

# **Globalisation and its Impact on Leadership Qualification in Public Administration**

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## **Background**

Globalisation exerts powerful pressures on our national government and public administrations. Most distinctive are pressures regarding public management effectiveness and internationalisation of civil service. The former demands transforming the traditional public administrative culture to a managerial culture, the latter involves increasing alignment of national policies and relations with the private sector according to international standards and practices. Civil servants are pushed by these trends to expand their role definition and to acquire new knowledge and skills in order to meet this challenge of globalisation.

Analogous to the growing competitiveness experienced by multinational companies due to the globalisation of markets, many OECD countries experience competitive pressures to modernise their public administrations and to make government functions more efficient and effective. These governments have come to the conclusions that effective and efficient policy making and policy implementation are key to attracting Foreign Direct Investment (FDI) and inevitably are required to retain foreign investments within the boundaries of their countries.

Developing and transitional countries also experience greater competition in regard to attracting FDI or obtaining favourable development aid. A well functioning state and efficient public administration has become one of the key factors of national competitiveness for OECD and Developing and Transition countries alike. It is in this context that the author will explore the impact of globalisation on leadership qualification in the public administration and the private sector alike.

## **Globalisation and National Competitiveness**

Globalisation as measured by worldwide foreign direct investment flows is galloping ahead. It appears unaffected by Asia's financial crisis (UNCTAD, 1998: 41) and transnationalisation is also speeding forward.<sup>1</sup> Companies today are increasingly conducting business across OECD countries, newly emerging markets (Eastern Europe, China, India) or newly industrialised economies (Southeast Asia, South America). However, many other developing countries have not been able to benefit from this capital in-flow.

Porter (1990) has conducted an extensive comparative research of ten countries and has come up with reasons why some nations succeed in some industries but fail in others. According to Porter, the home base plays a critical role in that firms tend to build up competitive advantage in industries for which the local environment is the most dynamic and challenging. He has conceptualised his findings in his analytical 'diamond' frame which consists of: a) factor conditions (e.g. labour, capital, land); b) demand conditions; c) dynamism of related and supporting industries; and d) firm strategy, structure and rivalry. In addition to the four factors, chance (e.g. inventions, war) and

government also play an important role in supporting a nation's aim of achieving economic success (see Table 1 below).

Table 1 here

Concerning the role of government and chance in Porter's model, Oez (1999) interprets Porter's findings as follows:

The proper role of the government should be reinforcing the underlying determinants of national advantage rather than trying to create the advantage itself. It is necessary to note that Porter anticipates a more direct but still partial role for the government in the early stage of development of a country since 'the tools at its disposal, such as capital, subsidies and temporary protection are most powerful at these stages in a nation's competitive developmen' (Porter, 1990-671).

The role of government, and by extension of its civil servants, might hence vary according to the level of economic development of each country and role adjustments are necessary to help a country move up the developmental ladder. This in return would imply that a country needs to know how to shift gear so to speak and to change policy and governmental behaviour according to levels of economic development.

Summarizing about the results of a cross-regional survey covering 20 regions in Europe and North America, Koellreuter (1997) identified 50 factors which have an influence on a region's economic advantage. The most decisive factors are listed below (Table 2).

Table 2 here

Several of the factors listed in Koellreuter's chart pertain to the role of government (development of highly skilled labour force, efficient tax system, and issuing of permits). The chart is even more significant in light of globalisation. Foreign companies investing in other regions of the world make investment decisions based on most of the factors listed in Table 2. The ability of the respective government to design and sustain an appropriate policy environment is crucial. Equally crucial is the ability of the respective civil servants to apply the rules in a transparent, non-discriminatory manner to local as well as foreign investors. All this results in an increase of challenges to our government and our civil servants who have to honour the by now increasingly global requirements of good government meaning transparency, accessibility, non-discrimination, customer orientation and predictability. Without these requirements, foreign direct investment will "vote with their feet" and invest elsewhere. Consequently, depriving the nation an opportunity to jumpstart its economic developments.

