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## Global Mind-Set : Need of Hour

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Research Paper - Commerce

### ABSTRACT

*The topic of globalization has been around in varying forms since the beginning of the industrial revolution in the 18th century. However, globalization has accelerated over the last 2 decades and what we are witnessing today is not just a continuation of a centuries-old trend. The erosion of barriers for cross-border flow of people, goods, services, and capital supported by instant global communication and rapid flows of information has created a new economic reality that is integrating markets around the world. This emerging global network has fundamentally transformed how the economies of nations around the world operate. Although its reach and benefits are not universal, globalization is now the major driver of world economic growth and prosperity. No country is immune from its consequences, and no company that wants to operate across borders can afford to ignore its impact.*

**Keywords:** International Environment, Natural Resources, Domestic Geography, Issues Worldwide.





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### Introduction:

Globalization opens new growth and profit opportunities for established and new players alike. At the same time, globalization presents new and vexing challenges, driven primarily by the ever-increasing complexity of business problems that business leaders need to address. As many authors have noted, the complexity embedded in globalization fundamentally changes the task of managing a global enterprise.

Samuel J. Palmisano, the Chair of the Board, President, and CEO of IBM, in a recent article reviewing the challenges and opportunities facing global corporations like IBM, concludes that the key to their success lies in their ability to integrate every aspect of the global organization. He suggests that today's global corporations are shifting their focus from products to production and must design their strategy, management, and operations around a new goal: integrating production and value delivery worldwide.

Accomplishing this goal requires managing a high level of complexity both inside and outside of the firm. While multinational corporations (MNCs) have tried to respond to this complexity with new structures and processes, the only component complex enough to succeed in this environment is the human organization, which, in large part, is driven by the nature of the mind-sets, assumptions, and viewpoints that decision makers bring with them to any situation. Mind-set drives discovery of new market opportunities, establishing presence in key markets and transforming presence into global competitive advantage. For this reason, global mind-set has emerged as a major long-term competitive advantage for companies competing in the global arena.

The mind-sets of key decision makers in companies influence important decisions and, therefore, organizational behaviour and ultimately firm success. There is no doubt that the right strategies, structures, and processes are critical to global competitive success, but writers are also increasingly emphasizing the important role that mind-set plays both in determining these strategies, structures, and processes and in shaping their outcomes. For these reasons, global mind-set has received increasing attention in both the popular press and academic writings. However, as will become clear from the following literature review, the field is still in its infancy, it lacks clear definitions and frameworks, and it has only limited empirical research. This research-paper





summarizes the growing body of theoretical and empirical research in this new field and then suggests some future directions to help advance our knowledge and understanding of global mind-set and its impact on global competitiveness.

### **Mind-Set:**

A mind-set can be viewed as a lens through which people view, understand, and decode the world around them. Reality, whatever it may be, is never simply "out there" presenting itself in a clear self-explanatory manner. People may experience reality as obvious and apparent, but underneath this sense of simplicity and clarity lies a complex, if at times unconscious, process of sense making. People actively make sense of the world around them, and more often than not, this process of sense making does not begin with a clean slate. Rather, people approach reality armed with a mind-set that affects what they notice, understand, learn, and remember from any given situation. In a way, mind-set serves to "disarm" reality, rendering it seemingly more intelligible, logical, and clear.

But what is this mysterious thing called mind-set? How does it help people decode reality, be it familiar or foreign, clear or ambiguous? And why does mind-set at times obscure reality rather than decipher it? A quick excursion into the history of social psychology can shed light on the concept of mind-set. After World War II, social psychology moved away from a behavioural approach, which viewed social behaviour as determined by external events, to a cognitive approach. According to the cognitive approach, individuals do not simply respond to external stimuli, but rather actively interpret the world around them. The focus shifted to individuals' mental activities and cognitive capabilities involved in the process of sense making. The question then became how individuals make sense of various objects, events, and situations they encounter, especially when the available information is complex, overabundant, ambiguous, or insufficient. Here is where mind-set comes into play. Social psychologists noticed that the process of sense making, more often than not, is driven by cognitive schema where past experiences and knowledge guide present information processing. Thus, rather than let reality speak for itself, individuals often impose their existing schema or mind-set on what they encounter.





