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for a Developing Economy

for a Developing Economy

## **Introduction**

An effective leadership strategy is determinant of an organization's success.

It defines

the number and the type of leaders that an organization needs, as well as where these leaders are needed and what behaviors they should have in order to ensure the achievement of an organization's goals and objectives (Pasmore, 2013). In this regard, an organization's leadership strategy is based on a thorough analysis of the present situation and an informed view of the future. As a result, the developed strategy provides recommendations for closing the gap between the present situation and the desired future (Pasmore, 2013). It also leads to the identification of a leadership development strategy that will in turn support the organization's goals and objectives and that will serve as the basis for the development of talent management processes.

This paper discusses the organizational leadership strategies that may be appropriate for organizations that operate in developing or emerging economies. These economies are characterized as low-income and rapid-growth countries that use economic liberalization as the primary means for growth (Hoskisson, Eden, Lau et al., 2000). These include developing countries in the Middle East, Africa, Latin America, and Asia, as well as transition economies in China and the former Soviet Union (Hoskisson et al., 2000).

## **Leadership Strategies for Developing Economies**

Strategic leadership is important in attaining organizational success (Davids, 2010). It refers to the ability of influencing others in making “voluntary decisions that enhance long-term viability while maintaining short term financial stability” (Davids, 2010, p. ii). It includes the purpose, direction, vision, and context that encourage employees to abide by operational, tactical, and strategic policies (Zoogah, 2009). It has a positive influence on organizational performance, innovation, learning, and change as leaders use change-oriented behaviors for restructuring organizations. This type of leadership is especially effective in African economies as they transition from socialist to open market states (Zoogah, 2009). It enables local organizations to integrate effectively into the global economy and to learn and gain legitimacy. It enables not only the organizations not only to effectively go through transitions but also enables their growth and development. However, Zoogah (2009) suggested that the individual behaviors of employees are also critical to the effectiveness of an organization’s strategic leadership. This is consistent with the assertion made by Pasmore (2013) that leadership culture is defined by the collective actions of formal and informal leaders who act together in influencing organizational success. This means that it is not only the number or quality of leaders that determines the success of an organization; rather, what’s more important is the ability of both the formal and informal leaders to work together in support of the organization’s goals.

It is through effective strategic leadership strategies that organizations in developing economies are able to perform better than their competitors in

the developed world. As the Agence France-Presse (2013) reported, the top 10 rapidly globalizing organization from rapidly developing economies are besting their counterparts from developed companies in terms of productivity, job creation, and expansion. More specifically, these organizations grew at a yearly average rate of 16 percent between 2008 and 2011 (Agence France-Presse, 2013), which is four times the growth rate being experience by their competitors. These companies include Turkish Airlines, PTT (a Thai energy company), Gazprom (from Russia), America Movil (a Mexican telephone operator), Petronas (a Malaysian oil and gas company), Sun Pharmaceuticals (from India), and Golden Agri-Resources (from Indonesia) (Agence France-Presse, 2013). In India, Mahindra & Mahindra, an Indian automobile company, also received accolades from BBC World's Wheels program for its SUV called Scorpio. It was able to surge ahead of its competitors, which included thee Toyota Camry sedans and the Mercedes-Benz E-Class (Khanna & Palepu, 2006).

Investing in rapidly growing economies would also require organizational leaders to focus on talent development. They must accelerate the acquisition and development of talent for important roles in order to prevent such from becoming the constraints that would hinder the organization's continued growth. As Pasmore (2013) suggested, an organization must increase the number of its leaders by ten percent every year for three years. An organization that does this well is GE, which strength is in identifying and building leaders (Deloitte Consulting LLP, 2010), and this can be attributed to the company's corporate learning program

One of the advantages that local companies have over foreign companies in

developing countries is that they are already familiar with the business environment in their countries. On the other hand, foreign companies are bound to encounter many obstacles as the business practices and regulations in their own countries are different from those in the developing countries. For example, Western companies often do not have access to adequate market research about the developing countries. There may also be no reliable supply chain partners in these countries. As such, they are unable to implement their business models. In this regard, Farrell, Remes, Agrawal et al. (2003) suggest that multinational companies rethink their businesses strategies in order to take advantage of the poor infrastructure, communications costs, transportations costs, and the poorly implemented regulations in developing countries. Organizations should be able to gain an understanding of where the potential restructuring opportunities lie and how they can remove any existing barriers.

In this regard, strategic leaders play an important role in organizations. They are responsible for dealing with the evolution of organizations and the changing goals and objectives, as well as for transforming them through strategic leadership capabilities and roles, such as being a design planner, a team builder, a spokesperson, a figurehead, and others (Davids, 2010). Moreover, a strategic leader is responsible for creating a vision, developing a strategy, building teams, inculcating a teamwork corporate culture, developing human capital, and fostering innovation. As well, a strategic leader is responsible for managing the organizational culture as the organization grows and expands. In the same regard, it would be necessary for organizational leaders to possess cross-cultural leadership competencies

in order to effectively manage multi-cultural environments. This means that leaders should have an adequate understanding of the dynamic structure of the language, customs, habits, values, ideas, behaviors, practices, ceremonies, and rituals that people from outside the culture may find strange.