Countries with limited means to invest in factor creation will need even more talented civil servants. These civil servants would lead their communities in search of creative solutions to their handicap in this global competition.

### **Globalising Public Administrations: New Leadership Requirements for Civil Servants**

Analogous to the growing competitiveness experienced by multinational companies due to the globalisation of markets, many OECD countries experience competitive pressures to modernise their public administrations and to make government functions more efficient and effective. These governments have come to the conclusions that effective and efficient policy making and policy implementation are key to attracting foreign investment and, inevitably, are required to keep investments within the boundaries of their countries.

## **Public Management Effectiveness**

In addition, many OECD country citizens demand from their civil servants more public services at faster speed at high quality and at affordable prices. All these demands and expectations have put enormous work pressure on OECD civil servants at times when job security of the civil servants is increasingly being replaced by time limited contracts which have to be renewed based on job performance evaluations. Switzerland's parliament for instance recently decided to follow the government's suggestion to abolish life time job security and to replace old civil service contracts with time limited contracts comparable to the private sector. Hiring and firing of civil servants will become easier for government officials which in turn puts more pressure on them to increase performance levels of their own departments and bureaux. Hiding behind the excuse that their employees cannot produce faster and better services due to the supposedly unchangeable rules is a thing of the past. Civil servants and their respective top leaders are expected to increase performance levels, which in turn requires a more leadership role which is more prevalent in the private sector.

Since the late 1970s, government reforms have been pioneered in different OECD countries mostly labelled as New Public Management or Government Re-engineering. The countries leading these government and public administrative reforms have been New Zealand, the United Kingdom, the USA, Canada, The Netherlands, and Germany. Switzerland has also seen a dramatic increase of New Public Management (NPM) reforms over the last 10 years at national, provincial and municipal levels (Saner et al. 1999).

There is no agreed theory of New Public Management, but there are some key features which have been mentioned by most NPM practitioners. According to Osborne & Gaebler (1993), some of the key features of NPM are:

1. Catalytic Government – steering rather than rowing (government that is proactive, not reactive);
2. Community-Owned Government – empowering rather than serving (citizens as self-directed, autonomous persons rather than as dependent and non-critical subjects);
3. Competitive Government – injecting competition into service delivery (breaking inefficiencies of public monopolies);
4. Mission Driven Government - transforming rule driven organisation (fixing performance targets more important than being preoccupied by rules and regulations in countries with clear and established legal practice);
5. Result Oriented Government- funding outcomes, not inputs (moving away from input funding to output target funding);
6. Enterprising Government – earning rather than spending (moving away from end-of year spending pressure to global budgets);
7. Anticipatory Government - prevention rather than cure (prevention cheaper than crisis management);
8. Decentralised Government- from hierarchy to participation and teamwork (new information technology demands flexible and autonomous work organisation); and
9. Market Oriented Government- leveraging change through the market (transparency regarding public procurement, non-discrimination of suppliers).

The major functional requirement for NPM type civil servants is the overall requirement of an ability to manage the governmental sub-unit according to the requirements of new public management. This includes the ability to define strategic goals and programmes, to allocate resources according to defined and agreed goals, and to guide and control the public administration in a goal and result-oriented manner. To manage these tasks well, civil servants need not only technical skills but also leadership qualities in order to motivate and to invigorate his/her team in

order to achieve the required results.

Furthermore, a NPM government official should have the following abilities:

1. identify citizen or customer needs, and to communicate actively with his/her citizens;
2. to include politicians in the management process;
3. to assist political decision makers in strategic thinking;
4. to motivate and empower his/her team of civil servants;
5. to innovate through experimentation and reflection; and
6. to have the capacity for learning.

The new public manager should be able to direct the administration in its effort to be competitive in its market and to establish an organisational culture with a distinct service orientation. To fulfil this new role, a NPM-oriented civil servant should acquire a specific base of knowledge, skills, values and attitudes as listed above. Leadership in this context is moving toward a convergence with the business leadership model.