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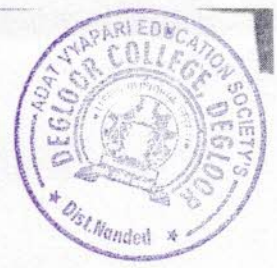
The concept of mind-set and similar concepts such as schema, gestalt, and script are all part of a broad conceptual family of cognitive structures. Cognitive structures are mental templates that represent and organize information, assumptions, and ideas about a specific environment, situation, object, or event. Cognitive structures can be elaborate and complex, containing a comparatively large number of finely articulated and well-integrated information units. On the other hand, cognitive structures can be relatively simple, containing relatively small, basic, and a diffuse number of information units.

#### **The Cultural View:**

Research in the cultural school of thought looks at global mind-set through the lens of cultural diversity inherent in the globalization process. According to this perspective, senior managers are increasingly faced with the challenge of prevailing over domestic myopia and an ethnocentric mind-set, traversing cultural boundaries, interacting with employees from many countries, and managing culturally diverse inter-organizational relationships. The cultural perspective proposes that the way to manage these challenges effectively is to move away from an ethnocentric mind-set and cultivate a global mind-set-one that includes cultural self-awareness, openness to and an understanding of other cultures, and the selective incorporation of foreign values and practices.

This cultural View (perspective) is based in large part on Perlmutter's (1969) typology of MNCs, which proposes that companies can be categorized not by their geographical scale or scope but by the mind-sets of senior executives within the firm. Perlmutter distinguishes between three principal states of mind toward managing a multinational enterprise: ethnocentric (home-country orientation), poly-centric (host-country orientation), and geocentric (world orientation). Perlmutter proposes that these orientations or mind-sets affect and mold various characteristics of the MNC including structural design, strategy, and resource allocation, and, in particular, management mind-set and processes. An ethnocentric orientation is expressed in terms of headquarters and national superiority attitudes: "We, the home nationals of X company, are superior to, more trustworthy and more reliable than any foreigner in headquarters or subsidiaries" (p. 11). A polycentric orientation takes the form of a respectful





disengagement from foreign cultures: "Let the Romans do it their way. We really don't understand what is going on there, but we have to have confidence in them" (p. 13). Managers with a global mind-set, or those with a geocentric orientation in Perlmutter's terms, exhibit a universalistic, supranational approach, deemphasizing the importance of cultural differences and nationality when deciding who is capable or reliable: "Good ideas come from any country and go to any country within the firm" (Heenan&Perlmutter, 1979, pp. 20-21).

Perlmutter's description of geocentrism is the foundation for many of the current conceptualizations of global mindset, which concentrate on the challenge of overcoming embedded ethnocentrism and rising above nationally entrenched views. For example, Maznevski and Lane (2004) describe global mind-set as a metacapability typified by two corresponding dimensions: an inclusive cognitive structure that directs attention and interpretation of information and a well-developed competence for altering and revising this cognitive structure with new experiences. According to these authors, global mind-set is the ability to develop, interpret, and implement criteria for performance that are independent from the assumptions of a single culture, country, or context (Maznevski& Lane, 2004). In addition to focusing on mind-set or perspective, many writers in the cultural stream such as Adler and Bartholomew (1992) often discuss global mind-set in terms of cross-cultural skills and abilities.

#### **The Considered Perception:**

The previously reviewed studies highlight the significance of cultural diversity and transcending national borders. In contrast, studies examining global mind-set through a strategic lens focus on the increased complexity generated by globalization. MNCs are faced with the challenge of successfully managing environmental and strategic complexity and incorporating geographically distant operations and markets while simultaneously responding to local demands.

