

Cultivating a global mindset

Anil K. Gupta and Vijay Govindarajan

Executive Overview

The economic landscape of the world is changing rapidly and becoming increasingly global. For virtually every medium-sized to large company in developed as well as developing economies, market opportunities, critical resources, cutting-edge ideas, and competitors lurk not just around the corner in the home market but increasingly in distant and often little-understood regions of the world as well. How successful a company is at exploiting emerging opportunities and tackling their accompanying challenges depends crucially on how intelligent it is at observing and interpreting the dynamic world in which it operates. Creating a global mindset is one of the central ingredients required for building such intelligence. In this article, we address the following issues: why mindset matters, what a global mindset is, the value of a global mindset, and finally, what companies can do to cultivate a global mindset.

Heterogeneity across cultures and markets is a pervasive feature of the global economic landscape. As illustrated by the initial failure of many American firms in the Japanese market,¹ ignoring such heterogeneity can be a costly mistake for any company trying to build and successfully exploit a presence across borders. Importantly, however, in dealing with heterogeneity across cultures and markets, going to the other extreme and becoming its prisoner can be an equally costly mistake. As Percy Barnevik, the architect of ABB and its first CEO, aptly observed:

Global managers have exceptionally open minds. They respect how different countries do things, and they have the imagination to appreciate why they do them that way. But, they are also incisive; they push the limits of the culture. Global managers don't passively accept it when someone says, 'You can't do that in Italy or Spain because of the unions,' or 'You can't do that in Japan because of the Ministry of Finance.' They sort through the debris of cultural excuses and find opportunities to innovate.²

As the previous observations suggest, how multinational companies and their managers perceive and interpret the global social and economic environment around them has a major impact on the strategies that they pursue and the success of these strategies. Building on this premise, our goal in this article is to explore the concept of global mindset, differentiate it from alternatives such as parochial or

diffused mindsets, discuss why a global mindset is important in the business world of today, and present guidelines regarding what managers and companies can and should do to cultivate a global mindset.

What Is a Global Mindset?

The Concept of Mindset

In order to understand the meaning of the term global mindset, it is important first to achieve clarity regarding the underlying core concept of mindset. Generically, the mindset concept has had a long history in the fields of cognitive psychology and, more recently, organization theory, where scholars have focused on the question of how people and organizations make sense of the world with which they interact.³ The basic research findings can be summarized as follows:

1. As human beings, we are limited in our ability to absorb and process information. Thus, we are constantly challenged by the complexity, ambiguity, and dynamism of the information environment around us.⁴
2. We address this challenge through a process of filtration. We are selective in what we absorb and biased in how we interpret it.⁵ The term mindset refers to these cognitive filters.
3. Our mindsets are a product of our histories and evolve through an iterative process. Our current mindset guides the collection and interpretation

of new information. To the extent that this new information is consistent with the current mindset, it reinforces that mindset. From time to time, however, new information appears that is truly novel and inconsistent with the existing mindset. When this happens, we either reject the new information or change our mindset. The likelihood that our mindsets will undergo a change depends largely on how explicitly self-conscious we are of our current mindsets; the more hidden and subconscious our cognitive filters, the greater the likelihood of rigidity.⁶

4. Every organization is a collectivity of individuals. Each individual has a mindset which continuously shapes and is shaped by the mindsets of others in the collectivity. How this shaping and reshaping of mindsets occurs depends crucially on who has how much power and who interacts with whom, in what context, for what purpose, and so forth. Hence, how the firm is organized and how decision-making power and influence are distributed within the organization play a decisive role in the shaping of the collective mindset.
5. Organizational mindsets can change and evolve in four primary ways:⁷ (1) new experiences which cause a change in the mindsets of organizational members, (2) a change in the relative power of different individuals, (3) a change in the organizational and social processes through which members meet and interact with each other, and (4) a change in the mix of members comprising the firm such that the mindsets of new members differ from those departing. As illustrated by the mid-1990s shift from John Akers to Lou Gerstner at IBM,⁸ the need for a different mindset is one of the most common reasons for involuntary changes in CEO positions.

Mindsets as Knowledge Structures

Research in cognitive psychology has also revealed that mindsets exist in the form of knowledge structures and that the two primary attributes of any knowledge structure are differentiation and integration.⁹

Differentiation in knowledge structures refers to the narrowness vs. breadth of knowledge that the individual or organization brings to the particular context. Consider, for example, the proverbial functional expert with almost no exposure outside the functional area. In colloquial terms, we would say that this person has tunnel vision—a classic case of low differentiation in knowledge structure. In contrast, a manager with significant experience in multiple functional areas has a more highly differentiated knowledge structure and is unlikely to exhibit the tunnel-vision syndrome.

Integration in knowledge structures refers to the extent to which the person or organization can integrate disparate knowledge elements. For organizations or people with low differentiation, integration is not an issue; there is no need to integrate if the knowledge is not differentiated. Integration is a critical attribute of mindsets in those contexts where differentiation is high.

Each of us, at one time or another, probably has met someone who appears to swing from one position to another as a result of being heavily influenced by whoever the person happens to meet last. Using our terminology, such a person is exhibiting a combination of high differentiation coupled with low integration (High D-Low I). In contrast, a person who seeks and values multiple opinions but then is able to develop an integrative perspective has a combination of high differentiation and high integration (High D-High I).

