# Common Mistakes Leaders Make in Emerging Economies

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**Abstract**

Some of the emerging and recently independent sovereign nations, due to ignorance, or, lack of well-formulated development structure and enforceable policies, the leadership at the highest levels of governments, make common mistakes. In recent years, the list of countries includes Latin and Caribbean region, Central and North Asian, and Africa. This research addresses the following mistakes: (1) lack of leadership succession planning, (2) lack of adaptation of proven technologies, methods, and practices of the Western world, (3) not having a clear industrialization policy and implementation framework, (4) failing to use proper management of sovereign assets, (5) not paying attention to creating and sustaining a large middle-class as a larger percentage of working population, (6) education and infrastructure, that attract and retain talents and skills in both government and private sector leadership positions, and (7) economic development that promote market-based policies and rule of law.

## Introduction

We accept innovative, albeit imperfect, beta releases even from multibillion-dollar global behemoths such as Google. We're prepared to accept flaws because the tech revolution is progressing so quickly that it is usually better to be fast, and possibly wrong, than to try to be perfect and end up being slow. By the time your flawless product is released, it will likely be obsolete (Harris, 2000).

Technologists aren't the only people operating in a rapidly changing, uncertain environment. Thanks both to the tech revolution and to globalization that is true of all of us, including our governments. But, as Nobel-Prize winning economist Michael Spence argued, emerging-market governments seem to be better at dealing with an unpredictable, volatile world than Western ones. They are like Silicon Valley entrepreneurs—willing to act swiftly, even if it means making mistakes. Leaders in the West are more like Detroit, reluctant to make bold moves until it is too late (Zakaria, 2011).

Part of the problem is the way we judge various types of mistakes. Spence argues that we make two types of mistakes—implementing a bad idea, and failing to act on a good one. If you are religiously minded, you could think of these as sins of commission and sins of omission. In stable times, sins of commission are probably worse. If your industry isn't changing very much or if your country's economy and the world economy are on an even keel, launching an expensive new product or government program that fails is probably more damaging than missing out on a great opportunity.

But in times of radical change, making a mistake is less risky than doing nothing at all. Spence thinks that emerging-market leaders understand this better than Western ones do, and he cited the examples of China's fast and big stimulus program after the financial crisis and the Indian government's willingness to act to burst asset bubbles (Schynes, 2010).

**Leadership Styles**

Conceptualizations of leadership that focus only on the positive aspects of leadership are too narrow and may represent a romantic notion of leadership. A growing body has emerged with a focus on the darker side of leadership. Allowing for the possibility that leaders can also do harm, either intentionally or unintentionally. Many leadership scholars from several different countries have addressed such topics as narcissistic and destructive leadership, ethical leadership and leader errors.

Both leadership and managing cultural differences cause conflict between managers and staff who originate from different cultures. This lack of understanding can cause serious miscommunication, which can hinder the growth and the productivity emerging and developing countries. A lack of leadership skills in managing cultural differences, on the part of many managers and leaders in emerging countries, blocks positive business negotiations with developed countries. For political as well as business leaders to succeed in the twenty-first century, they must learn to support, maintain, and welcome cultures different than their own because the workforce who they must now motivate comes from all corners of the planet. This is because business is no longer stationed solely within the borders of one community or even one country.

**Some of the Leadership Mistakes in Emerging Countries**

Mistake 1: The countries can leap-frog into a modern economy without democracy and political stability—especially no planning needed for leadership succession;
Mistake 2: Leadership is ONLY about gaining acceptance as a republic and a seat in the United Nations; no reason to take good ideas, technologies, and time-tested methods and practices of the Western world.

A person with a parochial perspective does not recognize other people's different ways of living and neither working nor those differences have serious consequences. Because the United States has such a large domestic market, and English has become the international business language, as well as, because of the United States' former political and technological dominance, many Americans continue to believe that they can conduct business strictly from an American perspective." (Adler, 1991)

The global economy of today has forced most American companies to no longer consider the United States as the only appropriate home base for their operations. The trend, for most American companies, is to develop an entirely multinational and even global business operations network. For this reason, it is clear that managers, of any US or Western corporation that desires to expand overseas, must understand the cultural aspects of traditional business practices in the countries in which they wish to do business. Harris and Kumra (2000) stated that criteria upon which Western managerial competence is based may be wholly inappropriate in an international setting and may indeed be determinants of failure rather than the key to success. “Intercultural differences influence international business in many ways” (Zakaria, 1999).

