

The role of global leadership in risk management of international business

دور القيادة الدولية في إدارة مخاطر الأعمال الدولية

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Abstract:

The research is to study the impact of the necessary skills for global leadership in managing the risks of the international business So that in order to test the hypotheses of the study, a questionnaire was conducted on 60 global leaders in a group of international business institutions in Algeria, and for the analysis of data, we used spss (25), The study concluded that there is a significant impact of the skills needed for global leadership in international business risk management, which draws its strength from the skills of international laders(strategic thinking, cultural intelligence and knowledge transfer) in managing the risks of environmental complexity diversity .

keyword: Global Leadership; Strategic Thinking; Cultural Intelligence;
JEL classification code : : F23, F64, M31

ملخص

يهدف البحث إلى دراسة تأثير المهارات اللازمة للقيادة الدولية (العالمية) في إدارة مخاطر الأعمال الدولية. ولاختبار فرضيات الدراسة تم الاعتماد على جمع المعلومات من 60 قائد دوليا في مجموعة من مؤسسات الدولية بالجزائر، و باستخدام برنامج spss 25 في تحليل النتائج خلصت الدراسة إلى أن هناك تأثيرًا كبيرًا للمهارات اللازمة للقيادة الدولية في إدارة مخاطر الأعمال الدولية ، والتي تستمد قوتها من مهارات القادة الدوليين (التفكير الاستراتيجي ، الذكاء الثقافي ونقل المعرفة) في إدارة مخاطر التعقيد البيئي والتنوع الجغرافي عبر الحدود،

الكلمات المفتاحية : القيادة الدولية ؛ التفكير الاستراتيجي ؛ الذكاء الثقافي ؛

تصنيف JEL : F23 ، F64 ، M31

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1. Introduction :

Risk management is the practice of effective selection of several alternatives and methods, in order to minimize the impact of threats to international business . Dealing with these risks depends on the ability of the global leadership to manage the risks facing international business activities, from attempting to predict, to containing them. Reducing its effects and ending with the processing of its results and benefit from it, relying on dynamic strategic skills in determining the future of the institution and the direction of business in it. Today, international institutions operate in a complex and rapidly changing business environment, which makes achieving excellence, requires good preparation, and considering the changes of the environment is a difficult and big challenge to challenge and try to minimize its impact. These challenges require the presence of global leaders who are able to manage cross-border risks, demonstrate presence and spread across global markets, and adapt to new environments through strategic practices and skills that allow them to learn about the nature and culture of a foreign country, based on reading, research and development of friendships. Building relationships as well as mastering the quality of communication with others also attaches great importance to the study and knowledge of the potential risks and problems resulting from operations outside the borders.

Risk management processes are influenced by many external and internal factors, including political, legal and cultural, and many international institutions and international companies have been exposed to a lot of risks, due to the failure of its leadership in the process of analysis and study of the most important risks to the objectives of their institutions.

Through the above, the following main forms can be presented: **Is there a role for global leadership skills and the impact of risk management in international business?** The following questions arise from him:

- What is the concept of global leadership?
- How prepared is the global leader to face the risks facing international business?
- What are the main risks faced by international business?

Study hypothesis:

There is a significant effect between global leadership having the necessary skills and risk management in international business.

The importance of studying :

- 1 - Interest in global leadership is a new and important topics in the field of international governance.
2. Given the rapid development of the international business environment, it has become necessary to pay attention to the risk management of international institutions.
3. The research is one of the first researches concerned with the study of the skills of the global leader and the management of risks through biodiversity and multiculturalism.

2.Global Leadership:

2.1.The concept of Global Leadership:

Before clarifying the concept of global leadership, it is necessary to consider the concept of leadership in general or what is sometimes called traditional Leadership.

"Leadership is that a leader chooses individuals carefully and then guides them" (Crosby, 1997,p2).

Prentice argues that "leadership is the achievement of the goal by guiding individuals" (Prentice, 2005,p151) .

He described(Rost, 2005,p102) "Leadership as a strong and valuable relationship between leaders and followers who make changes that highlight their common goals and objectives".

Like leadership, there are several concepts and definitions of global leadership:

It is defined as a social process that transcends cultural boundaries and influences individuals, strategies, tasks, groups and organizational culture by assimilating diverse cultural norms and values (Teresa.Witt, 2012,p43) .