Each of us, at one time or another, probably has met someone who appears to swing from one position to another as a result of being heavily influenced by whoever the person happens to meet last.

At the organizational level, consider a team of technical experts strongly focused on new product development. The mindset of such a team, operating in the silo of its members' expertise, would be Low D-High I. Compare this team to a cross-functional team whose composition includes experts from several functional areas such as R&D, manufacturing, marketing, after-sales service, and accounting but that has no strong leadership. The mindset of such a diffused/unfocused team would be High D-Low I. Finally, consider another team that in addition to being multifunctional has a strong leader who helps the team synthesize the diverse perspectives. The mindset of such a team would be High D-High I.

The Concept of Global Mindset

Building on the language of differentiation and integration, we define global mindset as a High D-High I mindset in the context of different cultures and markets.¹⁰ More concretely, we would define a global mindset as one that combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity.¹¹ The simultaneous focus on developing a deep understanding of diversity and an ability to synthesize across diversity is illustrated well by Home Décor Inc. (disguised name), a U.S.-based

household accessories company. Founded barely five years ago, the company is one of the fastest growing manufacturers of household accessories, with a five-star customer base that includes some of the most prestigious retail chains in the United States. The CEO, an immigrant from China, summarizes the company's strategy succinctly as "combining Chinese costs with Japanese quality, European design, and American marketing. There are other Chinese competitors in the market, but along with Chinese costs, what they bring is Chinese quality. On the other hand, our American competitors have excellent product quality but their costs are too high. We can and do beat both of them."

As depicted in Figure 1, it is useful to compare and contrast a global mindset (High D-High I situation) with two alternative mindsets regarding the global economic environment: a parochial mindset (Low D-High I situation), and a diffused mindset (High D-Low I situation).¹² As an illustration of a parochial mindset, consider the situation at Ikea, the world's largest furniture retailer. Until as recently as a decade ago, Swedish nationals constituted virtually the entire top management team of the company. Fluency in the Swedish language was considered essential at the senior levels. And, when the company entered foreign markets, for example, the United States, it replicated its traditional Swedish concepts such as no home delivery, a Swedish cafeteria, beds that required sheets conforming to Swedish rather than U.S. standards, and so forth. In short, Ikea saw the world through a Swedish filter; it was almost blind to alternative views of market reality. Not surprisingly, the outcome was a very disappointing performance and unambiguous feedback that this mindset would be a major barrier to success in the U.S. market.

As Ikea re-examined its format for U.S. operations,

it faced two challenges: first, to develop a better understanding of how the needs and buying behavior of American customers differed from those it had served in the past, and second, to synthesize this understanding with its beliefs and competencies pertaining to the furniture business. Without the former, the company would continue to suffer from a misalignment between its product and service offerings and market needs; without the latter, it would be unable to develop competitive advantage over incumbent players. For Ikea, the shift from a parochial to a more global mindset required an understanding of differences between Europe and the U.S. and, equally important, also a commitment to synthesize these differences and develop a more integrative perspective on the global furniture retailing industry.

For Ikea, the shift from a parochial to a more global mindset required an understanding of differences between Europe and the U.S.

In contrast to a parochial mindset, we have observed a diffused mindset most often in the case of professional service firms (e.g., in accounting, advertising, and management consulting). These firms are often structured as networks of local partner-owned organizations. In such contexts, the power of the CEO and even the senior management team is severely constrained. While certain individual executives at the top may have highly developed global mindsets, the firm as a whole behaves as if it has a diffused mindset. The appreciation for and understanding of local issues and local differences is great, but often the ability to see the bigger global picture is inadequate.¹³

Figure 2 presents sets of diagnostic questions that managers and organizations can use to assess the extent to which they have a global mindset.

The Value of a Global Mindset

The central value of a global mindset lies in enabling the company to combine speed with accurate response. It is easy to be fast, simplistic, and wrong. It also is easy to become a prisoner of diversity, get intimidated by enormous differences across markets, and stay back, or if the company does venture abroad, to end up reinventing the wheel in every market. The benefit of a global mindset derives from the fact that, while the company has a grasp of and insight into the needs of the local market, it is also able to build cognitive bridges across these needs and between these

