

# A Whole New Global Mindset for Leadership

*By Mansour Javidan and Jennie L. Walker*



*Global leaders need to navigate increasing complexity in organizational culture, management practices and recruitment of top talent — the very domains human resources professionals are charged with developing. This requires a whole new mindset for leadership: Global Mindset.*

**G**lobal Mindset includes specific knowledge, skills and abilities that have been defined through scientific research at the Najafi Global Mindset Institute at Thunderbird School of Global Management. This article discusses the critical importance of Global Mindset development for leaders. It also defines and describes each component.

## A Whole New Global Mindset for Leadership

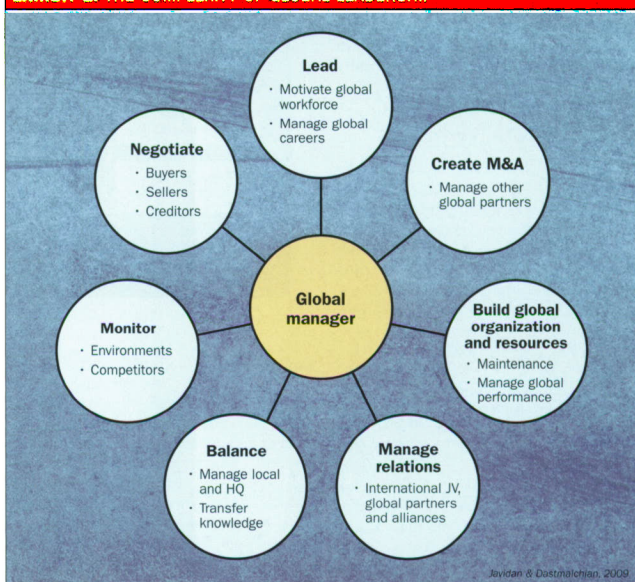
In 1969, Howard Perlmutter was among the first researchers to point out that running successful global operations required a whole new mindset. This gives pause for reflection. How did this mindset differ from status quo leadership? Perlmutter found that global leaders needed to navigate increased complexity in organizational culture, management practices and recruitment of top talent (1969) — the very domains human resources professionals are charged with developing. This holds true today. Global leadership is exciting, challenging and certainly complex (see Exhibit 1). It has only been recently, however, that the whole new mindset to which Perlmutter referred was scientifically defined by the Najafi Global Mindset Institute at Thunderbird School of Global Management.

## Are Your Leaders Prepared for Global Complexities?

Before we dive into the specifics of Global Mindset, take a moment to assess the global leadership needs in your own organization (see Exhibit 2). Chances are that your organization is touched by global complexities, even if it does not have geographically dispersed operations.

In the past 40 years, both the number and impact of multinational companies grew exponentially. Between 1990 and 2003 alone, the number of multinational corporations throughout the world increased from 3,000

**EXHIBIT 1: THE COMPLEXITY OF GLOBAL LEADERSHIP**



to 63,000 (Gabel, Medard and Bruner, 2003). During that same time period, multinationals in the United States created 31 percent of the country's growth in private-sector real GDP and 41 percent of labor productivity gains (McKinsey Global Institute, June 2010).

Despite the exponential growth (or perhaps because of it), leaders continue to be unprepared for global contexts. A recent survey of senior HR executives revealed that a shortage of global executive talent was the primary concern in their firm's global expansion plans

**EXHIBIT 2: GLOBAL MINDSET NEEDS ASSESSMENT (SHORT-FORM)**

1. Throughout the next five years, your corporation's opportunities, in terms of markets and supplies, are mostly outside of your country.
2. Throughout the next five years, managers at your firm will increasingly need to work with people from other parts of the world.
3. Throughout the next five years, managers at your firm will increasingly need to work with direct reports who are located in different parts of the world.
4. Your company believes that a key to its sustainable competitive advantage in the future resides in its capability to manage cross-cultural complexity in its value chain of suppliers, managers, employees, distributors and customers better than its competitors.
5. Influencing people who are different from you is harder than influencing people who are like you.

