

# Global Leadership and the Impact of Globalization

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*The purpose of this paper was to address the impact of globalization on global leadership and the necessary skills and practices needed to effectively lead globally. To help resolve many of the issues created by globalization, global leaders need the leadership skills and practices necessary for leading effectively in a globalized environment. Transformational leadership was identified as capable of reaching across cultures to enhance organizational performance and drive change in a global environment. However, the literature review demonstrated a gap in future research to be focused on how transcultural leadership can be used by organizational leaders in a globalized environment.*

## **INTRODUCTION**

The world in which we live in is increasingly becoming more interconnected. Whole societies, economies, and political systems are becoming more intertwined as products and services are exchanged across continents. Organizations are continuously having to adapt to this evolving landscape to survive or perish. In fact, what worked yesterday, may not work today. This phenomenon is attributed to globalization. There is no doubt that globalization has impacted how leadership is practiced at a global level. This has created challenges for many organizations and the global leaders who lead them. For example, leadership skills and practices which are effective in one country may be useless in another due to differences in cultural beliefs and values. Therefore, it is important to understand how leadership can be used to effectively lead in a globalized environment.

### **Problem Statement**

While the concept of leadership has been studied extensively, the literature is limited on how globalization has impacted the leadership process. Also, there are no universally accepted set of global leadership skills and practices necessary for effective leadership in a globalized environment. There are also many aspects of globalization that impact how global leaders conduct business across national borders. For example, there are political, economic, social, technical, environmental, and legal issues that global leaders must consider to effectively lead their organizations. This paper will address the impact of globalization on global leadership and the necessary skills and practices needed to effectively lead in a globalized environment.

## LITERATURE REVIEW

The phrase globalization seems to be an elusive term with no universally accepted definition. For example, according to Karadagli (2012), Globalization is the integration of trade, finance, social-cultural, and technological processes that connect people across continents. Suci, Asmara, and Mulatsih (2015) define globalization as the process of merging the economies of different countries and their cultures to provide needed goods and services. Ghaffari and Naderi (2013) believe globalization is best defined as the exchange of political, cultural, and economic ideas which occur between international organizations. Wittmann (2014) defines globalization as “the social, political, economic, and cultural coalescence of the world” (p. 194). Finally, the World Bank (as cited in Mikalauskiene, Streimikiene, & Mulagalejeva, 2016) defines globalization as the “increasing integration of different economies and societies around the globe” (p. 81).

While each definition of globalization seems to depend on the purpose and scope of their intended authors, there appears to be a common theme between these definitions. An examination of these definitions shows that there is an emphasis on three common fundamental elements, (a) Economic and political fusion, (b) social-cultural assimilation, and (c) technological adaptation. These three common fundamental elements help form a system that unites the world together for the betterment of humanity.

Similar to the term globalization, global leadership also has different definitions to explain the leadership process which occurs within organizations that operate in a globalized environment. For example, global leadership has been defined as the interactions which occur between different people and cultures regardless of the leadership style used to influence the desired outcome (Adler as cited in Mendenhall, 2013). According to Minner (2015), global leadership is defined as the process of influencing the behaviors and attitudes of a global community to achieve common objectives. Bauer (2015) further defines global leadership as the ability of an individual in a global environment to motivate others to contribute to the success of an organization.

However, global leadership involves more than just influencing others in a global context to achieve a common goal. It also involves initiating change across cultures within an organization. In fact, Mendenhall (2013) defines the global leader as “anyone who leads global change efforts in the public, private, and non-profit sector” (para. 1). Therefore, global leadership can be described as the combination of influence and change efforts across cultures to achieve organizational goals. Despite the different definitions that exist between globalization and global leadership, there is agreement that globalization has had an impact on global leadership and practices.

### **Impact of Globalization on Global Leadership**

According to Van Paasschen (2015), the global exchange of goods and services has increased from 30 percent of the world’s gross domestic product (GDP) to 60 percent during the past 40 years. Van Paasschen further adds that foreign direct investment in companies across borders totaled \$22 trillion for the period ending in 2012. As a result of globalization, the global supply chain readily connects the suppliers of raw materials and components to manufacturers who produce the products we purchase every day. In fact, most of the products and services we consume every day from the food we eat to the clothing we wear originate from other regions of the world. This has led to the creation of well-developed organizational infrastructures and the financial systems necessary to drive the economic engine that fuels global economic activity. However, globalization has raised concerns from some global leaders about the financial sovereignty of countries across the world (Li & Zhou, 2015).

Globalization has also increased the interactions between different cultures and the need to recruit the best candidates to help organizations succeed in a globalized environment. As a result, culture has influenced who global leaders hire and how they govern their organizations. For example, in a study which examined the impact of culture on corporate governance, Daniel, Cieslewicz, and Pourjalali (2012) found a significant relationship between culture and organizational practices. Also, globalization has required global human resource managers to think strategically about who they hire and how

organizational development can be used to connect across cultures to increase organizational effectiveness (Chakraberty, 2013).

