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Leading the Culture of Innovation

Arguably, innovation is the most critical ingredient that determines a company's success in the prevailing competitive scenario.

Though innovation as a practice has a clear definition and understanding, its fitment into the context of organization's product and strategy is not everyone's cup of tea. Effective executives who build organizations ensure alignment among diverse groups within an organization. They bring innovation not only as a practice but also as the organization's strategy, and make sure that all the strategic levers are aligned to innovation as their hub. Apple, Walt Disney, Alibaba, Target and Google are some of the organizations which have consistently been recognized for their innovation-driven success. The leaders break the silos across the various functions, viz., finance, operations, marketing and HR, with the help of innovation as the common alignment factor. They make various functions speak in the common lingo of innovation. Over a period of time, innovation becomes the identity of the organization. It explains their organizational culture.

Despite knowing the indispensability of innovation in the growth of an organization, business houses have been struggling to decode innovation as a strategy. While embracing innovation as the organization's strategy and culture is one milestone, ensuring its effective functioning in the long term is an extremely challenging goal for the leaders. Putting innovation on an auto-pilot mode, assuming its effective functioning, could prove suicidal and pull the organization down. Polaroid, Nokia, Sun Microsystems, Xerox and Yahoo are examples of organizations that excelled in innovation at one point of time and then nosedived into oblivion.

This issue brings forth some important and essential thoughts, opinions and observations on business and innovation, encompassing various perspectives.

The first paper, "Cultural Challenges in Leading an Innovation-Oriented Business: Comparing Entrepreneurs from East and West" by Stephanie Jones, Thomas Geydan and Mazin Alsafi, brings in a cross-cultural comparison and elaborates on the various challenges that the business houses face while implementing innovation. The paper takes the popular Hofstede's framework as the base and offers an elaborate understanding of the role of culture in fostering innovation successfully in an organization.

The second paper, "Leadership Styles Required to Lead Digital Transformation" by Kurt April and Afzal Dalwai, focuses on the changing landscape of business with the augmentation of digital applications. The paper observes that organizations with predominantly digital products and applications call for a different leadership style as compared to the conventional styles. According to the authors, executives leading digital transformation and technological innovations demonstrated greater situational awareness and cognitive ability to set the strategic direction of the business. These leaders required emotional attentiveness to determine how best to rearrange their plans as the landscape changed, and cultivated the right ethos to create inclusive products and services.

The third paper is “Environmental Sustainability and Climate Change: Leading with Innovation” by Colin Coulson-Thomas. As the title suggests, the author takes his shot from the climate point of view and presents how the increasing levels of carbon dioxide and deteriorating global climate conditions are affecting the world. The author focuses on the threats that the budding generations are facing from the changing climatic conditions and the role of business houses and key personnel like directors and executives in attending to the climate challenge. The author raises a few pressing questions that need the immediate attention of business houses like “Are new leadership styles and approaches required, or do the cultures and structures of organizations need to change?” The paper harps on several sensitive issues in the context like leadership, culture and innovation, governance, regulatory frameworks, etc. The paper focuses on the role of innovation in coming up with solutions to address the intimidating climate challenge.

Finally, our regular feature “Perspective”, carries Dan Coughlin’s, “The Enormous Value of Education in the Business World”, wherein he elaborates on the significance of the conventional education in the context of business.

KBS Kumar
Consulting Editor

Cultural Challenges in Leading an Innovation-Oriented Business: Comparing Entrepreneurs from East and West

Stephanie Jones*, Thomas Geydan** and Mazin Alsafi***

Leading a startup business geared towards creating innovatory products and services is always going to be challenging for entrepreneurs. This task is difficult enough in established and developed economies such as the USA and Europe, but how about in emerging markets such as Iraq, with a history of war and sanctions, and Egypt, suffering from post-revolution chaos, uncertainty and devaluation? Setting up an entrepreneurial and highly innovatory business can be made even more difficult by having to cope with cultural differences. Here we look at the entrepreneurial challenges of operating in radically different environments and some of the distinct issues in the process of creating a culture of innovation. What do we know of the national cultural differences of these countries? These national cultural differences inevitably impact on the creation of an organizational culture, having their own implications for the challenges of leading innovation. This paper suggests that understanding national cultural differences can make all the difference between success and failure in leading innovation.