They are effective collaboration and building relationships, alliances and partnerships within a new, complex and changing environment (Erik Magner, 2012,p47).

It is also defined as the process of influencing individuals, groups and organizations (within and outside the boundaries of the International Foundation) that represent cultural and political systems

in achieving the goals of international institutions (Teresa.Witt, 2012,p44).

defined global leadership as part of a constant search for performance improvements, at all levels of the organization (integration and auditing). Administrative procedures by function are imposed on all those with the same responsibilities. , Regardless of the country where the company operates, as long as it has proven to be competitive (croué, 2015,p38).

"Who can guide organizations that span diverse countries ,culture and customers" (Gregersen, Morrison, & Black, 1998 ,p23).

Global leaders are managers with global integration responsibilities in global organisation (Suutari, 2002,p229).

2.2. *Global leadership dimensions :*

There are three dimensions to global leadership :

Fig.1 : Global leadership dimensions .



Source: <https://www.et.byu.edu/Weidman-center/global-leadership-dimensions>

- ***The first dimension: personnel characteristics***

It is the personality and characteristics of a global leader such as adherence to standards of integrity, dealing with ethical issues and wise decision-making, self-awareness and the pursuit of continuous improvement and face risks through sound thinking.

- ***The second dimension :organisation skills***

These are the key skills that a global leader must understand and execute in the organization, develops and exercises effective skills, understands group dynamics and teamwork, expresses vision and formulates strategy and plans to achieve common goals.

- ***The third dimension:global and cultural perspective***

It is the extent of the integration of the leader in international business and his ability to understand and accept cultures across the world. And population growth, water, etc.....

2.3. global Leadership Models:

We distinguish two types of models at the level of international management vary according to administrative design, performance evaluation and control and management methods : (الدوري، ص187) (صالح).

- ***Western model :***

-The Western model relies on a few bureaucracies with a high delegation of authority.

- It uses complex information system and planning technology, more modern and scientific management methods.

- Collective decision-making, advanced control systems to evaluate performance.

- Relates to individuals in a closed and general manner.

- ***Middle East model :***

- Depends on a high bureaucracy with greater centralization and power influence at the top.

- Individual decision-making at the top level of management, weak performance evaluation systems.

- Communication system depends on social status, influence and high impact.

3. Risk Management in International Business:

3.1. Risk Management:

It is the process by which it is ascertained that undesirable events related to matters that result in losses. It is an ongoing process of making and implementing decisions that would minimize the acceptable impact or uncertainty related to exposure to risks that have

an impact on the organization, in other words, the natural tendency of the organization to balance opportunities and threats. (Tanim, 2019)

It is also an independent function responsible for planning, directing and organizing a scale to reduce, mitigate and control potential impacts on an organization from the risks arising from its operations.

Risk management processes are characterized by their strategic and tactical approaches. In terms of strategic direction in risk management, it means how risk management can add value to businesses. From a tactical point of view, it means how risk management works in real performance of its tasks.

3.2. Risks in international business:

Business risk implies the possibility of some unfavourable happening. It is the possibility of loss due to same uncertain future occurrence. International business risk may be defined as the possibility of loss caused by some unfavourable or undesirable event in international business operations. Changes in international environment and difference in the economic systems, objectives and cultures of different countries are the main causes of international business risks. The degree of such risk differs from one company to another company and from one country to another country (SakshiJindal, 2011).

