

6.39: The Importance of a Global Mind-Set

A common challenge that many corporations encounter as they move to globalize their operations can be summed up in one word: mind-set. Successful global expansion requires corporate leaders who think proactively, who sense and foresee emerging trends, and who act upon them in a deliberate, timely manner. To accomplish this, they need a global mind-set and an enthusiasm to embrace new challenges, diversity, and a measure of ambiguity. Simply having the right product and technology is not sufficient; it is the caliber of a company's global leadership that makes the difference.

Herbert Paul defines a mind-set as “a set of deeply held internal mental images and assumptions, which individuals develop through a continuous process of learning from experience” (Paul (2000)). These images exist in the subconscious and determine how an individual perceives a specific situation and his or her reaction to it. In a global context, a global mind-set is “the ability to avoid the simplicity of assuming all cultures are the same, and at the same time, not being paralyzed by the complexity of the differences ” (Paul (2000)). Thus, rather than being frustrated and intimidated by cultural differences, an individual with a global mind-set enjoys them and seeks them out because they are fascinated by them and understand they present unique business opportunities.

The concept of a mind-set does not just apply to individuals: it can be logically extended to organizations as the aggregated mind-set of all of its members. Naturally, at the organizational level, mind-set also reflects how its members interact as well as such issues as the distribution of power within the organization. Certain individuals, depending on their position in the organizational hierarchy, will have a stronger impact on the company's mind-set than others. In fact, the personal mind-set of the CEO is sometimes the single most important factor in shaping the organization's mind-set.

A corporate mind-set shapes the perceptions of individual and corporate challenges, opportunities, capabilities, and limitations. It also frames how goals and expectations are set and therefore has a significant impact on what strategies are considered and ultimately selected and how they are implemented. Recognizing the diversity of local markets and seeing them as a source of opportunity and strength, while at the same time pushing for strategic consistency across countries, lies at the heart of global strategy development. To become truly global, therefore, requires a company to develop two key capabilities. First, the company must have the capability to enter any market in the world it wishes to compete in. This requires that the company constantly looks for market opportunities worldwide, processes information on a global basis, and is respected as a real or potential threat by competitors, even in countries or markets it has not yet entered. Second, the company must have the capability to leverage its worldwide resources. Making a switch to a lower cost position by globalizing the supply chain is a good example. Leveraging a company's global know-how is another.

To understand the importance of a corporate mind-set to the development of these capabilities, consider two often quoted corporate mantras: “think global and act local” and its opposite, “think local and act global.” The “think global and act local” mind-set is indicative of a global approach in which management operates under the assumption that a powerful brand name with a standard product, package, and advertising concept serves as a platform to conquer global markets. The starting point is a globalization strategy focused on standard products, optimal global sourcing, and the ability to react globally to competitors' moves. While sometimes effective, this approach can discourage diversity, and it puts a lot of emphasis on uniformity. Contrast this with a “think local and act global” mind-set, which is based on the assumption that global expansion is best served by adaptation to local needs and preferences. In this mind-set, diversity is looked upon as a source of opportunity, whereas strategic cohesion plays a secondary role. Such a “bottom-up” approach can offer greater possibilities for revenue generation, particularly for companies wanting to rapidly grow abroad. However, it may require greater investment in infrastructure necessary to serve each market and can produce global strategic inconsistency and inefficiencies.

C. K. Prahalad and Kenneth Lieberthal first exposed the Western (which they refer to as “imperialist”) bias that many multinationals have brought to their global strategies, particularly in developing countries. They note that they would perform better—and learn more—if they more effectively tailored their operations to the unique conditions of emerging markets. Arguing that literally hundreds of millions of people in China, India, Indonesia, and Brazil are ready to enter the marketplace, they observe that multinational companies typically target only a tiny segment of affluent buyers in these emerging markets: those who most resemble Westerners. This kind of myopia—thinking of developing countries simply as new places to sell old products—is not only shortsighted and the direct result of a Western “imperialist” mind-set; it causes these companies to miss out on much larger market opportunities further down the socioeconomic pyramid that are often seized by local competitors. (Prahalad and Lieberthal (1998)).

Companies with a genuine global mind-set do not assume that they can be successful by simply exporting their current business models around the globe. Citicorp, for example, knew it could not profitably serve a client in Beijing or Delhi whose net wealth is less than \$5,000 with its U.S. business model and attendant cost structure. It therefore had to create a new business model—which meant rethinking every element of its cost structure—to serve average citizens in China and India.

What is more, as we have seen, the innovation required to serve the large tier-two and tier-three segments in emerging markets has the potential to make them more competitive in their traditional markets and therefore in all markets. The same business model that Citicorp developed for emerging markets, for example, was found to have application to inner-city markets in the United States and elsewhere in the developed world.

To become truly global, multinational companies will also increasingly have to look to emerging markets for talent. India is already recognized as a source of technical talent in engineering, sciences, and software, as well as in some aspects of management. High-tech companies recruit in India not only for the Indian market but also for the global market. China, Brazil, and Russia will surely be next. Philips, the Dutch electronics giant, is downsizing in Europe and already employs more Chinese than Dutch workers. Nearly half of the revenues for companies such as Coca-Cola, Procter & Gamble (P&G), Lucent, Boeing, and GE come from Asia, or will in the near future.

As corporate globalization advances, the composition of senior management will also begin to reflect the importance of the BRIC (Brazil, Russia, India, and China) countries and other emerging markets. At present, with a few exceptions, such as Citicorp and Unilever, executive suites are still filled with nationals from the company's home country. As the senior managements for multinationals become more diverse, however, decision-making criteria and processes, attitudes toward ethics, and corporate responsibility, risk taking, and team building all will likely change, reflecting the slow but persistent shift in the center of gravity in many multinational companies toward Asia. This will make the clear articulation of a company's core values and expected behaviors even more important than it is today. It will also increase the need for a single company culture as more and more people from different cultures have to work together.

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