L leading a startup business geared towards creating innovatory products and services is always going to be challenging for entrepreneurs. This task is difficult enough in established and developed economies such as the USA and Europe, but

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how about in emerging markets? Such as Iraq, with a history of war and sanctions, and Egypt, suffering from post-revolution chaos, uncertainty and devaluation? Setting up an entrepreneurial and highly innovative business can be made even more difficult by having to cope with cultural differences which can act as barriers to successfully scaling up a startup and seeing it through its early days. Here we look at the entrepreneurial challenges of operating in radically different environments and some of the distinct issues in the process of creating a culture of innovation.

First of all, what do we know of the national cultural differences of these countries? Geert Hofstede, the well-known guru on national culture analysis, suggests that these countries are in total contrast with each other—and therefore we can offer lessons in leading entrepreneurship and innovation which may be new for students and practitioners from other environments, such as the USA and India, for example.

Hofstede Insights (2019) suggests that Egypt and Iraq are high power-distant cultures—especially the latter. The Netherlands, by contrast, is low. This issue can make a big difference in teamwork and employee participation in developing ideas. So whilst in the Netherlands team members may feel free to contribute comments directly to their leader or manager, in Iraq and Egypt, they sense a great divide and may hesitate to voice ideas and concerns. Also, the Netherlands is a highly individualistic culture, whilst Egypt and Iraq are very collectivist; the Dutch are happy to take the blame for mistakes as long as they are recognized for individual achievements, but this is not the case in these

Middle Eastern countries. The Dutch have what Hofstede defines as a “feminine” culture emphasizing nurturing and caring—this is not necessarily true in Egypt and certainly not in Iraq. The Dutch are much lower on Hofstede’s “uncertainty avoiding” scale—they can cope with risk-taking and ambiguity. In Egypt and especially in Iraq, most employees seek clear guidelines and specific instructions and may fear the unknown. In terms of looking to the future, people in the Netherlands think long-term and are concerned with the implications of their decisions. But Egyptians are very short-term thinkers, living day-by-day, a situation exacerbated by their current economic challenges. Iraqis are similar. It is hard for them to see the future. Perhaps as a result, Egyptians and Iraqis are restrained in their spending habits and tend to save for a rainy day. The Dutch people are moderate here, indulging when they feel like it, being economical when they think this is important, but they are not hung-up on the need to preserve resources for an unknown future.

These national cultural differences inevitably impact on the creation of an organizational culture, having their own implications for the challenges of leading innovation.

The Dutch Entrepreneur: The Case of Mark Post

The Dutch tendency to be independent and individualistic is a characteristic seen as very evident when meeting Mark Post. He is not only professor of physiology at the University of Maastricht, and owns his own consultancy, but is the Chief Scientific Officer (CSO) at Mosa Meat, a Dutch startup company that aims at revolutionizing the meat industry by producing real beef-burgers from cultured cells

whilst providing them to the world in a sustainable, healthy and animal-friendly way (Mosa Meat, 2019). Basically, these burgers are grown in a laboratory and have never been near an animal—but they are real meat. In order to materialize this goal, Mark acts as a leader who facilitates and empowers the members of his team by creating a work environment where each member is actively consulted. Thus, the environment lends itself to direct and participative communication among the team members. In such an environment, power tends to be decentralized, people have equal rights and, like Mark, leaders are accessible. This is a typical characteristic of a society characterized by low power-distance. It is democratic, open and sharing.

These cultured beef-burgers are what Mark calls “slaughter-free” and are produced at the University of Maastricht (UM) where technicians, Ph.D. students, postdoctoral fellows and Mark meet together in order to fulfill their mission to “produce real meat for the world’s growing population that is delicious, healthier, better for the environment, and kind to animals” (Mosa Meat, 2019). In the Netherlands, the relationship between the employer and employee is commonly based on mutual advantage (Hofstede Insights, 2019) and thus teams are created based on the merit of individuals, which promises results with a high degree of independency and responsibility: these are characteristics that are common in societies that exhibit a high degree of individualism, especially combined with low power-distance.

According to Hofstede Insights (2019), the Netherlands is seen as a “feminine” society. As such, principles such as achieving a high

quality of life are clearly reflected in their attitude to work-life balance. For example, for Mark, more important than being the best at what you do is being the best at liking what you do. Yet, in order to like what you do, the environment has to be right for you and hence, leaders such as Mark by being involved, supportive and by valuing equality, actively construct positive work atmospheres such as those found in Mosa Meat and in his department at the UM. His aim to create a product which directly tackles world food security and climate change requires a deep sense of caring, and a deep sense of ensuring quality of life for the planet in the future.