### **Internationalisation of Civil Service**

This trend of convergence is not only fostered by the changing task demands on the civil servants, but also by the increasing need for international coordination of domestic policies. Civil servants from all ministries need to liaise and to exchange with their counterparts across their national borders, regions, and even continents. It is increasingly evident that this type of international cooperation or interchanges could no longer remain as the prerogative of the Ministry of Foreign Affairs: rather, this task has now to be shared among other civil servants who are responsible for specific policy area.

In light of this international role, civil servants need to acquire an additional set of knowledge and skills that are needed to be effective and efficient in the international arena. These requirements could possibly entail:

- foreign language proficiency;
- global mindset;
- basic knowledge regarding international law and regulations;
- basic knowledge regarding international policy making procedures and framework;
- international negotiation skills;
- international communication skills; and
- skills in working and leading multinational task teams.

This list is by no means exhaustive, and indicates that there is a greater convergence between the leadership role of a civil servant and that of a business manager.

Information technology has also adding pressure in the internationalisation of public services and government. Unwittingly, it provides the citizen the possibility to benchmark government performance across borders through the online web sites put up by the governments as well as voluntary government watchdogs. Civil servants are increasingly obliged to keep themselves informed of the current practices of other referent governments and international trends. Slowly, public administration would also move toward a degree of convergence in regard to the accepted best practices.

Increasing transparency has enabled civil society to negotiate with the public administration concerning policy issues that in the past was the prerogative of the politicians and civil servants.

Most evident of this could be found in the areas of environmental protection, civil rights, education and health. International alliances made it impossible for the government to ignore or to stifle public expression of dissatisfaction or dissent. Civil servants who are called to balance divergent and conflicting interests have now to learn new roles and skills in public consultation, in negotiation, and in influencing the public perception and opinion. These are all important aspects of leadership competence.

### **Globalising World Economy: New Leadership Requirements for Private Sector Managers<sup>2</sup>**

Increased globalisation and integrating of information technology have led to a fundamental rethinking about how to conduct business and how to lead a complex organisation for continuous improvement and reinventing of the organisation. These challenges have led both academicians and practitioners into uncharted waters regarding effective leadership roles and qualifications.

In addition to the intra-organisational complexities, the external environment is equally complex and chaotic. For example, increased globalisation has led to the development of a multitude of standards that govern business behaviour. It is no longer sufficient to know the business and legal conditions of a global company's headquarter country and those of some of the countries where-ever it might operate its foreign subsidiaries. Multilateral and intergovernmental organisations are increasingly defining industry standards that become mandatory framework conditions for global companies where they might operate. Business decisions increasingly have to comply with such international standards no matter whether a global company is American, French, Japanese, or Chinese. For example, a global company's price dumping strategy might be illegal according to the trade rules of the World Trade Organisation (WTO), another company might get market access to foreign IT markets thanks to regulations agreed at the International Telecommunications Union (ITU). A company might get help in protecting its patents thanks to multilateral agreements signed at the World Intellectual Property Organisation (WIPO) while another global company might have its unfair industrial relations practices criticised by countries who signed the labour conventions of the International Labour Organisation (ILO).

Globalisation has also been hastened by the proliferation of information technology. The Internet has changed greatly the power relationship between multinational companies and their non-business stakeholders (Saner, et al., 1999: 583-95). Non-governmental Organisations (NGOs) as well as civil societies in general are putting demands on global companies for more information and more transparent business practices. At the same time, they are using IT to exert influence deep into the structures of global companies.

Global managers manage business operations but do not necessarily know how to manage non-business stakeholders in all the countries they operate in. They need urgently to learn to manage complex political-economic environments. Failures in coping with non-business related issues could easily lead to crisis, open conflicts, or missed business opportunities.

Facing such challenges, global companies require business competencies that most global managers do not possess. The competencies needed to deal with foreign country interests, multiple domestic and foreign pressures groups, or international conflict demand that global companies acquire organisational competency in non-business domains such as Business Diplomacy Management.