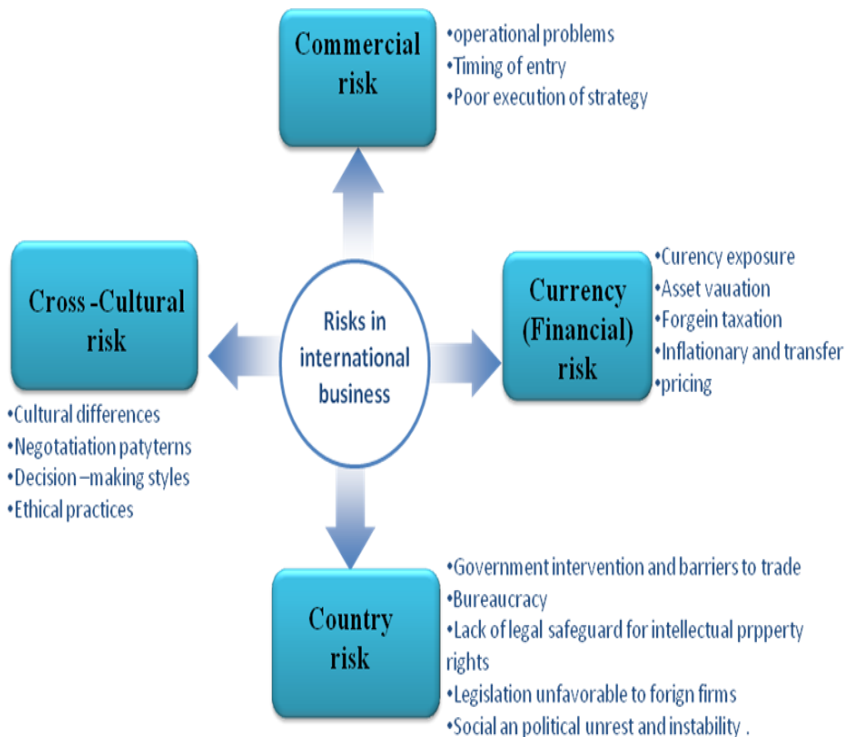
3.3 Classifications Risks in international business:

A range of risks can be identified at the international business level (ibc-business-strategy, 2011):

- **country Risk:** Potentially adverse effects on company operation and profitability arise by developments in the political, legal and economic environment in foreign country.
- **currency Risk:** Every country has its own currency of one country is not in circulation in the other country, describes the variable investment values due to the change of two different currencies and also known as foreign currency risk (SakshiJindal, 2011).
- **Commercial Risk:** Firms potential loss or failure from poorly developed or executed business strategies, tactics, or procedures, failures in international markets are far more costly than domestic business blunders.

- **Gross -Cultural Risk** : When the institution suffers from the encounter of languages, customs, traditions and consumer preferences, it leads to potential cultural risks within its external environment and in the management of human materials within the institution.

Fig.2 : The four risks of international business .



<https://www.slideshare.net/ibc-business-strategy/dealing-with-risks-in-international-business>.

4.Global Leadership Skills in Risk Management:

We have drawn from the contributions of writers and researchers in identifying the most important skills necessary for international leadership in the management of risks of international business and were:

4.1. Strategic Thinking:

Strategic thinking is defined as the innovative way of thinking about how future visions of anticipated issues and predicting the opportunities and threats that can face the organization (هلال & عبد الغاني، 2008، ص31) .

Given the dynamism and difficulty of working at the international level, which is a major challenge for all institutions, which requires leaders to excellence in strategic thinking, which requires the following (الكرخي، 2015، ص22) :

1. Change management in business areas.
2. Stay away from stereotyped work methods and bureaucratic management, and modernize new methods.
3. Innovation management.
4. Prospecting the future through reflection and reflection on the future conditions of the institution.
5. Analyze the environmental situation, monitor opportunities and avoid threats.

4.2. Cultural Intelligence:

Cultural intelligence is essential for individuals in leadership positions in international work environments. Leaders are not only effective in professional experience but also know how to work effectively with people from different cultures and backgrounds, and Niberson identifies four dimensions of cultural intelligence (BIJEDIC, 2015,p13):

1. Linguistic Intelligence: Language skills necessary to interact with other cultures people.
2. Spatial Intelligence: Ability to adapt behaviors in different environments.
3. Intelligence towards individuals: the ability to understand the individual's cultural pattern.
4. Personal Intelligence: Respond appropriately with other individuals.

4.3. knowledge transfer :

Peter Drucker commented, "We know that the source of value is something that is particularly human knowledge. If we use knowledge in tasks that we know how to accomplish clearly, we call them

productivity. If we use knowledge in tasks that are new and different, we call innovation (14 ص، 2019، شتاتحة)."

It is defined as individual beliefs that increase an individual's ability to take effective action. Effective actions are the sum of the skills and mental activities that are needed.