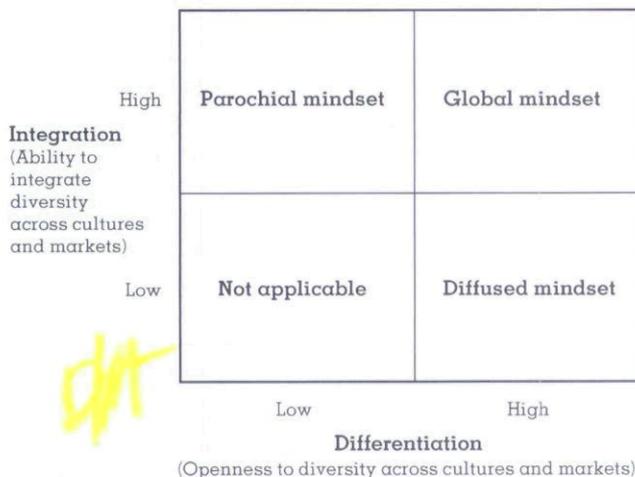


FIGURE 1
Alternative Mindsets: A Conceptual Framework

Assessing Individuals

1. In interacting with others, does national origin have an impact on whether or not you assign equal status to them?
2. Do you consider yourself as open to ideas from other countries and cultures as you are to ideas from your own country and culture of origin?
3. Does finding yourself in a new cultural setting cause excitement, or fear and anxiety?
4. When you are in another culture, are you sensitive to the cultural differences without becoming a prisoner of these differences?
5. When you interact with people from other cultures, what do you regard as more important: understanding them as individuals or viewing them as representatives of their national cultures?
6. Do you regard your values to be a hybrid of values acquired from multiple cultures as opposed to just one culture?

Assessing Organizations

1. Is your company a leader or a laggard in your industry in discovering and pursuing emerging market opportunities in all corners of the world?
2. Do you regard all customers wherever they live in the world as important as customers in your own domestic market?
3. Do you draw your employees from the worldwide talent pool?
4. Do employees of every nationality have the same opportunity to move up the career ladder all the way to the top?
5. In scanning the horizon for potential competitors, do you examine all economic regions of the world?
6. In selecting a location for any activity, do you seek to optimize the choice on a truly global basis?
7. Do you view the global arena as not just a "playground" (i.e., market to exploit) but also a "school" (i.e., source of new ideas and technology)?
8. Do you perceive your company as having a global identity with many homes, or do you instead perceive your company as having a strong national identity?

FIGURE 2
Assessing the Global Mindset of Individuals and Organizations

needs and the company's own global experience and capabilities.

These benefits can manifest themselves in one or more of the following types of competitive advantage:

- An early-mover advantage in identifying emerging opportunities;
- Greater sophistication and more fine-grained analysis regarding the trade-off between local adaptation and global standardization;
- Smoother coordination across complementary activities distributed across borders;
- Faster roll-out of new product concepts and technologies; and
- More rapid and efficient cross-border sharing of best practices across subsidiaries.

As an illustration of how valuable a global mindset can be, let us examine how its presence or absence might affect Microsoft's strategy regarding the Chinese market. In China, there is obviously a huge market for software today with an even larger market tomorrow. However, the promise of the Chinese market is accompanied by perils. Software piracy has been rampant. Public policy tends to be unpre-

dictable and often favors local over foreign enterprises. The market's sophistication level lags a few years behind that of the more economically developed countries, but this gap is closing. And, the use of Chinese characters requires, at the very least, a major adaptation of the software's user interface and possibly even the internal code. We would contend that when Microsoft formulates and reformulates its strategy for China, it will not be successful if its mindset vis-à-vis China is lacking along either of the two dimensions: if it is shallow in its understanding of what is happening in China and/or if it is not sufficiently able to see events in China from a more integrative global perspective. China is not the only country where Microsoft faces dedicated pirates, nor is it the only one with a nationalistic public-policy regime.

The promise of the Chinese market is accompanied by perils.

Can Microsoft bring to bear lessons learned from other markets as it analyzes China? Alternatively,

might lessons from China be relevant in other markets? What does Microsoft's experience in other countries say about the rate at which the sophistication of the Chinese market might evolve and about how quickly the company should bring leading-edge products and services to China? Might China be one of the best global centers for Microsoft's research into voice and character recognition technologies? Given a global mindset, these are just some of the fundamental questions that would be raised in the process of developing the company's China strategy. In the absence of a global mindset, on the other hand, few if any of these questions would be identified or addressed.

The Quest for a Global Mindset

In thinking about how to achieve a global mindset, it is critical to remember that the key word is cultivation and that the quest for a global mindset is a ceaseless journey. Living in a complex and dynamic world as we do, the extent to which one could continue to explore the world's diversity as well as the linkages across this diversity has no upper limit. No matter how developed the global mindset of a Nokia, a Toyota, or a Cisco Systems may appear today, twenty years from now their current mindsets are, in relative terms, likely to appear quite limited.

Building on ideas from cognitive psychology and organization theory regarding development of knowledge,¹⁷ we would contend that the speed with which any individual or organization can cultivate a global mindset is driven by four factors: (1) curiosity about the world and a commitment to becoming smarter about how the world works, (2) an explicit and self-conscious articulation of current mindsets, (3) exposure to diversity and novelty, and (4) a disciplined attempt to develop an integrated perspective that weaves together diverse strands of knowledge about cultures and markets. We shall explore these factors in turn.

Cultivating Curiosity About the World

Curiosity and openness about how the world works reflect an attitude, an element of the individual's personality makeup. Like other elements of personality, it is shaped heavily by early childhood experiences and becomes more resistant to change with age. Thus, while a company does have some maneuvering room in further cultivating curiosity among its existing employees, its greatest degrees of freedom lie at the point of employee selection and in managing the company's demographic makeup.

While a company does have some maneuvering room in further cultivating curiosity among its existing employees, its greatest degrees of freedom lie at the point of employee selection and in managing the company's demographic makeup.