(Smith, A., Caver, K., Saslow, S., & Thomas, 2009). And managers agreed: In a survey of managers in global positions, more than 60 percent reported themselves to be poorly prepared for their jobs (Howard, A. & Wellins, R.S., 2009, September). It is important to note that even domestically based leaders are faced with increasing global diversity. In a survey of 500 senior executives at 100 global corporations, almost 60 percent reported that their workers will have more diverse backgrounds and experiences and more than half expected managers to become more international in composition (Economist Intelligence Unit report, 2010).

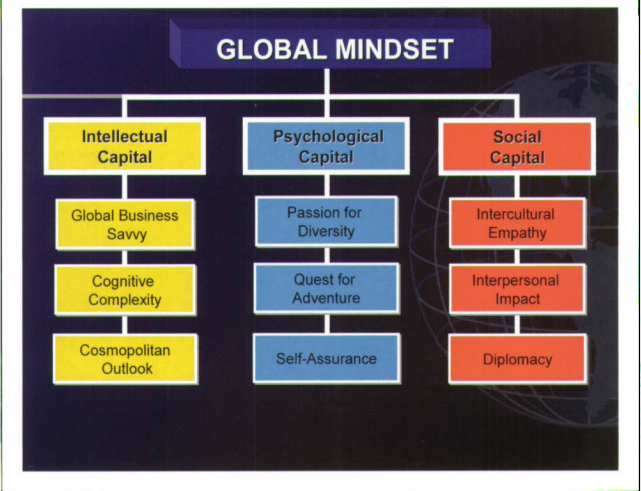
## The Global Mindset Project

Based on an extensive research project that now includes data from more than 13,000 managers from companies around the world, we view Global Mindset as the set of attributes that help a manager influence individuals, groups and organizations from diverse cultural, political and institutional backgrounds. In short, Global Mindset is the capability to influence others unlike yourself — and that is the key difference between leadership and global leadership. Leadership is all about influencing others. In terms of the classic distinction that leaders must manage “data, people and things,” ask any manager and they will almost certainly tell you that the management of people is the most complex and difficult of the three. And for a global leader, it is all the more challenging, because they must influence people different from themselves in numerous, compounded ways.

The Global Mindset Project (GMP) started in late 2004 at the Thunderbird School of Global Management. Eight professors reviewed the literature on global leadership, cross-cultural leadership and Global Mindset, conducted interviews with another 26 Thunderbird professors who are experts in various aspects of global business, and interviewed 217 global executives in the United States, Europe and Asia. We also convened an invitation-only conference where more than 40 academic experts known for their scholarly contributions to the global business field from around the world were asked to test, stretch and refine our thinking — and so they did.

The above process helped us identify the scope and components of the concept of Global Mindset. We then worked with the Dunnette Group, a renowned instrument

**EXHIBIT 3: THE STRUCTURE OF GLOBAL MINDSET**



design firm, to empirically verify the construct of Global Mindset and to scientifically design an instrument that would measure an individual's profile of Global Mindset. We used an iterative process involving more than 200 MBA students and more than 700 managers working for two Fortune 500 corporations in a series of surveys and pilot tests. The process resulted in an empirically verified construct of Global Mindset that consists of three major dimensions: Intellectual Capital (IC), Psychological Capital (PC) and Social Capital (SC). Exhibit 3 shows the scientific structure of Global Mindset.

## Toward a Theory of Global Leadership

Despite the plethora of advice and writing on global leadership, there is little effort to clearly define the concept. With few exceptions, much of the literature on global leadership tends to focus on lists of competencies and suggestions for improvement without offering a clear definition of global leadership (e.g., Brake, 1997 Rhinesmith, 1996; Mendenhall, et al., 2001; Black, Morrison and Gregersen, 1999). This is in part due to the fact that no theory of global leadership currently exists, despite the plethora of published leadership theories. Case in point, Stephen Covey wrote a very concise and use-

ful review of leadership theories in the appendix of “The 8th Habit: From Effectiveness to Greatness” (Covey, 2004). He lists 20 leadership theories that were put into practice from 1936 through 2003. For those of us in the business of leadership development, the chart should serve as a reminder that, as our world changes, so must our leadership approach. Yet there is a noticeable absence of a theory of global leadership on the chart. This was not an oversight on Covey's part; the truth of the matter is that it simply did not exist as of 2004. Enter our work at the Najafi Global Mindset Institute. We define global leadership as:

The process of influencing individuals, groups, and organizations (inside and outside the boundaries of the global organization) representing diverse cultural/political/institutional systems to help achieve the global organization's goals (Beechler and Javidan, 2007).

