

Case Study Series



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LEADERSHIP IN UNFAMILIAR ENVIRONMENTS: AIRBUS' ESTABLISHMENT OF AN ENGINEERING CENTER IN INDIA

TEACHING NOTE

Case Synopsis

In 2007, Eugen Welte, CEO of the Indian Airbus Engineering Center, came to Bangalore, India, to establish a captive Engineering Center from scratch. The case, which takes place in 2011, illustrates several situations and leadership challenges Eugen faced while establishing the R&D center in an unfamiliar cultural context. He faced challenges in communication, trust, teamwork, recruitment, and culture (**Exhibit 1**).

The case outlines Eugen's experiences and approaches to overcome these different leadership challenges but purposely leaves most situations open for discussions. We do this for two major reasons. First, there is no right or wrong when it comes to interpersonal behavior and communication. The case does not intend to limit the students' imagination and thinking by providing 'solutions'. Second, the case intends to place students into new and unfamiliar situations in order to sensitize them for business situations in a different and unfamiliar cultural context. Eugen himself faced situations where he was not sure what to do and how to behave – largely due to cultural differences. The case tries to mimic this fact.



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Target Audience

This case can be used in an intercultural management class as an introduction to various intercultural challenges or as a summary after covering several topics highlighted in the case (e.g. leadership, teamwork, trust, culture). The case may also be used in executive programs because the participants presumably have the necessary international background and experience to appreciate the issues in the case.

Learning Objectives

The case provides an opportunity to discuss:

1. General leadership challenges in India.
2. The challenge of teamwork in an ambitious and competitive working environment in which team members are reluctant to take responsibility and share information.
3. The challenge of recruiting highly-qualified engineers in a highly dynamic labor market and the importance of company culture to retain them.
4. The importance of trust and the role of networks when establishing a company in an unfamiliar cultural context and market environment.

Teaching Plan and Case Analysis

Instructor might first introduce/repeat the key concepts on leadership, importance of culture differences, and characteristics of emerging markets like India. This can happen prior to the case study session. In a second step, the faculty might discuss the actual case with the class depending on the way the class used to prepare/discuss the case study.

Six assignment questions listed below can help in having a defined flow of presentations by different groups of students or discussions in the plenum. Each question can be presented (10 min) and discussed (10 min) thereby allowing the class to complete the case analysis and discussion in approximately 120 min.

Question 1: Which traits should a manager have to facilitate the successful establishment of operations in a foreign culture like India?

Question 2: Which leadership style is best suited for establishing engineering operations in unfamiliar cultural environments? Does the required leadership style change over the development stages of an engineering center?

Question 3: How much autonomy does a captive engineering center in India require to operate successfully? What is necessary to gain autonomy from HQ?

Question 4: Should an engineering center be headed by a local or expat manager? Assess the decision of appointing an expat as CEO. Should Eugen's successor also be an expat?

Question 5: Should a captive engineering center start off with high-end or low-end engineering work? What are respective implications regarding workforce motivation?

Question 6: What mechanisms can be introduced to encourage engineers to take responsibility and share information with their team members? How can the organization ensure their long term loyalty?

Case Analysis Notes

Question 1: Which traits should a manager have that facilitate the successful establishment of operations in a foreign culture like India?

As students present their points, this introductory discussion should be guided to make following points:

- Communication skills
- Interpersonal skills
- Attitude: "Can do, get it done attitude"
- Competency
- Inspiration
- Ambition
- Curiosity for new culture and open-mindedness
- Knowledge of foreign culture through readings and interaction with native Indians

Additional points for discussion:

- Importance of company culture
- Strong team
- Trust
- Importance of vision and mission

Question 2: Which leadership style is best suited for establishing engineering operations in unfamiliar environments? Does the required leadership style change over the development stages of an engineering Center?

For this question, we provide a general overview of leadership styles discussed in the literature. As mentioned earlier, there is no single answer for this question but we expect our overview to help in facilitating the class discussion. Different types of leadership styles have been discussed in literature (**Exhibit 2**). Bolden et al. (2003) reviewed and summarized the existing leadership theories as shown in **Exhibit 3**. **Exhibit 4** lists the main leadership traits and skills identified by Stogdill (1974). Katzenbach and Smith (1994) have documented the critical behaviors of leaders (**Exhibit 5**).