In situations where a company has the luxury of hiring a younger workforce (e.g., Nokia, where the average age across the entire company is around 30), it may be able to develop an inherent corporate advantage in the degree to which its employees will strive to develop a global mindset. In any case, every company has a good deal of discretion in hiring people who are curious about diverse cultures and markets and in promoting those who have shown this desired curiosity.

These considerations appeared to lie behind DaimlerChrysler's appointment of Andreas Renschler as the head of executive management development in 1999, a role which gave him broad power to help shape the careers of the top 2000–3000 managers in the merged corporation. Renschler came to this job not with a background in human resource management but with a track record of having successfully managed the launch of Daimler-Benz's M-class sports utility vehicle out of a newly built Alabama car plant, a challenge that required effectively melding a team of managers from diverse national and corporate backgrounds. According to Renschler, what he looked for was "people who were willing to change."¹⁷

Promoting people to senior executive levels who place high value on global experience and global mindsets sends strong signals regarding the importance of openness to diverse cultures and markets. As an example, consider the case of Douglas N. Daft who was appointed as the chairman and CEO of Coca-Cola Company in February 2000. Born in Australia, Daft had worked outside the company's U.S. operations for almost his entire career prior to being selected for the CEO position. Daft's predecessor, Douglas Ivester, was forced out by the board partly because of insensitivity to diversity issues both outside and within the U.S. Reflecting his own background, Daft has started to steer Coca-Cola strongly in the direction of a local focus and greater regional- and country-level autonomy. The company's emphasis is more along the lines of "think local, act local," hoping to take advantage of country-level differences in areas such as consumer preferences for carbonated soft drinks versus other beverages, the way products

are sold and distributed, pack sizes, and the sovereign risk.¹⁶

Articulating the Current Mindset

Mindsets evolve through a process of interaction between people and the environment. Our current mindsets shape our interpretations of the world around us; in turn, these interpretations affect whether or not our mindsets change or remain unaltered. Unless this iterative process allows for new learning, it is easy to get trapped in one's own mental web. A powerful way to reduce the likelihood of this entrapment is to cultivate self-consciousness about one's mindset. Doing so requires accepting the possibility that our view of the world is just one of many alternative interpretations of reality. Accepting this possibility significantly enhances the likelihood of new learning.¹⁸

How might an individual manager or team of managers cultivate self-consciousness regarding their current mindsets? In our experience, two approaches work best. The first approach is to ask managers or teams to articulate their beliefs about the subject domain (e.g., at Hewlett-Packard, what are our beliefs regarding the structure of the personal computer market in Europe?). In contrast, the second approach is to conduct a comparative analysis of how different people or companies appear to interpret the same reality (e.g., at Hewlett-Packard, how does our view of the European personal computer industry compare with that of Compaq, IBM, Intel, and Microsoft?). Since the comparative-analysis approach rests on the premise that any particular mindset is just one of several possibilities, our experience has been that it is the more effective of the two approaches for helping a manager, a team, or a company to uncover their often deeply buried current mindsets.

Consider, for example, the experience of one company where we succeeded in persuading the CEO that, at least once every quarter, the agenda for the board meeting must include a strategic review of why a different competitor behaves the way that it does. After a year of this relatively simple exercise, the quality of discussions in the board meetings changed dramatically. It became clear that the company's own perspective on the market potential of different countries and on whether or not joint ventures were a sensible entry mode in this particular industry were not necessarily shared by some of the industry's key players. As a byproduct, board deliberations on action issues facing the company became more comprehensive and even led to the abandonment of what the CEO

had earlier believed to be some of the seemingly "obvious" rules of this industry. In fact, this comparative-analysis approach resulted in the CEO becoming a proponent rather than an opponent of strategic alliances in this industry.

Cultivating Knowledge Regarding Diverse Cultures and Markets

Companies can cultivate exposure to and increase knowledge of diverse cultures and markets in two ways: (1) facilitate such knowledge building at the level of individuals, and (2) build diversity in the composition of the people making up the company. These approaches complement each other: the former focuses on building cognitive diversity inside the mindsets of individuals, and the latter focuses on assembling a diverse knowledge base across the organization's members. Both approaches are essential for every multinational company. Cultivating a global mindset at the level of individuals is a slow process that can take years of learning through experience in multiple cultures; thus, relying exclusively on the globalization of individual mindsets would be woefully inadequate vis-à-vis industry and competitive imperatives.

Companies can cultivate exposure to and increase knowledge of diverse cultures and markets in two ways: (1) facilitate such knowledge building at the level of individuals, and (2) build diversity in the composition of the people making up the company.

Building on the widely accepted idea that people learn through both formal education and on-the-job experience, we describe and illustrate below several mechanisms that companies can use to cultivate literacy about and enthusiasm for diverse cultures and markets at the individual level.

Formal Education

Formal education (language skills and knowledge building regarding diverse cultures and markets) can take place through self-study courses, university-based education, or in-company seminars and/or management development programs. For example, at its Global Management Development Institute, South Korea's Samsung Group has routinely offered substantive courses in international business management; country histories, cultures, and economies; and foreign languages. In-company programs have

the added advantage that the learning occurs at multiple levels—not only in the classroom but through interactions with colleagues from other locations around the world as well.