The strategic perspective on global mind-set is founded in international strategy research that was conducted at Harvard University in the 1970s and 1980s, particularly the innovative research of Bartlett and Ghoshal. The literature taking a strategic perspective is based on the assumption that increased complexity, heterogeneity, and





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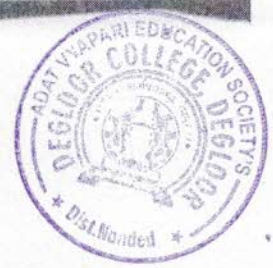
indeterminacy of MNCs (Doz&Prahalad, 1991) can no longer be managed by structural and administrative mechanisms. Thus, this approach proposes that the key determinant of strategic capabilities of an MNC lies in cultivating a complex managerial mind-set. The properties of global mind-set are described in terms of high cognitive abilities and information processing capabilities that allow managers to understand complex global dynamics, balance between competing demands and concerns, reconcile tensions between global and local, differentiate between and integrate across cultures and markets, and examine and attend to global issues.

In describing global mind-set, for example, Jeannet (2000) underscores the capacity to assimilate across domains and defines global mind-set as a state of mind able to understand a business, a particular market, or an industry sector on a global basis. An executive with a global mindset has the ability to see across many territories and focuses on commonalities across markets rather than emphasizing differences among countries. According to Jeannet, global mind-set is not a linear extension of the multinational mindset but diverges significantly in terms of thinking patterns, responses, and cognitive skills. In addition to applying global mind-set to the individual level, Jeannet also applies it at the corporate level and characterizes corporate global mind-set as the cultural aspects of a company that define the extent to which the firm has learned to think, behave, and operate in global terms.

#### **The Multidimensional Outlook:**

In addition to the two major schools of thought in the global mind-set literature just described, a third category of research integrates both the cultural and strategic dimensions. Research taking a multidimensional perspective began with the work of Rhinesmith (1992) who defines mind-set as a way of being-an orientation to the world that allows you to see certain things that others do not see. A global mind-set, as Rhinesmith defines it, scans the world from a broad perspective, always looking for unexpected trends and opportunities. People with global mind-sets are more inclined to search for the broader context, accept life as a balance of conflicting forces, and have more confidence in organizational processes than in organizational structure. They hold diversity in high regard, and surprises or uncertainties do not threaten them. They aspire





to be open to themselves and others. Global mind-set therefore involves high levels of cognitive capabilities, particularly those involving scanning and information processing, in addition to the capacity to integrate competing realities and demands and the ability to value cultural diversity.

A number of recent writings in the field of global mind-set build directly on Rhinesmith's multidimensional perspective. For example, Kedia and Mukherji (1999) view global mind-set as distinguished by openness and a capacity to identify complex interrelationships. These authors describe three components that distinguish a global mind-set: (a) a unique time perspective, (b) a unique space perspective, and (c) a general disposition to be open-minded toward other people and cultures. For Kedia and Mukherji, those with a global mind-set think of cultural diversity as an asset, thrive on ambiguity, and have the ability to balance conflicting viewpoints and demands and to reframe boundaries. According to these authors, global mind-set also includes an emotional connection, a capacity to balance conflicting tensions, and aptitude for managing ambiguity and savvy. To be effective, managers need both a global mind-set and a specific supportive skill and knowledge set.

The most recent contribution to the multidimensional stream is an article by Levy, Beechler, Taylor, and Boyacigiller (2007), which reviews the literature and highlights two important constructs underlying writing in the global mind-set field: cosmopolitanism and cognitive complexity. Cosmopolitanism emphasizes the individual's level of engagement and ability to navigate through unfamiliar cultures with an external and open focus. Two aspects of cosmopolitanism are important to global mind-set. First is an orientation toward the outside and the external environment rather than a focus on the inside, the local, or the parochial. A second key aspect is the characteristic of openness, which represents being not only interested in others but also willing to engage in, to be open to, and to learn from exploring the alternative systems of meanings held by outsiders. While cosmopolitanism is important to a global mind-set, it does not mean that individuals do or should forego their historic roots or their cultural heritage.