The leadership style that Eugen has to adopt with regard to his headquarter is reflected in persuasion and explanation. Eugen's success as a leader completely depends upon his ability to get things done across the organization's hierarchy. The essential proficiency that needs to be possessed by all leaders is persuasion as it supports them in moving people toward a state that they don't hold currently. However, leaders also have to ensure the right usage of the persuasion as any direct attempt to persuade colleagues may provoke opposition and polarisation. In order to survive and succeed, a leader must learn four essential skills of persuading people (Krakoff, 2005):

- (1) *Establishing credibility*: Credibility develops from expertise and relationships. Being open-minded and showing willingness to incorporate compromises helps in establishing credibility.
- (2) *Understanding the audience*: Identify tangible benefits to which your targeted audience can relate. Identify key decision makers, stakeholders and the organisation's network of influence.
- (3) *Reinforcing your positions with vivid language and compelling evidence*: Persuasion requires evidence supported by data in multiple forms (stories, graphs, images, metaphors and examples).
- (4) *Connecting emotionally*: It is important to demonstrate intellectual and emotional commitment to your position and also to your audience position by getting accurate sense of their emotional state.

Question 3: How much autonomy does a captive engineering center in India require to operate successfully? What is necessary to gain autonomy from HQ?

To address this question, students will likely point to trust as the most important factor. However, they should conclude that various other factors are worthy of consideration. These might include:

- Good network within the company including management support

- Successful track record
- Convincing by actions
- Persuasive power and perseverance in discussions

Question 4: Should an engineering center be headed by a local or expat manager? Assess the decision of appointing an expat as CEO. Should Eugen’s successor also be an expat?

To facilitate discussion, it might be helpful to list the pro and cons for both the choices as shown in **Exhibit 6**. Taking into account the time variable (between 2007 and 2011 and after 2011) might change the perception student have about the objective of establishing engineering operations.

Question 5: Should a captive engineering center start off with high-end or low-end engineering work? What are respective implications regarding workforce motivation?

In order to encourage discussion, motives for establishing an engineering organization in an emerging market can be listed as they are strongly linked with the kind of engineering performed in engineering centers.

Motives

- Access to sophisticated engineering talent pool to account for the missing large number of talent in developed countries
- Market access
- Increasing brand awareness in emerging countries
- Cost issues and global labor arbitrage

Challenges

- Insufficient infrastructure
- Lacking strong intellectual property protection

Workforce motivation

Interesting, challenging and diversified task have strong positive impact on motivation. Graduates from Indian Institutes of Technology (IITs) and professionals with several years of work experience are highly motivated and prefer working on challenging task.

Low-end engineering work: Difficult to attract and retain engineers

- Indian engineers equate low-end engineering work with work nobody wants to perform in developed countries → not challenging and dead end for career
- ‘Not-invented here’ phenomenon

High-end engineering work: Easier to attract and retain engineers

- A lot of responsibility and higher degree of engineering freedom
- Steep learning curve and promising opportunities for personal and professional development
→ increasing market value of employees; danger of other companies soliciting engineers
- ‘Invented-here’ phenomenon → proud to be part of ‘real innovation’

Question 6: What mechanisms can be introduced to encourage engineers to take responsibility and share information with their team members? How can the organization ensure their long-term loyalty?

Encourage responsibility taking

- Explain and outline the personal advantages of taking responsibility
- Create a culture where failure is not only seen negative but as a chance of learning and improving
- Spread responsibility among several employees to lower individual burden
- Open Door Policy – easy accessibility of superiors to ask for help and advice

Encourage information sharing

- Explain and outline the advantages of sharing information within the context of a team building event
 - working atmosphere
 - efficient working style → team members as sparing partners
 - quality of output

Make information sharing part of the agreed targets → employee has a monetary disadvantage if not sharing information with colleagues