Participation in Cross-Border Endeavors

Companies can participate in cross-border business teams and projects. Consider, for example, a leading U.S. bank creating a "Euro" team to coordinate the company's response to the introduction of the new European currency. Should such a team be composed only of selected managers from the company's European units, or should the team also include a very small number of Americans from the company's U.S. operations? The latter approach, in our view, can be extremely effective in building in-depth knowledge regarding diverse cultures and markets—in addition to the obvious benefits of byproducts such as development of interpersonal ties.

Utilization of Diverse Locations for Team and Project Meetings

This approach has been used successfully by VeriFone, a global market leader in the automation and delivery of secure payment and payment-related transactions. In the late 1990s, the company had nearly 3000 employees based at more than 30 facilities around the world. As one of several mechanisms to become more attuned to the global environment, the company's top-management team instituted a policy of meeting for five days every six weeks at a different location around the globe. This generic approach can be implemented easily at any level of the corporate hierarchy, from the board of directors to a multinational R&D team within one of the business units.

Immersion Experiences in Foreign Cultures

Immersion experiences can range from two- to three-month training assignments to more extensive cultural learning programs. Standard Chartered, a London-based global bank, has used the former approach, sending trainees recruited in London to Singapore and those recruited in Singapore to London. The Overseas Area Specialist Course, initiated by South Korea's Samsung Group in 1991, is an example of an extensive program. Every year, over 200 carefully screened trainees selected one country of interest, underwent three months of language and cross-cultural training, and then spent a year in the chosen country devoted solely to understanding it. Trainees had no specific job assignment and were forbidden to

make contact with the local Samsung office. While abroad, they were even encouraged to use modes of travel other than airlines, to achieve a deeper immersion in the local culture. At the end of the immersion period, trainees returned to headquarters in Seoul and reported on their experiences during a two-month debriefing period.¹⁹

Immersion experiences can range from two- to three-month training assignments to more extensive cultural learning programs.

Expatriate Assignments

Multi-year expatriate assignments are by far the most intensive mechanism through which employees can learn about another culture and market. However, this mechanism can be the most expensive for cultivating a global mindset—for the company and, given the increasing preponderance of dual-career marriages, often for the individual. Accordingly, companies need to target expatriate assignments toward high-potential managers (as distinct from the common practice of selecting people that you don't want to see too much of) and also to ensure that their stay abroad fosters cultural learning rather than cultural isolation. As Gurcharan Das, former head of Procter & Gamble India, observed astutely:

There are powerful . . . rewards for an international manager on transfer overseas who chooses to get involved in the local community. When such people approach the new country with an open mind, learn the local language, and make friends with colleagues and neighbors, they gain access to a wealth of new culture. . . . Unfortunately, my experience in Mexico indicates that many expatriate managers live in 'golden ghettos' of ease with little genuine contact with locals other than servants. . . . The lesson for global companies is to give each international manager a local 'mentor' who will open doors to the community. Ultimately, however, it is the responsibility of individual managers to open their minds, plunge into their local communities, and try to make them their own.²⁰

Cultivating Geographic and Cultural Diversity Among the Senior Management Ranks

Notwithstanding the value of the various mechanisms discussed above, limits do exist on the speed

with which a company can cultivate a global mindset among its employees, the number of employees that it can efficiently target for this objective, and the rate of success in cultivating their global mindsets. Accordingly, virtually all multinational companies must also expand the cognitive map of the organization by creating geographic and cultural diversity among senior management. Such efforts can be targeted at many executive levels, from the composition of the board of directors and the office of the CEO to the composition of business-unit management teams. For example, in recent years, IBM elected Minoru Makihara, the president of Mitsubishi, to its board, and General Motors elected Sweden's Percy Barnevik, first president and CEO of ABB, to its board. Similarly, in the early 1990s, of the 22 people on Dow Chemical's senior-most management committee, 10 were born outside the U.S. and 17 had had significant international experience. At the level of individual lines of business, Hoechst, the German pharmaceutical company, serves as a good example of diversity. In the late 1990s, Hoechst's pharmaceutical business was led by an American CEO, a French CFO, and a Canadian COO.

Location of Business-Unit Headquarters

By dispersing business-unit headquarters to carefully selected locations around the world, companies can also further the differentiation of their organizational mindset (i.e., their knowledge about diverse cultures and markets). Among major corporations, ABB was perhaps the pioneer in dispersing the locations of business-area headquarters away from the corporate center. Other more recent examples would include Eaton Corporation, which has shifted the worldwide headquarters of its light/medium truck transmission business to Amsterdam, Holland and moved the world headquarters of its automotive controls business to Strasbourg, France.

Cultivating the Ability to Integrate Diverse Knowledge Bases

Notwithstanding the fact that cognitive diversity is critical for navigating in today's complex and dynamic global environment, it also can be paralyzing. A management team composed of seven people representing four nationalities adds value only when the diverse perspectives can be integrated into a coherent vision and a coherent set of decisions and actions. Otherwise, what you get is conflict, frustration, delay, and at best either a forced or a compromise decision.

A management team composed of seven people representing four nationalities adds value only when the diverse perspectives can be integrated into a coherent vision and a coherent set of decisions and actions.

