreign aid (40% of the current budget) through a mobilization of domestic resources is critical. The government has successfully increased the domestic revenues to GDP ratio in the past several years. The government has successfully increased the domestic revenues to GDP ratio in the past several years.

As Gilpin (1975) states, it is the host country’s environmental factors and implementation of policies that predetermine the inflows of FDI. This study proves that country risk factors are the most significant determinants of FDI, and show that investors prefer to invest in a stable, secure environment that reduces economic, financial, political, and other business and investment risks. Country characteristics such as improved communication and infrastructure development, openness of the host country, urbanization, and a better economic, financial, and political environment will facilitate and foster FDI. The study shows that government institutions play a key role in the making and implementing of policies that affect environmental factors. Therefore, the level of investments that a country receives is determined by the government’s institutions, specifically, market, social, financial, economic, and political institutions. Therefore a country must decide on what environmental factors to work on to attract more investments.

Rwanda’s ambitious reforms may offer lessons for other countries seeking to reform their environmental factors, thus improving institution fitness to attract domestic and foreign investments. The government has worked hard to meet the needs of investors by streamlining regulatory processes. Rwanda has recognized the importance of a diverse knowledge base and has also imported technical expertise from other countries. Because of its institutional reforms, Rwanda has improved its environmental factors, and has experienced sustained economic growth, robust governance and investor friendly climate.

Rwanda is the fastest reforming countries in the World Bank’s Doing Business rankings. Business regulations are now easier in Rwanda than the average economy in Eastern Europe, Asia, Middle East, Latin America and Africa. The 2013 World Bank Doing Business Report ranked Rwanda as the 52nd out of the 185 countries. The 2nd most reformed country in the world, over six years, after Georgia (2005-2011), 3rd is Sub-Saharan Africa and the 1st in EAC. With regards, to starting a business, Rwanda has maintained the 8th position in the world to register business due to shortened required procedures and free online registration. Nowadays, registering or company in Rwanda takes a maximum 6 working hours. Getting credit is easier than ever: Rwanda is the 23rd in the world after an operational private Credit Reference Bureau.
In terms of paying taxes, Rwanda is the 25th easiest place to pay taxes world-wide from 29th last year (www.RDB.rw).

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