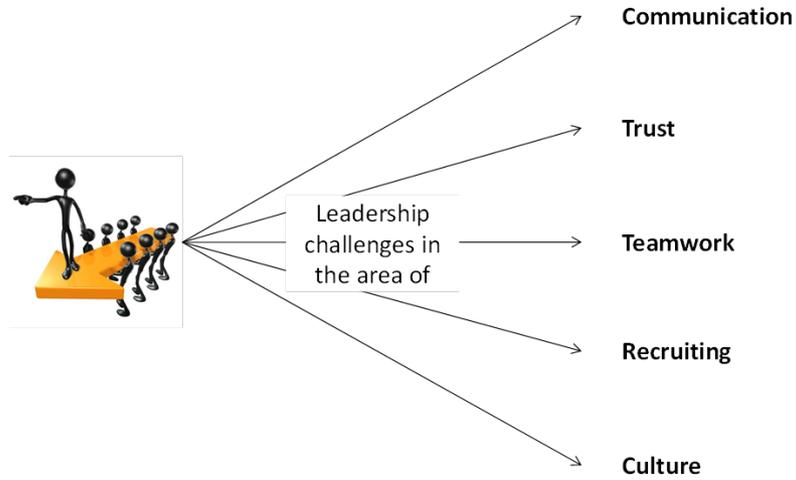
Practices for long-term retention

While reviewing the employee motivation theories and their implications for identifying employee retention within organizations, Ramlall (2004) came up with causes of employee turnover using different theoretical lens and in turn explains different effective employee retention practices (please refer to table titled “Effective Employee Retention Practices Used by Organizations” in Ramlall (2004)). Characteristics listed in that table can be used to discuss the reasons behind reduced

employee turnover. Based on literature, Deery (2008) suggested a more holistic framework for improving employee retention rates in organization (**Exhibit 7**). Similarly, Ramlall (2003) lists the factors affecting employee's turnover intentions and the reasons for the potential turnover or for choosing an organization (**Exhibit 8**).

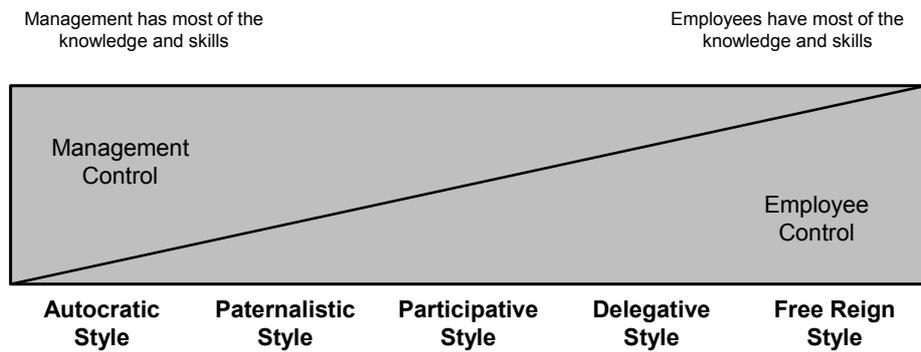
Exhibits

Exhibit 1: Leadership challenges faced by Eugen Welte.



Source: Authors.

Exhibit 2: Leadership style with regard to Indian management team and engineers



Source: Available at <http://www.nwlink.com/~donclark/leader/leadstl.html>

Exhibit 3: Summary of existing leadership theories

Leadership theory	Summary
Great Man Theories	Based on the belief that leaders are exceptional people, born with innate qualities, destined to lead. The use of the term 'man' was intentional since until the latter part of the twentieth century leadership was thought of as a concept which is primarily male, military and Western. This led to the next school of Trait Theories.
Trait Theories	The lists of traits or qualities associated with leadership exist in abundance and continue to be produced. They draw on virtually all the adjectives in the dictionary which describe some positive or virtuous human attribute, from ambition to zest for life
Behaviorist Theories	These concentrate on what leaders actually do rather than on their qualities. Different patterns of behavior are observed and categorized as 'styles of leadership'. This area has probably attracted most attention from practicing managers
Situational Leadership	This approach sees leadership as specific to the situation in which it is being exercised. For example, whilst some situations may require an autocratic style, others may need a more participative approach. It also proposes that there may be differences in required leadership styles at different levels in the same organization
Contingency Theory	This is a refinement of the situational viewpoint and focuses on identifying the situational variables which best predict the most appropriate or effective leadership style to fit the particular circumstances
Transactional Theory	This approach emphasizes the importance of the relationship between leader and followers, focusing on the mutual benefits derived from a form of 'contract' through which the leader delivers such things as rewards or recognition in return for the commitment or loyalty of the followers
Transformational Theory	The central concept here is change and the role of leadership in envisioning and implementing the transformation of organizational performance

Source: Bolden et al. (2003)