We view global leadership as a process of influence, in line with the conventional literature on leadership where most definitions reflect the notion of intentional influence exerted by one person over other people (Yukl, 2006). While much of the extant literature is focused on how leaders can motivate their direct reports toward common goals, we also explic-

itly acknowledge that the direct reports may be scattered around the world and may not neatly fit in a typical hierarchical structure. Additionally, since a typical global organization is more of a network of supply chain partners, joint venture partners or strategic alliance partners trying to execute integrated global strategies (Brake, 1997), the boundaries of the typical global organization are more permeable and fuzzy than the traditional organization (Ashkenas et al, 1995). Global leaders need to influence individuals, teams and organizations from different parts of the world to help achieve their organizations' objectives. And they need to do this without relying on traditional lines of authority.

## Global Leadership Requires More Than Cross-Cultural Intelligence

Much of the literature on global leadership tends to focus on leading across cultures (Adler, 1997; House, Hanges, Javidan, Dorfman, and Gupta, 2004; Javidan and Carl, 2004; Dorfman, 2004). While the difference in national cultures is indeed critical, it is not the only issue. The global leader's targets of influence may come from cultural backgrounds, institutional systems, legal frameworks and social structures that are different from those in the global leader's home context (North, 1990). They may even have different views on the whole notion of the corporation and its role in the society (Hunt, 2000). Because global leadership is about influencing those who are different from the leader in many important ways, it is useful to identify what those key differences may include.

## Global Leadership Requires Intellectual, Psychological and Social Capital

Exhibit 3, developed from our research, shows the three core "capitals" and nine underlying building blocks of a global mindset that enable managers to influence others unlike themselves in achieving their organizations' global ambitions. Here is a closer look at each, and why they matter.

**Intellectual Capital (IC)** — the cognitive side of Global Mindset

IC refers to the leader's knowledge of his/her global surroundings, as well the ability to digest and leverage the additional level of complexity embedded in global environments. It consists of three building blocks:

Global Business Savvy: Knowledge of the way world business works

- Knowledge of global industry
- Knowledge of global competitive business and marketing strategies
- Knowledge of how to transact business and manage risk in other countries
- Knowledge of supplier options in other parts of the world

advances in information technology, transportation and distribution, it remains very bumpy in terms of cross-cultural differences. As Douglas Ivester, former CEO of Coca-Cola, summarized, "As economic boundaries come down, cross-cultural barriers go up, presenting new challenges and opportunities in business."

Our work in the GLOBE project has identified a number of cross-cultural bumps that show, for example, American managers are typically much more performance oriented than are Greek managers. We have also shown that American managers expect their supervisors to be much more enthusiastic than do French managers. A typical American

The global leader's targets of influence may come from cultural backgrounds, institutional systems, legal frameworks and social structures that are different from those in the global leader's home context.

Cosmopolitan Outlook: Understanding that the manager's home country is not the center of the universe

- Knowledge of cultures in different parts of the world
- Knowledge of geography, history and important persons of several countries
- Knowledge of economic and political issues, concerns, hot topics, etc., of major regions of the world
- Up-to-date knowledge of important world events

Cognitive Complexity: Global is just more complicated than domestic-only

- Ability to grasp complex concepts quickly
- Strong analytical and problem-solving skills
- Ability to understand abstract ideas
- Ability to take complex issues and explain the main points simply and understandably

IC matters because, despite what you may have heard, *the world is not flat*. Although Thomas Friedman's world is flat, with respect to its being much more interconnected via

manager may find it difficult to make the necessary adjustments in working with his Greek or French team. Also, the United States is relatively low on "power distance" versus Thailand, which is very high. So the U.S. manager who goes on assignment in Thailand and engages her direct reports in empowered, consultative decision making may be greeted with confusion, dismay or disbelief.