Whether state owned (France's global companies like Electricité de France) or privately owned (the German-American automaker Daimler-Chrysler), the global companies have to learn to cope with business and non-business environments around the world. This gradual adaptation to diverse environments is a process which has also become mandatory for global companies of emerging economies like China (CITIC) and India (Tata). The managers of all these companies will inevitably develop new leadership styles which will allow cultural adaptation and leadership

effectiveness across the globe. What exactly will be this new global leadership model, nobody yet knows.

### **Changing Labour Forces: New Leadership Requirements for Public and Private Sector Managers**

External forces for change due to globalisation has also been supplemented by internal demographic and composition changes within firms. Public or private sector organisations and public administrations employ an increasingly large percentage of younger and highly skilled and knowledge based employees in order to cope with ever increasing complex and sophisticated operational requirements. Traditional high power distance based leadership style would not go down well with these young professional knowledge workers who expect to have a greater say in how to organise and perform their tasks. They could work independently and are used to work in global project teams, often virtual, and do not have the same attachment to their organisations as their forefathers.

These knowledge workers exhibit a different style of subordination or employee behaviour which in turn causes a change of leadership. They demand greater participation in the decision making process and want to be recognised for their competence. As global citizens, they are mobile and ready to vote with their feet should work conditions and leadership styles not correspond with their expectations, especially if better employment opportunities are offered elsewhere. Retaining the most competent employees has become a serious challenge for the leaders of global companies in OECD countries and also in the newly industrialised countries since the early 1990s.<sup>3</sup>

Public administration is not immune to this trend either. The more mobile and self-assured knowledge workers are highly sought after by both companies and governments alike in order to strengthen their capacity to deliver services effectively and in an efficient manner. This competition for skilled professional knowledge workers is not restricted by national boundaries but occurs across borders. Companies have already imported a large number of skilled employees from abroad in order to find remedy to national labour shortages. Soon governments might have to do some recruitment abroad as well especially in regard to filling jobs requiring highly skilled experts in informatics and computer science. This competition will become more heightened once the European Union fully implements its policy of full labour mobility. Once the labour market will be more deregulated, the public administration which will offer the best working conditions will be able to attract the brightest, the most able and most dedicated human resources. In turn, this would further strengthen the competitiveness of countries who succeed in attracting the best high skilled labour force. In this emerging context, leadership qualification of the civil servants would yet again mark another definite departure from the past. Instead, rule by the book, civil servants will have to rule by vision, by reasoning and by collaboration.

### **Leadership theory: from the past to the present**

Leadership theory has evolved over the last fifty years in the Western context. This is not the place to make an exhaustive summary of leadership theories. The focus of my reflections is the impact of globalisation on current and future leadership practices and to propose related new areas of research in leadership theory. For sake of clarity of terms used below, I would like to make the following comments.

I agree with most scholars who postulate a difference between leadership and management and who see leadership as being one of the four management functions (planning, organising, leading, and controlling). Management so defined is broader than leadership. A manager can be a manager without being a true leader if he/she lacks the ability to influence others. In reverse, there are also leaders who are not managers. The best example for instance is the informal leader of a group.

I further agree with the majority of scholars that different leadership theories have made valuable contributions to the understanding of leadership but that no single theory can exhaustively explain leadership behaviour nor predict accurately leadership potential. At best, it is wise to draw on the totality of the established leadership theories and concepts in order to best explain the complex phenomena of leadership behaviour. Such a list of established theories (Lussier, 1997) would include classical leadership theories (trait, behavioural, situational); behavioural leadership theories (two-dimensional, leadership grid, charismatic, transformational, transactional, and symbolic leadership); and situational leadership theories (contingency, leadership continuum, path-goal, normative, situational and leadership substitutes).