Mistake 3: Industrialization, development of manufacturing base and job skills that meets international standards is not relevant;

Mistake 4: Once you have mineral resources with high demand in international markets, or, availability of cheap labor, the multinational corporations would make investments into the country—that’s a ticket for international recognition, which gives power to the leadership and monies in the sovereign banks.

Mistake 5: Rule of law, security, middle-class values, freedom of the press, transparency, and business-friendly to citizens are not to be considered a top priority of the federal and local governments;

Mistake 6: Education, Infrastructure, providing an enforceable merit-based hiring and promotion system at local and state levels that encourages mobility of resources (capital, talent, skills, and industries)—these are either ignored, or given lip service at all levels of the government and private sector.

Mistake 7: Not to have a path-oriented human, economic, and infrastructure capacity development;

Schein (1991) believes, “Organizational cultures spring from three sources: beliefs, values and assumptions; learning experiences as the organization evolves; and new beliefs, values, and assumptions brought in by new members and leaders.” When people are initially brought into a founding group, a common history begins to be built. A common history provides a shared perspective regarding the purpose of the group and its role in its environment. As this larger group has shared learning experiences, it gradually develops assumptions about itself. Developing nations’ organizational culture can provide the social coherence that will allow the natives to learn from their mistakes as a group and stimulate the innovation they need to discover adaptive strategies for dealing with change.

"Organizations create culture; to be renewed and restructured, they alter it. The resulting organizational culture is a set of coping skills, adaptive strategies used by members. Organizational culture represents understandings and practices regarding the nature of reality. Organizational culture is manifested in values, attitudes, beliefs, myths, rituals, performance, and artifacts." (Harris, 1993)

**Conclusion**

The emergence of the emerging markets is old news. Tom Friedman discovered that the world was flat back in 2005. But even as much of the developed world is struggling with weak consumer demand and stubbornly high levels of unemployment, the emerging market countries are writing a new chapter in the story of the global economy. We are accustomed to thinking of our economic relationship with the countries Fareed Zakaria describes as "the rest" as a two-way exchange between west and east or north and south: western companies setting up call centers in India or manufacturing their goods in China, for instance; and, more recently, savings-rich emerging market economies, especially China, investing in US treasuries, or Russian oligarchs buying London mansions.

That was Globalization 1.0. In the next stage, some of the biggest deals and some of the most important capital flows will be between emerging markets, with no need to stop-over at Heathrow or JFK. Forget the last decade's race-to-the-bottom rivalry between Wall Street and the City of London to be the world's financial capital; the poor and emerging countries and markets of Africa, Eurasia, Latin and Caribbean regions, with proper leadership and management can participate in Globalization 1.0.

One place you can watch Globalization 2.0 gathering pace is on the 49th floor of the 'C' tower in the high-tech high-rise complex the locals call Moskva City, on the banks of the Moskva River, half a mile downstream from Russia's White House, where Prime Minister Vladimir Putin is currently installed. The fancy modern furniture (the "Ziricote veneer," a sign informs visitors, is "sourced in Chile") and contemporary art are standard

New York hedge fund décor (Friedman, 2010). The leadership of multinationals, which take advantage of know-how and capital, especially their mobility, regardless of politics and regions, has become a new trend in Globalization 2.0.

Multinationals like GE, Coca Cola and Citibank have been quick to understand the opportunity in emerging markets represent and adapt to local conditions. The reliability and the reputation of these global brands can make them appealing partners for even the most aggressive emerging market entrepreneurs. And when it comes to paradigm-shifting innovation, western companies like Apple and Facebook are still setting the international agenda.

In fact, it may be western politicians rather than western CEOs who will be blindsided by this coming wave of globalization. Lackluster economic growth and persistent unemployment are fueling protectionist sentiment in many developed countries, especially the US. At a time when emerging market countries and companies are getting better and better at doing business with one another, that impulse may not only be self-destructive. Even worse, it could be futile.

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