In order to cultivate the ability to integrate diverse knowledge bases, the organization needs to act on two fronts: one, ensure that people will view such integration as a rewarding endeavor, and two, ensure that people will be given ample opportunity to engage in such integration as a part of their on-the-job responsibilities. The following are some of the mechanisms that companies can use to accomplish both of these goals.

Definition and Cultivation of a Set of Core Values Throughout the Corporation

By definition, core values are those values that cut across subsidiaries no matter where located. A set of deeply ingrained and widely shared core values (as in the case of companies such as Marriott, GE, Unilever, and Honda) can serve as an organizational as well as a social integrating mechanism. Belief in a set of core values implicitly requires people to make sense of their local observations from the perspective of the company's global agenda. And, on a social level, shared values give people with diverse cultural backgrounds and knowledge bases a common mindset on which to build a constructive rather than unproductive, conflict-ridden dialog.

Widespread Distribution of Ownership Rights on a Global Basis

Ownership rights in the global parent are a powerful mechanism to ensure that every employee, regardless of location or nationality, will be inclined to look at local opportunities, local challenges, and local resources from a global perspective. Companies such as Eli Lilly (which issues stock options to every employee worldwide through the company's GlobalShares program)²¹ significantly increase the likelihood that every employee will be more cosmopolitan, more global in mindset.

Cultivation of an Internal Labor Market Driven by Pure Meritocracy

Companies such as Cisco, McKinsey, and Ford, which are committed to using merit rather than nationality as the prime driver of career mobility right up to the CEO level, create an environment in

VeriFone was a market leader in the automation and delivery of secure payment and payment-related transactions. Officially headquartered in Redwood City, California, the company was founded in 1981 and was acquired by Hewlett-Packard in June 1997 for \$1.29 billion. VeriFone's stated mission was "To create and lead the transaction automation industry worldwide." In 1997, the company had 3000 employees based at more than 30 facilities in North America, South America, Asia and Australia, Europe, and Africa. Given below are highlights of how VeriFone cultivated a global mindset among its people and more broadly at the level of the entire company.

- Hatim Tyabji, VeriFone's CEO, disdained the idea of an all-powerful corporate headquarters and preferred to view the company as a network of locations. He likened the company to a blueberry pancake where all berries were created equal and all had the same size. Many corporate functions (e.g., human resource management and management information systems) were managed in a decentralized fashion out of multiple global locations such as Dallas (Texas), Bangalore (India), Taipei (Taiwan), and Honolulu (Hawaii).
- Virtually all employees of the company were provided with laptops and were connected to each other electronically. Every company facility was also equipped with videoconferencing facilities. When employees signed on to their email systems, a list of holidays and local times at various VeriFone locations automatically appeared on the screen.
- The top-management team, consisting of the CEO and his ten direct reports, met for five days every six weeks at a different location around the globe.
- The leadership was dedicated to instilling the company's core values (commitment to excellence, dedication to customer needs, promotion of teamwork, recognition of the individual, a global mindset, and ethical conduct) among all employees. The CEO wrote the corporate philosophy manual himself. It was translated into a number of languages including English, Chinese, French, German, Japanese, Portuguese, and Spanish. When the company rolled out corporate programs, senior managers traveled personally to various locations in order to get local input and to provide guidelines regarding how the program could be tailored to the local context.
- Prior to its acquisition by Hewlett-Packard, VeriFone published the CEO's Letter to Shareholders (in its Annual Report) in multiple languages.
- The company conducted recruitment on a global basis and instituted a uniform performance-assessment system and incentive structure around the globe.
- One of the company's recognized core competencies was its ability to leverage know-how from various locations in order to serve customers or pursue new opportunities. As an example, one of the company's sales reps in Greece learned from a large customer that a competitor had raised concerns about VeriFone's expertise in debit cards. The sales rep sent out an email request to colleagues within the company for information and references on debit installations. Within 24 hours, he had 16 responses and 10 references, including the names and phone numbers of established customers with debit-card installations. The next day, armed with this information and able to say that VeriFone had 400,000 installations worldwide, the rep closed a major deal with this customer. Stories such as this one not only provide a concrete illustration of VeriFone's already well-developed global mindset but also serve to reinforce the notion of what constitute desirable attitudes and behaviors within the company, thereby leading to a further deepening of the global mindset.

Abstracted from Stoppard, D. B., Donnellon, A., & Nolan, R. L. 1997. *VeriFone*, HBS Case No. 9-398-030. Boston: Harvard Business School Publishing.

FIGURE 3

Cultivating a Global Mindset: The VeriFone Approach—Circa 1997

which all managers see themselves as global resources. Such an environment goes a long way toward removing the tendency to view local knowledge as idiosyncratic and of only local value, and building a global mindset.

Job Rotation Across Geographic Regions, Business Divisions, and Functions

Job rotations across countries have long served as an effective mechanism to promote openness to

and knowledge about diverse cultures and markets. If well planned, they also help cultivate an ability to integrate across this diversity. Consider the approach adopted by Nokia. CEO Jorma Ollila systematically and periodically switches the jobs of his key managers right up to very senior levels. In 1998 Sari Baldauf, formerly the head of Nokia's Asia-Pacific operations, was appointed the new head of corporate R&D. Similarly, Olli-Pekka Kallasvuo, the former head of Nokia's U.S. operations, became the new corporate chief financial officer.²²

From a management-development perspective, one major outcome of these shuffles is to cultivate a thorough understanding of diversity (through regional responsibilities for Asia or North America) as well as an ability to integrate across this diversity (through global responsibilities for R&D or finance).