In addition, I also concur with most scholars and practitioners with international work experiences that the above mentioned established theories have to be further expanded and broadened to accommodate cross-cultural variance. Since the ground breaking empirical study of Geert Hofstede (1980), we know that US based leadership theories do not apply to many non-US situations and have to be adapted to local norms and values in order to become accepted and hence be effective. Hofstede (259) points out that trying to develop leadership as if it were an independent characteristic which a person could acquire is naïve - leadership is a complement to subordinateship. Cultural values are present in both the leader and the subordinate, hence cultural differences also necessitates a cultural adaptation to fit a country's predominant cultural preferences (Yiu & Saner, 2000).

According to Hofstede (259):

[T]he only US leadership theory which allows for a certain amount of cultural relativity, although indirectly, is Fiedler's Contingency Theory of Leadership (1967) which states that different leader personalities are needed for 'difficult' and 'easy' situations, and a cultural gap between superior and subordinates is one of the factors that makes a situation 'difficult'. However, his theory does not consider the kind of cultural gap,

Hofstede has four key concepts in describing cultural value differences. The one which pertains to leadership is 'power distance'. Power Distance refers to the degree of inequality between leader and subordinate. The stronger the inequality, the stronger the dependency need of the subordinate and concomitantly the stronger the form of hierarchical orientation of leadership. Countries with high power distance preferences according to Hofstede's findings are France, Latin countries' and most Asian countries.

US leadership theories, according to Hofstede, have been developed out of a cultural context consisting of medium power distance. US leaders would hence demand more prerogatives than Scandinavian and German leaders whose Power Distance values are lower than the US averages. On the other hand, most Asian leaders would adopt more paternalistic-autocratic behaviour which in turn would be complemented by a more deferring behaviour of Asian subordinates since most Asian countries show a preference for high power distance values.

### **Leadership Theory: From the present to the future**

Following Hofstede's views, cultural value preferences get passed on from generation to generation via parenting, schooling, and general societal organisation. Deeply held value preferences do not change very fast, if at all. Hofstede (1991: 23-48) links values preferences to certain patterns of development and contexts within which countries have to live in. For instance, factors closely associated with low power distance are: a) country location at northern hemispheric latitude; b) mostly small sized countries; and, c) relative wealth and positive economic development.

The first factor, latitude, is difficult to change. The second might undergo changes since increasing globalisation also means concentration of decision making power according to economies of scale be this in the economic or political sphere (EU regional integration process). The third factor is even more variable since different economic policies could lead to different wealth creation (e.g. increasing middle class). For example, despite being located in the tropical part of the hemisphere, Singapore has been able to increase wealth through smart economic policies and socio-political engineering (high power distance, but less so compared to Indonesia and Malaysia).

Assuming a future scenario consisting of continued globalisation of the world economy and increasing postmodern convergence of culture (form of hybrid-Americanisation), one could argue that power distance values will converge over time. In some countries, power distance might increase (small Scandinavian countries due to integration into Europe) with concomitant centralisation of decision making in Brussels. In other countries power distance might decrease due to increasing wealth, economic development and improvement of access to education by the population at large. Additionally, the proliferation of information and communication technologies is also forwarding this process of power distance reduction.

Taking this gradual convergence model a step further, one could hypothesise that leadership behaviour will gradually become more harmonious or similar across the globe. The integration of world cultures and economies would necessitate a transition period where different cultural models co-exist until they gradually become more similar. While moving towards more convergence, one would have to anticipate the development of a new or global way of conducting business and government. This new standard would not necessarily mean Americanisation but rather Hybridisation of existing dominant culture modes. The final result of this integration process due to globalisation cannot be determined at this point but trends should become apparent provided globalisation continues and postmodern culture formation does not get interrupted (by wars).

Should the integration process continue, we could anticipate a more hybrid form of organisation and management that in turn would make it possible to discern globally acceptable leadership models and management practice models.

## **Conclusion**

Leadership models will further develop as we see further integration of the world economy, which forces multinational companies to be effective and efficient in different markets of the world. Leaders of such globalising companies, whether from OECD or developing countries, have to learn how to broaden their leadership competencies in order to be successful in business and non-business environments.