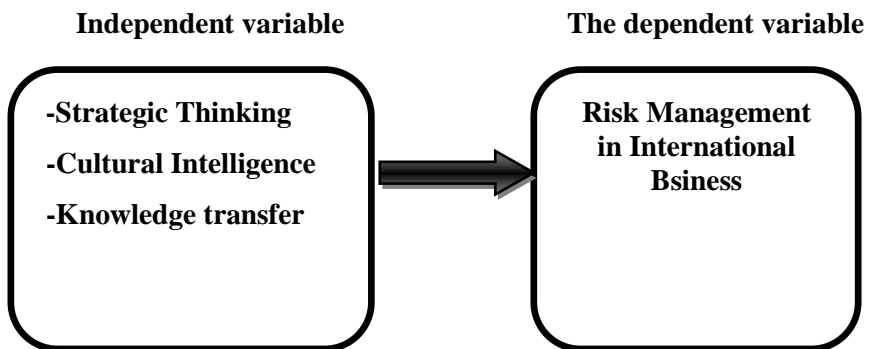
The transfer of knowledge across cultures will effectively contribute to providing the institution with new and innovative knowledge and is easy to acquire and produce. Knowledge transfer requires an extraordinary pattern of leadership in order to lead others to support innovation and change processes (53ص، 2015، مسلم). The following:

1. Ability to explain the vision of others and work to link them in more than one content within the institution.
2. Support innovation and ensure continuous learning opportunities.
3. Attention to the flow of knowledge rather than storage.
4. Continuous research on new ideas and transfer between members of the institution.

5.Study Methodology :

We prepared the study model based on previous literature and research.

Fig.2 : Rechearch model



source: Prepared by researchers.

5.1.Sample and data collection:

In order to test the hypothese of this study , a survey conducted with globals managers from various organizations in Algeria , The questionnaire contained 60 statements. To analyze the data, we performed the following statistics :

- The statistical program of the spss 25 was adopted, and the Likert 5-point scale (Strongly Agree, Agree, Neutral, Disagree, Strongly Disagree) .

-Alpha Cronbach to determine the stability factor of the study tool.

- Multicollinearity between the independent variables.

- Regression model and ANOVA parameter to determine the effect of independent variable elements on the dependent variable.

5.2 Reability test :

Table1 : Reability test

| <i>Structure</i> | <i>N of items</i> | <i>Crounbach's Alpha coefficients</i> |
|-----------------------------|-------------------|---------------------------------------|
| <i>Independent variable</i> | 16 | 0.90 |
| <i>dependent variable</i> | 18 | 0.81 |
| <i>Total</i> | 34 | 0.90 |

source: statistical package for social sciences(spss25).

Crounbach's Alpha test yielded 0.90 for independent variables , 0.81 for dependent variable ,and total 0.90, any Crounbach's Alpha that is greater than 0.80 is excellent , wich would mean the reability measure of this study is excellent.

5.3 Test hypothesis study

To test the hypothesis of the study we used multiple linear regression, and before the test should be verified that there is no multicollinearity between independent variables (global leader skills), by factor (VIF and Tolerance test).

Table2 : multicollinearity between the independent variables.

| <i>Independent variable</i> | <i>Collinearity statistics</i> | |
|------------------------------|--|------------------|
| | <i>Variance Inflation Factor (VIF)</i> | <i>Tolerance</i> |
| <i>Strategic Thinking</i> | 1.313 | 0.762 |
| <i>Cultural Intelligence</i> | 1.970 | 0.508 |
| <i>Knowledge transfer</i> | 1.298 | 0.770 |

source: statistical package for social sciences(spss25).

Tolerance and the Variance Inflation Factor (VIF) are two collinearity diagnostic factors that can help to identify multicollinearity among the variables in a regression model , From Table (2), we conclude that the value of VIF is less than 3 and the Tolerance value for all variables is greater than **0.1**,This means that there is no problem with high correlation between independent variables.

6.Study Results :

6.1 Study hypothesis:

There is a significant impact between the necessary skills for the global leader and the risk management in the international business.

Before studying the hypothesis, we first test the validity of the model by analyzing the variance test and F-Fisher.