The cultured meat industry is a promising and yet competitive one. Not only will Mosa Meat have to compete with the traditional meat industry, but also with other startups around the world also aiming to provide cultured meat to the market. Since the product is new and innovative, many uncertainties surround the industry. Revolutionizing the way we as consumers perceive meat requires vision, hard work and dedication. Back in 2013, Mark presented to the world the first beef-burger made by growing cow cells in a laboratory (Mosa Meat, 2019). This burger was the result of a highly-complex process which involved the whole Mosa Meat team, and dealt with a high degree of standardization. Working from cell to burger requires precision and exquisite timing to scale-up—elements well-appreciated in the Dutch culture. Thus, through this example, we can observe how Mark, as a Dutch entrepreneur, ventures into the uncertain with highly standardized tool kits. Therefore, it would seem that the Dutch tend to rank comparatively low in terms of uncertainty avoidance—especially compared with the

Middle Eastern countries studied here (Hofstede Insights, 2019).

An observation by the authors of this paper suggests that the Dutch tend to have a pragmatic orientation which, when combined with grit and perseverance, can achieve strong results. Mark is a clear example of this. When he and his colleagues understood that their research could be made into a pragmatic structure, they did not hesitate and created a company with a clear and practical goal, to match the world's demand for meat in a more sustainable and healthy way without having to slaughter animals (Mosa Meat, 2009). Today, Mosa Meat has attracted more than €7.5 mn in funding and is expecting much more in order to realize the long-term dream of securing the world's meat demand by 2050. The whole idea around Mosa Meat shows the Dutch propensity to long-term orientation, and confirms their ability to adjust their point of view to the new conditions and situations of the world as they prepare to meet the future.

The Egyptian Entrepreneur: The Case of Ahmed Maan

Ahmed Maan clearly lives in a completely different world than Mark Post. For a start, his entrepreneurial business is a spin-off from the family company, and this is very much a feature of life in Egypt. Ahmed's father is a fish merchant—a broker between fishermen and selling their catch into restaurants, supermarkets and hotels. He is a trader, and expected his sons—Ahmed and his brothers—to follow in his footsteps. Egypt is highly collectivist, low on individualism, and high on uncertainty avoiding. They are very low on long-term orientation. The future is risky and uncertain—we do not go there. We carry

on doing what our families have done for many years.

But Ahmed is different. He wanted to start manufacturing—cleaning fish and preparing fillets to be frozen, peeling shrimps and vacuum-packing them—in a market which had only ever eaten fresh fish. The investors hesitated. The supply of fish is always uncertain. The market may not be ready. They are conservative, and money is tight due to political uncertainty, devaluation and the end or reduction of many government-funded subsidies. It was bound to be very small-scale. Ahmed's father did not like what his son wanted to do. The long-term employees in the family business—loyal, risk-averse and high power-distant—were reluctant to join Ahmed's spin-off. Now his brands are starting to take off—Brisk Bites and Sea Cube—they are starting to change their minds, but it is a slow process.

In collectivist, risk-averse, day-by-day cultures employees can be reluctant to embrace change. Ahmed's main challenge in creating his own fish manufacturing business was the need to introduce new systems to ensure food hygiene. Once setup, he organized inspections by external auditors every three months. Staff members have to pass school-type exams to make sure they know their stuff. Many of the old family business people could not cope with this. Meanwhile, some of the younger locals in multinational supermarket chains—to which Ahmed was selling his manufactured fish—took a different view. They were more used to following clear systems and were familiar with training in food hygiene. Meanwhile Ahmed's father and brothers were skeptical, and only convinced when the new system introduced by Ahmed was clearly

working. But could all the workers rise to the challenge? Ahmed gave them at least two chances to show they could work according to his new standards. If on the third attempt, he felt they were never going to make it they were out. This was quite a shock for the old retainers, but Ahmed could not practice the collectivist tradition of keeping loyal staff if they could not perform. It was just too risky and was holding him back.

One of the biggest challenges for Ahmed was to convince his team to be willing to implement sell-by dates and discard fish products which were no longer safe to eat. They did not think long-term about the implications of poor quality. They would mix old, decaying fish products with newly-prepared ones thinking that no-one would notice. They would bulk-up frozen fish with water turned to ice to achieve the weight level on the packet. They would put small, cheap shrimps underneath big ones and try to make it look as if all the shrimps in the packet were the expensive large ones. They were afraid of leaving waste and thought that Ahmed would be angry with them if they had to throw products away. He found it very difficult to convince them that waste was better than poor quality. As traders and merchants, many of the staff from the old family business found it difficult to appreciate the power of brands and modern retailing. But Ahmed was able to cash in to the Egyptian culture of showing-off to guests with branded, luxury items. But he had to be a watchdog on quality control on a daily basis. If the employees had problems maintaining quality, they were too high power-distant to ask for help from Ahmed—although he comes over as a young, friendly,

approachable guy. Instead they would cover up defects and hide faults, although Ahmed would much prefer that they shared them. But compromising and avoiding behaviors can be typical among lower-level staff in Egypt, and Ahmed has found that any changes must be implemented slowly. People need time to learn to cope. And meanwhile they have to earn enough money to feed their families—there is no public welfare in Egypt like in Europe, and the fear of joblessness looms large. It is not a “feminine” culture like the Netherlands.