Cultivation of Interpersonal and Social Ties Among People Based in Different Locations

Typically, the frequency and openness of interaction between two people is a function of how strong their interpersonal and social ties are. Accordingly, the more successful a company is at cultivating interpersonal and social ties among people based in different subsidiaries, the more effective it should be at integrating their diverse perspectives and knowledge bases. For instance, in France's Rhone-Poulenc Group, the top 50 managers from across the world meet three to four times every year to socialize as well as to discuss business issues. In addition, people from various subsidiaries meet with each other through their involvement in cross-border business teams. As observed by Peter Neff, the president and CEO of Rhone-Poulenc Inc., the company's U.S. operations:

I sit on the boards of three worldwide business groups, and the leaders of these groups sit on the advisory board for the American company. These councils bring different perspectives to major decisions, considering such questions as whether a particular strategy is viable, the nature of product and business portfolios, and the potential for competitive leadership. They also decide on major capital expenditures. And, finally, they are a tool to facilitate socialization and alignment within the leadership structure.²³

Figure 3 presents a detailed and comprehensive example of how VeriFone, a Silicon Valley-based company, utilized a variety of mechanisms to cultivate a global mindset among its people as well as the company as a whole.

Emerging Opportunities and a Global Mindset

The world's economic landscape is changing rapidly and becoming increasingly global. For virtually every medium- to large-size company in developed as well as developing economies, market opportunities, critical resources, cutting-edge ideas, and competitors lurk not just around the corner in the home market but increasingly in distant and often

little-understood regions of the world as well. How successful a company is at exploiting emerging opportunities and tackling their accompanying challenges depends crucially on how intelligently it observes and interprets the dynamic world in which it operates. Creating a global mindset is a central requirement for building such intelligence. The conceptual framework and mechanisms provided in this article can guide companies in moving systematically toward this goal.

The world's economic landscape is changing rapidly and becoming increasingly global.

Endnotes

¹ For example, see Gandz, J., Smith, M., Wali, A., & Conklin, D. W. 1992. *Procter & Gamble Japan (A)*, HBS Case No. 9-391-003. Boston: Harvard Business School Publishing.

² Taylor, W. E. 1991. The logic of global business: An interview with ABB's Percy Barnevik. *Harvard Business Review*, 69(2): 93-105.

³ See Walsh, J. P. 1995. Managerial and organizational cognition: Notes from a trip down memory lane. *Organization Science*, 6(3): 280-321 for a comprehensive review of the literature on managerial and organizational cognition that builds on the work of pioneers such as Bartlett, F. C. 1932. *Remembering*. Cambridge, MA: Harvard University Press; Festinger, L. 1957. *A theory of cognitive dissonance*. Evanston, IL: Row Peterson; and Neisser, U. 1967. *Cognitive psychology*. New York: Appleton-Century-Crofts. Other classic works include Porac, J. F., & Thomas, H. 1990. Taxonomic mental models in competitor definition. *Academy of Management Review*, 15(2): 224-240; and Tversky, A., & Kahneman, D. 1986. Rational choice and the framing of decisions. *Journal of Business*, 59(4): 251-278.

⁴ See Argyris, C., & Schon, D. A. 1978. *Organizational learning*. Reading, MA: Addison Wesley; Newell, A. 1990. *Unified theories of cognition*. Cambridge, MA: Harvard University Press; and Simon, H. A. 1955. A behavioral model of rational choice. *Quarterly Journal of Economics*, 69(1): 99-118.

⁵ See Simon, H. A., op. cit.; and Starbuck, W. H., & Milliken, F. J. 1988. Executives' perceptual filters: What they notice and how they make sense. In Hambrick, D. C. (Ed.), *The executive effect: Concepts and methods for studying top managers*. Greenwich, CT: JAI Press.

⁶ See Walsh, J. P., & Charalambides, L. C. 1990. Individual and social origins of belief structure change. *Journal of Social Psychology*, 130(4): 517-532.

⁷ For research on how organizational-level cognitive schemas can change, see Bartunek, J. M. 1984. Changing interpretive schemes and organizational restructuring. *Administrative Science Quarterly*, 29(3): 355-372; Greenwood, R., & Hinings, C. R. 1988. Organizational design types, tracks, and dynamics of strategic change. *Organization Studies*, 9(3): 293-316; Hopfl, H. 1992. *Judgment and choice: The psychology of decision*. New York: John Wiley; and Lyles, M. A., & Schwenk, C. R. 1992. Top management, strategy, and organizational knowledge structures. *Journal of Management Studies*, 29(2): 155-174.

⁸ Austin, R. D., & Nolan, R. L. 2000. *IBM turnaround*. HBS Case No. 9-600-098. Boston: Harvard Business School Publishing.

⁹ See Nisbet, R., & Ross, L. 1980. *Human inference: Strategies*

and shortcomings of social judgment. Englewood Cliffs, NJ: Prentice Hall; and Schank, R. P., & Abelson, R. P. 1977. *Scripts, plans, goals, and understanding*. Hillsdale, NJ: Lawrence Erlbaum Associates.

