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*Executives from around the world took part in a global mindset survey during the 2013 Orchestrating Winning Performance program. Based on their responses, we identified five critical sources of competitive advantage linked to how managers perceive and act on the global environment in which they operate: (1) being an early mover; (2) trading off global and local requirements; (3) sharing best practices; (4) speed in the rollout of new products; and (5) effective coordination of activities.*

# Developing a Global Mindset: The Five Keys to Success



*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.*

*Gupta and Govindarajan*

## The importance of a global mindset

Our ability to absorb and process all the information that we need to make daily managerial decisions is limited. To cope, our brain filters the flow of information coming from the outside. Over time this filtering becomes a fixed disposition that predetermines a person's response to and interpretation of situations; this is known as a "mindset." Mindsets can be associated with both individuals and organizations.

The strategic importance of an organization's global mindset is based on international strategic management research and the work of Bartlett and Ghoshal, who argued that in the global environment, companies need highly specialized yet closely networked groups of global business managers, country and regional managers, and worldwide functional managers. Leaders, especially those of

multinational organizations, must have a global mindset in order to connect the three types of managers across the organization.

The organization does not therefore depend on one particular person's ability to think globally. Instead it relies on the network or interconnected global mindsets of managers across countries and levels to take advantage of all the global opportunities. The real importance of an organization's global mindset is not about being able to do all things, but rather to understand the complexities and nuances of the global environment as well as the trade-offs and opportunities when they are available. Researchers argue that the key aspect of international strategic management is having the skill to balance competing business, country and functional interests.

The main benefit of a global mindset is the organization's ability to combine speed with accurate response. The organizational global mindset can bring about benefits that can manifest themselves in one or more competitive advantages. The five sources of competitive advantage are:

1. Early mover: The advantage of identifying emerging opportunities early on.
2. Trade-offs: Greater sophistication and a more fine-grained analysis of the trade-offs between local adaptation and global standardization.
3. Best practices: More rapid and efficient sharing of best practices across subsidiaries.
4. New products: Faster rollout of new product concepts and technologies.
5. Coordination: Smoother coordination of complementary activities across borders.

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We examined these ideas at OWP by surveying 140 executives and conducting 10 face-to-face interviews to better understand what qualities linked a global mindset and organizational success. The participants were asked to what extent they agreed with the following statements:

- **Early movers:** Compared to our peers, I consider my company to be an early mover in identifying and taking action on emerging opportunities in foreign markets.
- **Trade-offs:** Compared to our peers, my company is better able to understand the trade-offs between local adaptation and global standardization.
- **Best practices:** Compared to our peers, my company is faster and more efficient at sharing best practices across subsidiaries and borders.
- **Rollout:** Compared to our peers, my company is faster at developing and rolling out new products and technologies in foreign markets.
- **Coordination:** Compared to our peers, my company is better able to coordinate activities across borders.

### **Five qualities linking a global mindset to organizational success**

#### ***Acting on opportunities, using close friends and solving problems despite cultural challenges***

At the organizational level, we found that "Early Mover" companies had managers who described themselves as being able to identify and act on emerging opportunities in foreign markets, had close friends/colleagues in foreign countries (Close Friends) and were willing to look beyond cultural differences to solve business problems (Push Culture). A vice president (VP) of a company in Australia explained some of the challenges he faced when dealing with different cultures to get them to become early movers: He found it hard to work with what he considered "passive cultures" and found it most difficult to work with West and East African cultures. He tried to engage the leaders from this

region by working with them to develop strategy and uncover hidden revenue. But after the meetings nothing was done. In an effort to provoke a change, the VP developed global communities of learning by bringing together different managers to share learning. After listening to their colleagues from Brazil, Argentina and North America, the African managers were encouraged to change their behavior, particularly around accountability.