#### **Global Mind-Set & Effective Managerial Action:**

As previously discussed, the attention and interpretation processes associated





with a global mind-set influence individuals' abilities to understand and act effectively in a global context. However, in addition to mind-set, research in international management suggests that a set of core skills and competencies are required to translate this mind-set into effective managerial behavior. Drawing on an extensive review of the literature, Bird and Osland (2004) developed a framework of global competencies, which includes global mind-set as one of the building blocks. At the base of their pyramid-shaped framework is global knowledge and a set of four personality traits: integrity, humility, inquisitiveness, and hardiness. According to these authors, the possession of adequate knowledge along with the prerequisite traits allows for the development of global mind-set. However, these foundational competencies-knowledge, traits, and mind-set-do not translate into effective managerial behaviour unless the individual has the necessary interpersonal and system skills and abilities.

Bird and Osland (2004) specify two skills at the interpersonal level: mindful intercultural communication and the ability to build and create trust. At the system level, they identify the following skills: the ability to span boundaries, build community through change, and make ethical decisions. Their work therefore suggests that while global mind-set is a critical competency, effective managerial action in a global context requires additional skills and abilities.

We should note, however, that individuals who possess the requisite set of interpersonal and system skills and abilities are not likely to exhibit effective managerial action unless they also possess a global mind-set. In this context, an interesting and yet unresearched question raised by Earley and Mosakowski's (2004) work is whether a person can develop the requisite set of skills and abilities without at least concurrently developing a global mind-set. These authors identify a set of skills and abilities that they label "cultural intelligence"-the capability for a person to grasp what makes us human and at the same time what makes each of us different from one another and to be able to adjust behaviour accordingly.

#### **Developing a Global Mind-Set; Organizational Action Steps:**

Companies concerned about having a sufficient number of managers with a global mind-set must look first and foremost at the human resource management





practices they use. Research makes clear that human resource management (HRM) policies can either impede or undermine global mind-set development. In the following section, we will briefly discuss the major HRM components that impact global mind-set development.

### **Developing a Global Mind-Set; Individual Action Steps:**

With the changing nature of the psychological contract between individuals and organizations more responsibility than ever rests on individuals to ensure their own long-term development and employability. Organizations increasingly view international experience and the development of a global mind-set as prerequisites to upward mobility. Moreover, managers are increasingly seeking international assignments for the personal development and skills they may acquire as part of a "boundary less" career, not necessarily to advance within a specific firm.

Govindarajan and Gupta (2001), building on work in cognitive psychology, human development, and technological innovation, argue that the development of a global mind-set at either the individual or the organizational level, follows a series of ^-curves and is a nonlinear process. The development of global mind-set, like the development of any cognitive schema, involves both assimilation and accommodation of new information. It must be an ongoing process built on an articulation of self-awareness and other-awareness. Novices begin by following rules, then, as they gain practical experience, they begin to understand general patterns. As they become more competent, they recognize complexity and a larger set of cues. They are able to discern which cues are the most important and move beyond strict adherence to rules to think in terms of trade-offs. Once they reach the expert stage, they can read situations without rational thought-they diagnose the situation unconsciously and respond intuitively because over the years they have developed the holistic recognition, the mental maps that allow for effortless framing and reframing of strategies and quick adaptation (Osland & Bird, 2004). Their knowledge is, at this point, tacit (Boyacigiller et al., 2004).





### Conclusion:

The capabilities linked to global mind-set are crucial elements in contemporary MNCs, considerably influencing the global competitiveness of firms. Researchers, however, are still faced with the challenge of explaining the complex construct of global mind-set and further identifying its antecedents and outcomes.

As our review and analysis of the literature imply, there are still many ambiguities and important unanswered questions concerning global mind-set. Scholars from various disciplines have endeavoured to define global mind-set and it has been used to describe individual, team, and organizations, furthermore complicating research and clarity in the area. In addition, there are inconsistencies in whether global mind-set is defined as a cognitive phenomenon, a state of being, or a set of behaviors or competencies. For example, what are the similarities and differences between global mind-set, cultural intelligence, global leadership, and expatriate success?


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