¹⁰ Here we use the term markets broadly. Any particular country or region can potentially be a market for the sales of the company's products and services, for accessing technology and talent, for tapping into higher-quality or lower-cost labor, for the purchasing of raw material and components, and for the sourcing of capital.

¹¹ Our dual emphasis on cognitive diversity as well as integrative ability is fully consistent with the perspectives reflected in Murtha, T. P., Lenway, S. A., & Bagozzi, R. P. 1998. Global mind-sets and cognitive shifts in a multinational corporation. *Strategic Management Journal*, 19(2): 97-114; and Kobrin, S. J. 1994. Is there a relationship between a geocentric mind-set and multinational strategy? *Journal of International Business Studies*, 25(3): 493-511.

¹² These classifications parallel Perlmutter's notion of geocentric, ethnocentric, and polycentric organizations. See Perlmutter, H. V. 1969. The tortuous evolution of the multinational corporation. *Columbia Journal of World Business*, 4(1): 9-18.

An organization would be termed as having a global mindset when it demonstrates deep knowledge of diverse cultures and markets as well as an ability to synthesize across this diversity. As an example of a company with such a mindset, see the description of VeriFone in Figure 3.

An organization would be termed as having a parochial mindset when it is blind to diversity across cultures and markets. Such an organization makes little, if any, effort to adapt its products and processes to local conditions in foreign markets. As discussed in the text, Ikea appeared to have a parochial mindset at the time of its entry into the U.S. in the mid-1980s.

An organization would be termed as having a diffused mindset when it behaves as a loose federation of geographic units such that each local unit has a deep understanding of the local

culture and market, yet the organization as a whole lacks the ability to synthesize across this diversity and therefore is unable to reap the benefits of global scale and scope. Many professional service firms structured as global federations of local partnerships (e.g., KPMG in the early 1990s) serve as good examples of organizations with diffused mindsets.

One cell is labeled "not applicable" because an organization that is closed to diversity always has a highly integrated perspective regarding the external environment.

¹³ See, for example, Ibarra, H., & Sackley, N. 1999. *Charlotte Beers at Ogilvy & Mather (A)*. HBS Case No. 9-495-031. Boston: Harvard Business School Publishing.

¹⁴ See Walsh, op. cit.; Argyris & Schon, op. cit.; Walsh & Charalambides, op. cit.; and Murtha, et al., op. cit.

¹⁵ See Ball, J. DaimlerChrysler's Renschler holds job of melding officials into cohesive team. *Financial Times* (London), 12 January 1999, B7.

¹⁶ James, D. 20-26 September 2001. Local Coke. *BRW*. 70-74.

¹⁷ This conclusion is consistent with research findings by, among others, Eden, C. 1992. On the nature of cognitive maps. *Journal of Management Studies*, 29(3): 261-265; Mitchell, R. 1986. Team building by disclosure of internal frames of reference. *Journal of Applied Behavioral Science*, 22(1): 15-28; and Walsh, J. P., & Charalambides, L. C., op. cit.

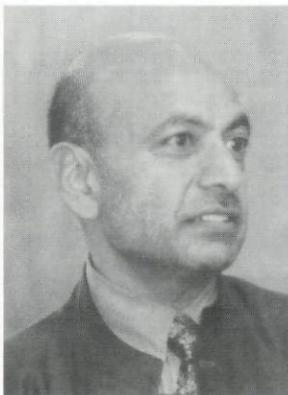
¹⁸ See Govindarajan, V., & Gupta, A. K. *Global mindset of Samsung*. Tuck School Case Study. Hanover: Tuck School of Business; and Dragoon, A. 1996. Samsung Electronics: Not accidental tourists. *CIO*, 9(19): 62.

¹⁹ Das, G. 1993. Local memoirs of a global manager. *Harvard Business Review*, 71(2): 38-47.

²⁰ Flynn, G. 1996. Lilly prepares its people to take on the world. *Personnel Journal*, 75(1): 58.

²¹ Baker, S. Nokia: Can CEO Ollila keep the cellular superstar flying high? *Business Week*, 10 August 1998, 54-60.

²² Neff, P. 1995. Cross-cultural research teams in a global enterprise. *Research Technology Management*, 38(3): 15-19.



Anil K. Gupta is a Distinguished Scholar-Teacher and Professor of Strategy and Global E-business at the Robert H. Smith School of Business, University of Maryland at College Park. He received his D.B.A. from the Harvard Business School. His research interests focus on managing in the digital age, managing globalization, and the quest for synergy. He is coauthor, with Vijay Govindarajan, of *The Quest for Global Dominance*. Contact: agupta@rhsmith.umd.edu.



Vijay Govindarajan is the Earl C. Daum 1924 Professor of International Business and director of the William F. Ahtmeier Center for Global Leadership at the Tuck School of Business at Dartmouth College. He is also the faculty director for the Global Leadership 2020 Program. He is coauthor, with Anil K. Gupta, of *The Quest for Global Dominance*, published by Jossey-Bass in 2001. Contact: vg@dartmouth.edu.

Copyright of Academy of Management Executive is the property of Academy of Management. The copyright in an individual article may be maintained by the author in certain cases. Content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.