Table3 : Analysis Of Variances (ANOVA)

| <i>Sources of variation</i> | <i>Degree of freedom</i> | <i>Sum of square</i> | <i>Mean of square</i> | <i>F</i> | <i>Signification</i> |
|-----------------------------|--------------------------|----------------------|-----------------------|----------|----------------------|
| Regression | 5 | 1.926 | 0.385 | 15.276 | 0.000 |
| Residual | 54 | 1.362 | 0.025 | | |
| Total | 59 | 3.288 | 0.385 | | |

Statistically significant at the significance level $\alpha \leq 0.05$

source: statistical package for social sciences(spss25).

It is clear from the results of table (3) that the value of F was **15.276** and is statistically significant sig = **0.000**, which is less than the level of significance $\alpha = 0.05$ and therefore will prove validity of the multiple linear regression model and therefore accept the hypothesis In international business.

Based on the above, it is possible to use the regression method to measure the impact of each independent variable on the dependent variable. Table (4) shows the results of multiple linear regression coefficients.

Table4 : Table showing regression coefficients

| <i>Variables</i> | <i>coefficients</i> | <i>T</i> | <i>Signification</i> |
|------------------------------|---------------------|----------------------|----------------------|
| Constant | 1.654 | 6.672 | 0.000 |
| Strategic Thinking | 0.422 | 5.005 | 0.000 |
| Cultural Intelligence | 0.147 | 1.365 | 0.014 |
| Knowledge transfer | 0.334 | 4.355 | 0.000 |
| R | 0.765 | R² | 0.586 |

Statistically significant at the significance level ($\alpha \leq 0.05$).

source: statistical package for social sciences(spss25).

We note that all variables (the necessary skills for the international leader) have a moral impact with a statistical significant on international business risks; where we note that the variable (strategic thinking) has the first importance in terms of the strength of the impact on international business risks, where the **T** value of a regression parameter recorded= **5.005** and the value of the regression parameter recorded= **0.422** which was significant and direct, that is, the more strategic thinking skills the stronger the monitoring and analysis of international business risks, followed by the third variable (Transfer knowledge) whose value of **T** for the regression parameter = **4.355** and the value of the regression parameter = **0.147** which was moral and direct, in the last place cultural intelligence, whose value of **T** for the

regression parameter = **1.365** and the value of the regression parameter = **0.334** and it was also significant and direct.

The results of the study of the hypothesis test showed that there was a positive effect of statistical significance at $\alpha = 0.05$ for all dimensions of independent variables (transfer knowledge, cultural intelligence, strategic thinking).

Based on the results of the regression coefficients analysis, which were all statistically significant, the estimated model appeared:

$$\hat{y} = 1.654 + 0.422x_1 + 0.147x_2 + 0.334x_3. \text{ in which :}$$

\hat{y} : Risk Management in International Business .

x_1 : Strategic Thinking.

x_2 : Cultural Intelligence.

x_3 : Knowledge transfer.

The R^2 value of 0.586 indicates that the independent variables account for 58.60% of the estimated regression model, while the remainder is attributed to other variables not included in this model.

7. Conclusion :

Risk management is a critical aspect of international business activities, as different countries present varying degrees of political, economic and social risks. Political risks revolve around security and government stability, while economic risks include inflation and the competitiveness profile of foreign governments. Health and educational standards and cultural diversity present social risks.

The aim of this study was to investigate the impact of global leadership skills in the management of international business risks.

The global leadership has significant challenges at the level of its activities beyond borders, in choosing appropriate methods to deal with any threats to its objectives.

Global leadership must develop and adapt its skills to the risks it faces in a competitive or international environment.

Global leadership isn't just about overcoming the risks. There are lots of those of course. More importantly it's about the opportunities.

The global environment creates more opportunities than a domestic one opportunities for growth, innovation, learning. My motivation for becoming a better global leader is to be able to find and take advantage of those opportunities.

The study found that there is a statistically significant impact = 0.05 for the skills needed for global leadership in risk management of international business.

It concluded that there is an impact of cultural intelligence and strategic thinking , Knowledge transfer on risk management in international business.

Attention to global leadership at the Arab level in general and Algeria in particular.

Attention to the development and training of leaders to be more effective at the level of international activity.

The need to extend this study to future studies dealing with global leadership and other variables and a broader sample and more to allow to reach more accurate results, so it is recommended for future researchers to do study in other sectors, and consider other factors which researchers did not deal with them in this study.

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