The Iraqi Entrepreneur: The General Picture

The cultural barriers facing entrepreneurship in Iraq make it challenging to start or continue with any business in this country. From the personal experience of the third author, an encounter with cultural challenges in Iraq means hardship, obstacles and complexities in venturing into any kind of startup business. Interviewing graduates, our third author found that many of them would prefer to opt to go into the public sector after their graduation, and most would not consider starting businesses at all. Their reasoning was that the public sector was more stable—because of the salary and benefit incentives offered, the possibility of a job for life, and a secure pension whatever happens in the future. The culture in Iraq—relatively high in uncertainty avoiding, according to Hofstede—does not take failure well and anyone who does not succeed in anything is usually frowned upon. Venturing into a startup business means that failure at some point is almost guaranteed, and this makes many would-be entrepreneurs in Iraq to avoid getting started in the first place.

Iraq also has a highly bureaucratic culture, tolerated by a high power-distant attitude to people in authority—in great contrast with the Netherlands, for example. An extensive network of public sector organizations, which entrepreneurs need to navigate their way through before they can even think about starting and building a new private sector company, is a product of this situation. The lengthy procedures needed before the business can be launched—required by many bureaucratic officials—have a huge financial, time and operational impact on any startup. Many new businesses thus opt to operate in the “shadow” economy which is highly problematic, lacks any kind of security, and where it is impossible to really develop and expand.

In particular, women in Iraq face even greater challenges when being involved in startup businesses because the society they live in Iraq is highly male-dominated, and many workplaces do not acknowledge the leadership or contribution of women. This is much more of an issue in Iraq than it is in Egypt. During the third author’s recent trip to Iran, he was able to talk to a few women would-be entrepreneurs to find out about their attitude to startup businesses and some of the challenges they face. Certainly, they experience security problems, especially in areas of conflict, where it is difficult for anyone to move about freely. Many of these women entrepreneurs cited the struggle they experience with balancing their business activities and family-related tasks, especially if they have children, because traditionally they are expected to assume responsibility for taking care of the family. There is a very poor support system for entrepreneurs in Iraq,

especially for women, making access to capital difficult and therefore creating startup businesses almost impossible—unless they have independent means. Iraq in this sense is much more of a masculine society, without concern with the feminine norms popular in the Netherlands, for example.

The issue of access to capital is not only a problem faced by women entrepreneurs, but almost everyone who wants to create a startup business. The underdeveloped banking system in Iraq—especially with the lack of development of the private sector—means that there is extremely limited access to banking lending facilities. The source of capital is usually from home saving, from family members and friends. It is a highly collectivist economy and society, and people look after each other—much more so than in typical Western countries. If a would-be entrepreneur belongs to a group of family and friends which is not financially stable and does not have adequate resources, it can be difficult for him (and especially for her) to get financial support from anywhere. Investment and business options are thus limited, and most investors and bankers are only interested in those startups which promise to bring quick returns.

Access to reliable infrastructure in Iraq is also a challenge. The manufacturing sector faces difficulties with the distribution network, as the road networks between cities are in a poor state. This lack of a good distribution network makes distribution inefficient, and it also leads to significant waste. The lack of a reliable electricity supply and the absence of good storage facilities also increase the marginal cost of production

which, in effect, is felt by the individual entrepreneur trying to develop any new business.

The Iraqi culture, especially because of the high power-distant, collectivist and risk-averse mentality, does not encourage competition; however, new businesses that are more politically-valued are favored and supported. In a context of limited resources, therefore, businesses that could be more competitive are passed over in favor of those that are more attractive to the politicians—who influence business much more than in many western countries. The access for resources for startups thus remains difficult, due to this situation of inequality of access.

Conclusion

The creation and sustainability of startups in Iraq faces much uncertainty, and it takes a huge extra effort. It is also not easy to operate

in Egypt, as we saw with our example here, compared with the case from the Netherlands. The Dutch system provides a much more favorable and conducive environment to start entrepreneurial activities—but it still does not mean that the task is easy. Culture can be a support or a barrier—and it is always there. ☺

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