In a similar way, many of our top government officials are faced with the need to be more proactive and more open to the public in order to better support their own national companies who depend on competent government support for their multi-national operations. This in turn forces our government officials to be more informed of the globalising influences of the world economy and to be more sophisticated in dealing with foreign business representatives, foreign government officials, and representatives of standard setting inter-governmental institutions.

More and more cross-professional transfers can be expected by top leaders who move from the private to the public sector and vice-versa. At the same time, a growing number of top managers working inside multinational companies need to know how to act as corporate diplomats or representatives in many different countries and businesses and be at home in different countries.

Equally challenging is the role of the government official faced with New Public Management

reforms in a much more open system. He/she has to learn to work with ever more responsibilities, enjoy and make use of an increasing range of autonomy, define goals, motivate civil servants who increasingly are no longer attached to 'iron rice bowl' expectations. To do all this within the context of a more market oriented public administration, the new public manager has to learn to focus less on day-to-day operations but more on integration and cooperation within an increasingly less bureaucratic public services. He/she has to serve as linking pin within the government but also increasingly between the government and external constituencies, especially citizens and economic actors, and to a lesser degree with the international community.

This growing need to be effective as a leader in multiple settings (private and public), in increasingly larger number of different countries (multinational company), and in a constantly transforming public service (New Public Management reforms and global governance structure) seems to suggest the following:

- It will become less and less possible to rely on simple management and leadership concepts. Tomorrow's business and government situations will be changing at an ever-increasing speed. This means continuous learning of new skills and knowledge and concomitantly with this unlearning of old recipes. Solutions which worked today might be the problem of tomorrow.
- Our leaders have to learn to manage dilemmas and to accept that many of tomorrow's challenges will mean that no single solution is the only valid and best solution but that several solutions might be possible or that, at best, different solutions have to be kept alive through out the increasingly complex process of modern business management and modern government administration. To use an analogy from theatre, our leaders have to learn to expand their repertoire and include in their tool box the know-how of classical, modern to postmodern theatre in order to be effective leaders today and potential leaders for tomorrow's uncertainties.<sup>4</sup>
- What has been elaborated above is also true for scholars of leadership development and leadership training. Our theories and training modules have to reflect the increasing complexity of contemporary life and provide support for our leaders but not anymore in regard to sure and safe recipes which do not live up to the challenges of tomorrow's complexities. Rather, I suggest that our leadership models should become flexible enough to accommodate tomorrow's certain uncertainties but still practical and useful enough to provide help and orientation for our increasingly challenged leaders, be they in the private or public sector or both.
- In line with the fluidity of leadership model, I suggest that the training of future leaders need to broaden its canned recipes to incorporate a broader range of experimentation through learning in action (Revans, 1971; 1985). Future leaders need to become more cognisant of their own 'theory in action'<sup>5</sup> and to develop their reflective mind so that they would be better equipped to deal with the ambiguity and constant shift of the operational context.

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<sup>1</sup> According to the United Nations Conference on Trade and Development, the degree of international involvement of a firm can be measured in various ways. The index of transnationalisation used by UNCTAD is a composite of three ratios namely foreign assets/total assets, foreign sales/total sales and foreign employment/total employment. See UNCTAD 1998: 43.

<sup>2</sup> Excerpts taken from a recent article titled "Business Diplomacy Management: A Core Competency for Global Companies", by R. Saner, L. Yiu & M. Sondergaard; 2000, *Academy of Management Executive*. 14 (1): 80-92.

<sup>3</sup> An example regarding Taiwan can be found in Saner and Yiu (1993).

<sup>4</sup> Postmodern theatre implies multitude of styles, simultaneousness of events, polyvalence (moving back and forth in the role of director, scriptwriter, actor, and stage manager). For more information on postmodern consulting see Saner (1999).

<sup>5</sup> A phrase coined by Donald Schön to highlight the tacit knowing which has been acquired through experiences.