The community concept of management may also be employed when operating in a developing economy. It signifies communalism, solidarity, cooperation, and supportiveness and may help Western companies achieve operational success in these economies (Davids, 2010). The community concept of management promotes the development of a sense of unity in organizations “ due to the managerial reality being determined by cultural and social construct” (Davids, 2010, p. 11). It promotes a perception of the business organization as a community where the individual belongs. In the same regard, a Value-Centered Leadership may be helpful in ensuring that an organization remains culturally sensitive (Davids, 2010). This type of leadership employs constant reviews of the past in order to evaluate the impact of past occurrences, practices, procedures, and perceptions to the present. As a result, it leads to employees having a shared vision and values. It also enables leaders to articulate the proposed vision and to work together with the various stakeholders. Similarly, Pasmore (2013) asserted that the globalization of an organization would require greater cultural sensitivity among leaders. It would also require an improved representation of the different geographies at the organization’s top levels, the assignment of foreign organizational members in leadership positions, and a greater understanding of local business arrangements and laws.

This can be related to the leadership strategies employed by UPS CEO Scott Davis who managed to get the company through the Great Recession by sticking to the company's core values of partnership and integrity (Deloitte Consulting LLP, 2010). He also motivated the employees by talking to them. This shows how leadership is a collective effort. For Davis, the way for an organization to survive an unstable economy is to stay focused on its long-term goals and to pursue strategic growth in line with its core values (Deloitte Consulting LLP, 2010).

In the same regard, Nwadike (2011) suggested that transformational leadership strategies be employed for organizations in developing economies. Transformational leadership is centered on values and the sharing of these values, a vision, trust, and respect between the leaders and the followers, in turn enabling the achievement of unity in diversity. It involves leaders and followers working virtuously together in order to recognize and achieve higher order needs, develop mutual goals, and make substantive changes for the good of mankind. This will allow organizations not only to benefit themselves but also promote societal transformation in the countries or geographical locations where they operate. It will also allow the organization to tap into a country's societal problems in order to benefit communities.

Some ways by which organizations implement this is through the establishment of fair trading schemes and social investment programs and codes of conduct, as well as the performance of social audits and environmental certification and reporting (MacArthur Foundation, 2000).

However, as the MacArthur Foundation reported, it seemed that the

corporate responsibility that was regulated by the government would be more effective than the initiatives that organizations voluntarily implement. This is mainly because the people in these countries are more concerned about other domestic problems than on any corporate responsibility issues. Moreover, even if regulations were in place for monitoring organizations' adherence to these regulated corporate responsibilities, the regulations are often poorly implemented.

Nevertheless, despite the mixed feedback on whether charitable acts help organizations or not, Kaye (2012) asserted that it would take more than building plants and hiring staff for an organization to succeed in a developing country. Instead, they would have to collaborate with the local communities in addressing local problems such as problems with agriculture and nutrition, water shortages, and sanitation in order to succeed. An example is the work that PepsiCo has done with regards to their operations in countries such as India, Mexico, and even the United States (Kaye, 2012). More specifically, PepsiCo's partnership with Water.org in India has allowed PepsiCo to engage the local community and to gain their trust, in turn benefiting the company. Similarly, FedEx has partnered with EBARQ in initiatives to optimize city bus operations in India, Brazil, and Mexico (FedEx, 2011). FedEx sees this collaboration as leading to cleaner and more efficient fuels and vehicles and better route designs, in turn leading to cleaner air, safer streets, and faster commutes (FedEx, 2011). Similarly, leadership strategies that promote sustainable development are also important, especially in developing economies where the resources may be limited (Portland Development Commission, n. d.). Sustainable development refers to the adoption of “



business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining, and enhancing the human and natural resources that will be needed in the future” (“ Business Strategies for Sustainable Development”, n. d., p. 1). Sustainable development also creates opportunities for companies that invest in eco-efficiency, developers of environmentally safer processes and materials, and suppliers of green consumers (“ Business Strategies for Sustainable Development,” n. d.). This not only provides the organization with a competitive advantage but it also allows the organization to gain the local community’s goodwill.

**With the importance of the role that organizational leaders play, it is essential that the**

appropriate leader be selected for an organization. Skills and ability are not as important as their compatibility with the organization’s culture (Oracle, 2012). In this regard, it is important for the potential leadership candidate to undergo psychological and behavioral assessments. It would also help to obtain feedback from consultants, vendors, employees, and board members in order to gain insights on what qualities an effective leader of the organization should have. The information gathered from the assessments and stakeholder feedback should then be used to determine a potential leadership candidate’s cultural alignment or misalignment with the organization’s culture.

## **Conclusion**

An effective leadership strategy is essential in ensuring the success of an organization. This pertains to the number and the type of leaders that an organization needs, as well as the attitudes and behaviors that they should have. With developing economies now being the focus of many multinational companies for their growth and expansion initiatives, this paper discussed some of the leadership strategies that would enable these companies to succeed in these economies.

Strategic leadership must be employed in order to enable a company to ensure its viability and financial stability. It also encourages the employees to behave in accordance to the organizational values and to perform at a high level. As well, this type of leadership strategy enables local companies to compete with the multinationals.

On the other hand, value-centered leadership and transformational leadership may also be employed. The former helps companies stay culturally sensitive while the latter fosters shared values, respect, trust, and a shared vision between the leaders and the followers. A community concept of management may also be employed in order to promote a sense of belongingness in the community where a company operates. As well, it is important for companies to employ leadership strategies to promote sustainable development and corporate responsibility, especially given the scarce resources in developing countries.

Because of the complexity of a leader's role, especially when an organization operates in a developing country, it is important for the right leader to be

selected where their cultural competence is deemed more important than their skills and ability.

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- Conclusion