Furthermore, technology has facilitated and enhanced the speed of globalization. According to Small-Clouden (2016), “enhanced telecommunications, and the Internet have changed the way business is conducted” (p. 106). In fact, over 40 percent of the people in the world have access to the internet (Van Paasschen, 2015). The reality is that in today’s technologically driven global environment, business can be conducted from anywhere and anytime if you have access to the Internet or a cell phone. Another aspect of globalization is that technology has increased access to education and the development of the skills needed for higher paying jobs, which have led to increases in organizational productivity (Van Paasschen, 2015).

Globalization has also impacted governments and political systems around the world. There have been changes in political power, the destabilization of some regions of the world, and how government leaders respond to the perceived threats of globalization. For example, the relationships between some countries have become strained. This has led to policy and ideological changes being made by government leaders. Such changes are problematic because they create uncertainty and destabilize global markets (Ilyin & Rozanov, 2013).

Overall, these issues concerning globalization impact global leadership and practice. For example, what are the most efficient and effective organizational structures needed for competing across geographical regions of the world? How can global financial systems be improved and inequalities in wealth minimized so marginalized countries can share in the prosperity? Also, as globalization continues to expand so will the interaction between different cultures and belief systems. This will require the need to be aware and understand those cultures so that leader-follower relationships are congruent and organizations can achieve their objectives. With global expansion also comes the infringement of national sovereignty. How will global government leaders refrain themselves from resolving to military interventions?

Global leaders are also increasingly being challenged with sustainability and ethical issues across borders. As a result, global leaders will need to take more active roles in protecting global resources and the environment while being careful not to exploit other countries at their expense. As tension between cultures increase, how can global leaders build bridges that unite societies around common values rather build walls that isolate and deny people their basic human rights? These are all legitimate concerns due to globalization that impact global leadership and practices. Global leaders need to ask themselves how should they lead their organizations in such a globalized environment. This will require specific leadership skills and practices needed for effectively leading in a global environment.

### **Global Leadership Skills and Practices**

Globalization is impacting all aspects of how organizations interact in a global environment. The political, social, and economic global environment are rapidly changing. Technology is driving most of the change and along with it how business is conducted, according to Sheppard, Sarros, and Santora (2013). This will require organizational leaders to develop a global mindset (Cseh, Davis, & Khilji, 2013). Organizational leaders will also need to think strategically, ethically, and apply transformative leadership approaches that are creative (Sheppard, Sarros, & Santora, 2013). Since leading in a globalized environment will ultimately involve increased interaction with other cultures, global leaders will need to be culturally sensitive (George, 2015). In fact, it will be the ability to collaborate and unite people from different cultures around common goals that will help global leaders become more effective, according to Goerge (2015).

While there are many leadership theories, transformational leadership is emerging as a universally accepted leadership approach capable of reaching across cultures to enhance organizational performance and drive change in a globalized environment (Ghasabeh, Soosay, & Reaiche, 2015). Transcultural Leadership which is the blending of transformational leadership and multiculturalism has also been proposed by Derungs (2011) as a viable leadership approach in a globalized environment. Transformational leadership skills and practices that have been shown to be universally effective are the

ability to inspire organizational members, ethical decision making, and creating strategic visions that stretch across cultural boundaries (Northouse, 2016). Other essential global leadership skills and practices include the ability to develop oneself and others, strong social and interpersonal skills, and the ability to solve complex, ambiguous problems (William & Jousse, 2014). However, the essential leadership skills and practices for effective global leadership are the ability to embrace other cultures and develop a global mindset (Bishop, 2013; VanderPal, 2014). Based on the literature, these are the leadership skills and practices which are necessary for effective leadership in a globalized environment.

## **SUMMARY**

The exchange of goods and services across international borders is rapidly expanding thanks mostly to technology. As a result, globalization is poised to continue to expand and along with it the increased challenges which come from interacting with different cultures. The political, social, and economic landscape has also been impacted by globalization. Also, organizational leaders at all levels will need to embrace cultural diversity and think globally if they are to be effective. While there are advantages and disadvantages to globalization, the fact remains that global leaders need to develop a global mindset to effectively lead their organizations.

In conclusion, the literature revealed that globalization has impacted global leadership and practices. Organizational structures and financial systems have evolved to keep up with the insatiable appetite created by global trade. The increased interaction between different cultures has often produced tensions. While technology has allowed organizations to participate in international business and prosperity, the wealth has not been evenly distributed. This has raised ethical concerns. To help resolve many of these issues created by globalization, global leaders need the leadership skills and practices necessary for leading effectively in a globalized environment. The skills and practices found in transformational leadership were identified as capable of reaching across cultures to enhance organizational performance and drive needed change in a global environment. However, the literature review demonstrated a gap in future research to be focused on how transcultural leadership can be used as a leadership approach by organizational leaders in a globalized environment.

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