

## 6.40: Determinants of a Corporate Global Mind-Set

What factors shape a corporation's mind-set? Can they be managed? Given the importance of mind-set to a company's global outlook and prospects, these are important questions. Paul cites four primary factors: (1) *top management's view of the world*; (2) *the company's strategic and administrative heritage*; (3) *the company's dominant organizational dimension*; and (4) *industry-specific forces driving or limiting globalization*. (Paul (2000)).

### Top Management's View of the World

The composition of a company's top management and the way it exercises power both have an important influence on the corporate mind-set. The emergence of a visionary leader can be a major catalyst in breaking down existing geographic and competitive boundaries. Good examples are Jack Welch at General Electric or Louis Gerstner at IBM, who both played a dominant role in propelling their companies to positions of global leadership. In contrast, leaders with a parochial, predominantly ethnocentric vision are more likely to concentrate on the home market and not be very interested in international growth.

### Administrative Heritage

The second factor is a company's "administrative heritage"—a company's strategic and organizational history, including the configuration of assets the company has acquired over the years, the evolution of its organizational structure, the strategies and management philosophies the company has pursued, its core competencies, and its corporate culture. In most companies, these elements evolve over a number of years and increasingly "define" the organization. As a consequence, changing one or more of these key tangible and intangible elements of a company is an enormous challenge and therefore a constraint on its global strategic options. For example, many traditional multinationals such as Philips and Unilever created freestanding subsidiaries with a high degree of autonomy and limited strategic coordination in many of the countries and markets where they chose to compete. Companies with such a history may encounter greater resistance in introducing a more global mind-set and related strategies than companies such as Coca-Cola, which have predominantly operated with a more centralized approach.

### Organizational Structure

The type of *organizational structure* a company has chosen—discussed more fully in the next section—is also a key determinant of a corporate mind-set. In a strongly product-oriented structure, management is more likely to think globally as the entire information infrastructure is geared toward collecting and processing product data on a worldwide basis. Compare this to an organization with a focus on countries, areas, or regions—the mind-set of managers tends to be more local. Here, the information infrastructure is primarily oriented toward local and regional needs. It follows that in a matrix structure based on product as well as geographic dimensions, the mind-set of management is expected to reflect both global and local perspectives.

### Industry Forces

Industry factors such as opportunities for economies of scale and scope, global sourcing, and lower transportation and communication costs push companies toward a global efficiency mind-set. Stronger global competition, the need to enter new markets, and the globalization of important customers pull in the same direction. Similarly, the trend toward a more homogeneous demand, particularly for products in fast-moving consumer goods industries, and more uniform technical standards for many industrial products, encourage a more global outlook. Another set of industry drivers, however, works in the opposite direction and calls for strategies with a high degree of local responsiveness. Such drivers include strong local competition in important markets and the existence of cultural differences, making the transfer of globally standardized concepts less attractive. Issues such as protectionism, trade barriers, and volatile exchange rates may also force a national business approach. All these forces work together and help create the conditions that shape the global mind-set of a company.

### Creating the Right Global Mind-Set

Thus, to create the right global mind-set, management must understand the different, often opposite, environmental forces that shape it. At the corporate level, managers focusing on global competitive strategies tend to emphasize increased cross-country or cross-region coordination and more centralized, standardized approaches to strategy. Country managers, on the other hand, frequently favor greater autonomy for their local units because they feel they have a better understanding of local market and customer needs. Thus, different groups of managers can be expected to analyze data and facts in a different way and favor different strategic concepts and solutions depending on their individual mind-sets.

In practice, two different scenarios can develop. In the first scenario, one perspective consistently wins at the expense of the other. Under this scenario, the company may be successful for a certain period of time but will most likely run into trouble at a later time because its ability to learn and innovate will be seriously impaired as it opts for “short-sighted” solutions within a given framework. In the second scenario, a deliberate effort is made to maintain a “creative tension” between both perspectives. This scenario recognizes the importance of such a tension to the company’s ability to break away from established patterns of thinking and look for completely new solutions. This ability to move beyond the existing paradigm and, in that sense, further develop the mind-set is probably one of the most important success factors for many of the established successful global players. Utilizing creative tension in a constructive manner requires the development of a corporate vision as well as a fair decision-making process. The corporate vision is expected to provide general direction for all managers and employees in terms of where the company wishes to be in the future. Equally important is setting up a generally understood and accepted fair decision process, which must allow for sufficient opportunities to analyze and discuss both global and local perspectives, and their merits, in view of specific strategic situations.

P&G has been particularly innovative in designing its global operations around the tension between local and global concerns. Four pillars—global business units, market development organizations, global business services, and corporate functions—form the heart of P&G’s organizational structure. Global business units build major global brands with robust business strategies; market development organizations build local understanding as a foundation for marketing campaigns; global business services provide business technology and services that drive business success; and corporate functions work to maintain our place as a leader of our industries.

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