Close ties with foreign colleagues can also often help overcome the "arrogance trap." As a participant stated, many managers from developed countries approach emerging markets with a sense of "arrogance." When we asked if this "arrogance trap" impacted business decisions, one OWP participant said:

*Yes, because you tend to say: "OK I will listen to them but in the end my view is the better one." It really takes time to accept others.*

However, he also quickly noted that this attitude changed over time through exchange with foreign colleagues and close friendships with people from other countries.

#### ***Effectively communicating across global/local demands***

The survey also revealed that organizations with managers who communicate effectively across different cultures are better able to balance the trade-off between local adaptation and global standardization. They found solutions that matched the logic of the global standard with the operating and regulatory necessities of the local context. A participant working in the Middle East gave an example of the institutional factors at play:

*The company underwent a management restructure... if something is important, you bring it directly to the top guy and he goes to talk to the chairman of the board, who is from the Middle East. If it is not important enough, then leave it as a card to play when*

*your boss needs something else. There is an important institutional factor on how to play the game there.*

### **Formal and informal best-practice sharing**

Sharing best practices across the organization is another important indicator of success. Companies adept at doing this had managers who were good at building trust across cultures, sharing practices within the organization and identifying emerging opportunities. Conversations with various leaders revealed that several companies faced challenges disseminating best practices across the organization. The first problem was staffing. In order to share knowledge and best practices across the organization, subsidiaries need senior executives willing to relocate. This is easier said than done, as one OWP participant commented:

*It is not easy for us to find these types of people even with all the talk of globalization and students learning already that they have to be willing to work internationally. And remember the maturity of the people needed is higher. We don't need fresh graduates; we need experts to transfer knowledge to the new country/company, people maybe 30 to 35+ or even in their 40s and with the right experience. But they usually already have a family and job and it is not easy to pull someone out of his/her normal life.*

The other problem is that many best practices are shared through informal rather than formal channels, which makes it difficult for executives to easily access the needed information. As another OWP participant said:

*The knowledge sharing program about countries at my company is not official. People who work for our company long enough know where to obtain the information they need. You just find a mentor, or your boss (being a leader) will tell you, "I was there... years ago, had a great time. Speak to this guy, that guy... etc."*

### **Acting on emerging opportunities**

New product rollout success was matched with managers who were able to identify emerging opportunities and build trust across cultures. There are two ways to act on emerging opportunities.

The first is to roll out products across various countries quicker. For example, it took Procter & Gamble 27 years to get Pampers into 20 different countries; more recently, it took just two years to get Vidal Sassoon into 40 countries as a result of managers having a better understanding of local opportunities.

The second way is called "reverse innovation," a relatively new phenomenon whereby the innovation occurs in emerging rather than developed markets. For example, GE Healthcare was selling its US-designed medical diagnostic (electrocardiogram) equipment to healthcare professionals in India with some small adaptations for the local market, but only a small percentage of the Indian market was able to afford the product, which cost US\$20,000. So GE and the local managers in India developed a portable, battery operated electrocardiogram machine that cost just \$500. This proved so successful that GE is now also selling this low cost electrocardiogram in the US, for use by emergency response medical teams, for example.

### **Building trust across cultural settings**

Coordination across several countries can be difficult, especially if the culture of the HQ and the subsidiaries is different. Therefore a major effort has to go into understanding different work styles and behaviors and building trust to ensure effective coordination. One OWP participant explained how his company improved coordination:

*The patent department that I lead in HQ only has Danish employees. But I travel a lot and develop, communicate and control the patent divisions of the subsidiaries in different countries. To build trust among*

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*the different subsidiaries we organize training, seminars and international get-togethers in Denmark twice a year. We have conferences, experience exchanges and social events. In general, being explicit from the very beginning with all the employees on the rules of the game and the expectations of these exchanges matters.*

## Conclusion

Every large and medium-sized company is searching for new opportunities in every corner of the globe. As Gupta and Govindarajan remind us:

*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.*

For all firms, this means developing not only individual global mindsets at the manager level but also networks and connections to leverage these mindsets at the organizational level.

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