These bumpy challenges are why, in a recent survey of CEOs, "mobilizing teams" and "working across cultures" were the top two critical leadership competencies (Howard, A. and Wellins, 2008/2009). The same CEOs reported that "decision making in complex environments and ability to read cultural nuances and to adapt leadership style accordingly" is the key to successful global leadership. This was reinforced in a more recent survey of senior executives who identified "ability to influence people from other cultures" as the most important skill for a global executive (Smith, A., Caver, K., Saslow, S., & Thomas, N., 2009).

**Psychological Capital (PC)** — the affective aspect of Global Mindset

PC helps a manager leverage his/her Intellectual Capital. Without a strong

psychological platform, extensive knowledge of global industry and global environment is less likely to result in successful action. Psychological Capital consists of:

Passion for diversity: Do not just tolerate or appreciate diversity, but thrive on it

- Interest in exploring other parts of the world
- Interest in getting to know people from other parts of the world
- Interest in living in another country
- Interest in variety

Quest for Adventure: The Marco Polos of the world

- Interest in dealing with challenging situations
- Willingness to take risk
- Willingness to test one's abilities
- Interest in dealing with unpredictable situations

Self-Assurance: The source of psychological resilience and coping

- Energetic
- Self-confident
- Comfortable in uncomfortable situations
- Witty in tough situations

A senior executive we have been working with, who is low in psychological capital, is originally from New Zealand. He had a successful track record at home and was promoted to a senior position for the firm in a Middle Eastern country, reporting to an Italian senior executive in Milan and working closely with his colleagues in the Mediterranean. His one-year tenure was full of frustration and confusion. He was having a hard time building trust with his direct reports. He had a hard time figuring out what was really going on and felt uneasy about the local culture. He was also struggling with his supervisor and the Mediterranean colleagues. After a few months, he found himself gravitating toward other New Zealand or Australian expats and Western clubs and restaurants in his city. He was so stressed during the day that he wanted the relief of a familiar environment in the evening. He was spending more of his time with other expats who were also suffering, avoiding those who were enjoying their experiences. In sum, he lacked

the psychological and emotional resilience necessary to make sense of cultural and national differences, manage them and enjoy the process while doing so.

**Social Capital (SC)** — the behavioral aspect of Global Mindset

SC reflects the individual's ability to act in a way that would help build trusting relationships with people from other parts of the world and also consists of three building blocks:

**Intercultural Empathy:** Display "global" emotional intelligence

- Ability to work well with people from other parts of the world
- Ability to understand nonverbal expressions of people from other cultures
- Ability to emotionally connect to people from other cultures
- Ability to engage people from other parts of the world to work together

**Interpersonal Impact:** Difference maker; seldom ignored across boundaries

- Experience in negotiating contracts in other cultures
- Strong networks with people from other cultures and with influential people
- Reputation as a leader
- Credibility

**Diplomacy:** Seeks first to understand, then to be understood

- Ease of starting a conversation with a stranger
- Ability to integrate diverse perspectives
- Ability to listen to what others have to say
- Willingness to collaborate

Social Capital includes the trust-building and networking behaviors that allow managers to knit together the various elements in their increasingly cross-cultural, complex, global network of relationships. As Sam Palmisano, outgoing CEO of IBM, observes: "Today's global corporations are shifting their focus from products to production — from what things companies choose to make to how they choose to make them, from what services they offer to how they choose to deliver them. Simply put, the emerging globally inte-

grated enterprise is a company that fashions its strategy, its management, and its operations in pursuit of a new goal: the integration of production and value delivery worldwide. State borders define less and less the boundaries of corporate thinking or practice"<sup>11</sup>.

A high stock of Social Capital, together with Intellectual Capital and Psychological Capital, equips companies to pursue a new source of sustainable competitive advantage: superiority in managing the cross-border complexity of their global supply chain. In sum, Intellectual Capital (IC) ensures that the manager is aware of the many dimensions of global complexity. Psychological Capital (PC) generates the enthusiasm, energy and self-confidence to deal with such level of complexity. And Social Capital (SC) helps the manager behave in ways that are likely to build trust and help achieve his objectives.