Exhibit 4: Leaders traits and skills

Traits
Adaptable to situations
Alert to social environment
Ambitious and achievement-orientated
Assertive
Cooperative
Decisive
Dependable
Dominant (desire to influence others)
Energetic (high activity level)
Persistent
Self-confident
Tolerant of stress
Willing to assume responsibility

Skills
Clever (intelligent)
Conceptually skilled
Creative
Diplomatic and tactful
Fluent in speaking
Knowledgeable about group task
Organised (administrative ability)
Persuasive
Socially skilled

Source: Stogdill (1974)

Exhibit 5: Key Behaviors of Leaders

Key behavior	Description
Asking questions instead of giving answers	By asking questions such as "What do you think we should do?" or "How do you suggest we proceed?" you take a step behind another person. Whether you stay behind, of course, depends on your intention to actually follow the suggestion or answer of that other person.
Providing opportunities for others to lead you	This goes beyond the traditional notion of looking for growth opportunities for other people. Unless the opportunity in question bears a real risk for your personal performance outcome, you are not actually positioning yourself as a follower.
Doing real work in support of others instead of only the reverse	Rolling up your sleeves and contributing "sweat equity" to the efforts and outcomes of other people earns you their appreciation as someone upon whom they can depend, regardless of the relative hierarchical or functional position each of you holds.
Becoming a matchmaker instead of a "central switch"	In addition to following other people yourself, you must learn to help them follow each other. This requires you to get beyond considering yourself the "central switch" through which all decisions flow. Instead, you need to look for every possible chance to help people find their best collaborators. "Have you asked Sally or Rasheed what they think?" is often the only input required to facilitate the effort at hand, although you then must submit your effort and support to whatever the people in question suggest.
Seeking common understanding instead of consensus	The pejorative meaning associated with consensus management has nothing to do with either effective leading or effective following. Leaders who know when and how to follow build deep common understanding, not superficial consensus, around the purpose, goals, and approach at hand. They submit themselves and others to the discipline of ensuring that all sides to any disagreement are fully understood by everyone, recognizing that mutual understanding is far more powerful than any particular decision to choose path A over path B. All people will follow strong, commonly understood purposes and goals more easily than the "put-up jobs" associated with consensus.
When a leader must follow	<p>Individual performance: As a leader, you must follow another individual, regardless of hierarchy, if:</p> <ul style="list-style-type: none"> • That individual, through experience, skill, and judgement, knows best. • That individual's growth demands that you invest more in his or her skill and self-confidence than in your own. • Only that individual, not you, has the capacity (the time and opportunity) to "get it done" <p>Team performance: As a leader, you must follow the team if:</p>

	<ul style="list-style-type: none"> • The team's purpose and performance goals demand it • The team, not you, must develop skills and self-confidence • The team's agreed-upon working approach requires you, like all the others, to do real work <p>Organizational performance: As a leader, you must follow others, regardless of hierarchy, if:</p> <ul style="list-style-type: none"> • The organization's purpose and performance goals demand it • The need for expanding the leadership capacity of others in the organization requires it • "Living" the vision and values enjoins you to do so
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Source: Katzenbach and Smith (1994)

Exhibit 6: *Advantages of choosing a local and a non-local manager*

Non-local manager	Local manager
<ul style="list-style-type: none"> • Knows culture and customs of mother company • Established network within the company • Easier access to managing board • Often take a different view than local → positive effect of diversity 	<ul style="list-style-type: none"> • Knows culture and customs of host country • No language barrier • Facilitates building network with suppliers, employees and customers, networks might already exist

Source: Authors

Exhibit 7: *Employee retention factors*

Factor	Sub-factor
Organizational and industry attributes	<i>Long, unsocial working hours</i>
	<i>Low pay</i>
	<i>Lack of career development</i>
Personal employee dimensions	<i>Stress</i>
	<i>Job burnout</i>
	<i>Emotional exhaustion</i>
Work-life conflict	-
Other organization practices	-

Source: Deery (2008).

Exhibit 8: *Reasons for choosing and leaving an organization*

Factors
Location of the company
Compensation and attractive benefits
The job itself
Company's reputation
Training and Career development
Job security
Organization culture
Challenge
Empowerment
Effective leadership
Emphasis on teamwork
Flexible work schedule
Trust in senior management
Recognition

Source: Ramlall (2003).

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