In order to find Global Mindset in people and have a basis for nurturing it, companies must be able to measure it with confidence. One means for doing so is through the use of the Global Mindset Inventory (GMI) survey instrument. The GMI measures a manager's profile of Global Mindset in terms of nine dimensions and three capitals.

## Identifying Global Mindset in Managers

Our research to date has identified a number of factors that point to a high Global Mindset in individuals:

- *Proficiency in more than one language* is a strong predictor of Global Mindset. Anglo speakers (citizens of the United States, Canada, the United Kingdom, New Zealand and Australia) who speak other languages are more likely to have higher Global Mindset scores. But proficiency level is a major factor. For those with low proficiency, the magic number is three. Those who have low proficiency in more than three languages actually score lower on Global Mindset. For those with moderate to high levels of proficiency, the more languages, the better. (The more languages, the better? Is there not a level where "diminishing returns" occur?) We also found that for non-Anglo managers, their proficiency in the English language is a strong predictor of their Global Mindset.
- *The number of countries one has lived, studied and worked in* is also important. In

general, the more countries a manager has lived in, the higher the average Global Mindset score. However, there is an important caveat: The length of stay is also an important consideration. The optimum length of stay in each country seems to be between six months and two years. Relatively speaking, stays of between six months and two years have the largest impact on a manager's Global Mindset. We also found that the number of countries a person is educated in, up to four, has an impact on Global Mindset score. Furthermore, we found that the more friends a manager has from other countries, the higher his/her Global Mindset score.

- **An international graduate degree matters.** Those with a graduate degree in international management, international business or international affairs have a higher average score on Global Mindset. While such a degree is indicative of an individual's inherent interest in global issues, it has other important contributions. Our data show that the impact of living and working in multiple countries on the Global Mindset score is quite larger for those with an international master's degree. Of those with experience in several countries, managers with an international master's degree have much higher scores than those without it. In other words, an international degree boosts the manager's ability to leverage the international experience. Finally, our results show that those without an international degree need to live in two additional countries to achieve the same Global Mindset scores as those with an international graduate degree.

- **Age matters, and that's the bad news!** In our database of more than 12,000 individuals, we found that those in the age group of low-40s to mid-50s had the lowest average scores on Global Mindset compared to other age groups. It is not entirely clear why this is the case, but whatever the reason, it is cause for concern, because this is the age group that is typically in charge of running corporations and governments. Most CEOs, senior executives, senior government officials and politicians in many countries are in this age group. This raises the question: How easy will it be for corporations to globalize their mindset if their senior leadership is not leading by example? But perhaps an even bigger concern is: How will governments prepare their citizens for the globalized world if those in charge just don't get it?

## Building the Company's Stock of Global Mindset

To build the company's stock of Global Mindset, the options are largely to find it from outside talent or nurture it from within. It would be ideal if we could find individuals with high levels in all three capitals (IC, PC and SC). But we don't live in an ideal world. We live in a world with few super men or women. In an imperfect world, which of the three capitals should you look for when hiring managers? Our work with hundreds of managers shows that Psychological Capital has some unique features compared to the other two. You can teach people about global business and cross-cultural issues, and you can help them improve their Social Capital through a variety of experiential experiences. But enhancing someone's Psychological Capital is much harder and takes much more time. For example, it is not that easy to improve someone's low passion for diversity. Therefore, at a minimum, companies need to make sure the people they hire or promote have reasonably high levels of PC.

In our work with one Fortune 50 corporation, we helped them incorporate Global Mindset as an integral component of their senior executives' annual personal development plans. Every year, all executives set an objective regarding their own Global Mindset profile. They also prepare a set of action plans to achieve those objectives.

All such interventions have beneficial outcomes, but our view is that to have maximum impact, you need an integrated strategy that has elements from your talent management system, your performance management process and your leadership development strategy. Global Mindset should be an important part of your talent management system. It should be a critical competency for several managerial levels in your organization. Your leadership development strategy should ensure that Global Mindset capitals are properly developed, and your performance management system should ensure that they are properly assessed and rewarded. **DRS**

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