"*International Management Behavior* is the leading book in the practical application of international management concepts in the service of developing mindful, agile, and socially responsible global leaders. The book … makes the much-talked-about concept of the 'global mindset' completely accessible to students and practicing managers in all organizations. I've used *International Management Behavior* in advanced undergraduate, graduate/postgraduate courses, with consistently the same results: lively, thoughtful, and reflective discussion that challenges and changes individual behavior."

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"*International Management Behavior* … has been a staple of educators … since the first edition. It is a seminal textbook in the field – a classic – because it has stood the test of time."

Mark Mendenhall, *Chair of Excellence in Business Leadership Management, The University of Tennessee at Chattanooga, USA*

"Starting from an inspiring discussion of fundamental international management questions …, the book moves on to an in-depth analysis of key aspects of international management behavior. Practicable frameworks, striking case studies, and guidance on 'mindfulness' will help readers apply these insights to the multiple situations of interacting with international colleagues, customers, and suppliers."

Angelika Zimermann, *Professor of International Business and Strategy, University of Loughborough*

Now in its eighth edition, this is the textbook for current and future global leaders wanting to lead competently and sustainably in their business practices.

Fully updated, the authors build on their forty years of teaching, researching, and working with managers worldwide to bring students the latest developments in global business practice.

Now including end-of-chapter reflection questions to guide topic comprehension, and directed further resources to assist individual research, this edition also sees the return of Ivey Business School, Harvard Business School, and IMD cases in the book.

This edition also includes a new conception of mindful global leadership as the integrating framework for execution of global strategy, highlighting the importance of a holistic approach to working across cultures and distance.

Combining a wealth of theoretical knowledge with real-world examples from diverse cultures, countries and industry sectors, the practical guidance and well-chosen examples throughout the book bring key concepts to life.

CAMBRIDGE
UNIVERSITY PRESS
www.cambridge.org
ISBN 978-1-108-47328-6

9 781108 473286

Lane and Maznevski

International Management Behavior
EIGHTH EDITION

International Management Behavior

Global and Sustainable Leadership

Henry W. Lane and
Martha L. Maznevski

with Joseph J. DiStefano

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Dr. Henry Lane is Professor of International Business & Strategy, D'Amore-McKim School of Business, Northeastern University (Boston). His research and teaching interests include executing global strategy, cross-cultural management, organizational learning, and managing change. His Doctorate in Organizational Behavior is from the Harvard Business School. He serves as a faculty member for university and corporate courses globally. In 2009 he received the Academy of Management, International Management Division's Outstanding Educator Award for continuous excellence and innovation in teaching international management; and also the 2009 Academy of Management Review Decade Award for the co-authored article "An Organizational Learning Framework: From Intuition to Institution."

Dr. Martha Maznevski is Professor of Organizational Behaviour and Faculty Co-Director for Executive Education at Ivey Business School (Canada). Dr. Maznevski completed her PhD at Ivey with research on multicultural teams, and is an expert on global teams, global leadership, culture and identity, and empowering individual differences. She has published widely on these topics in academic and management arenas. She works closely with leaders and their organizations around the world on innovative approaches to achieving sustainable performance across levels, industries, and organizational types in today's highly complex global environment.

International Management Behavior

Global and Sustainable Leadership

EIGHTH EDITION

Henry W. Lane
D'Amore-McKim School of Business, Northeastern University

Martha L. Maznevski
Richard Ivey School of Business, Western University

To all the friends who have helped me learn about their cultures, and my own.
Henry (Harry) W. Lane

To Julianna, Katie, Andrea, Arielle and Alexander, to help them inspire the next generation.
Martha L. Maznevski

Contents

Preface

> The real voyage of discovery consists not in seeking new landscapes,
> but in having new eyes.
>
> Marcel Proust

Welcome to the eighth edition!

International management has evolved since we published the seventh edition in 2014, and we've crafted this edition with a fresh look. We've revised and updated the content significantly, adding new chapters, concepts, and examples to illuminate the complexity of today's environment. Most importantly, we've woven a thread of mindfulness – situation awareness and a process orientation – throughout the book. We have also brought teaching cases back into the book, to facilitate its use as a textbook in courses on international or cross-cultural management.

Developing Global Leaders: Research-Grounded, Pragmatically Tested

We have developed, refined, and tested the perspectives in this book for over forty years with undergraduates, graduate students, and practicing executives of all levels around the world. By combining conceptual knowledge and contextually based skill-building, this book provides an effective learning package. In addition to drawing on the up-to-date research of experts in the business and management fields, we have conducted our own research on the issues and skills relevant to international management, and also on how best to train global managers.

Management Focus

In this book we take the perspective of a practicing manager, someone faced with situations and who needs to act. We therefore provide a problem-solving approach to international business. International business activities are complex situations in which both business factors and cultural factors are

simultaneously embedded, and need to be managed together. The skills needed to cross boundaries cannot be isolated from management realities, and appreciating various and multiple influences on behavior can make a difference in outcome and performance.

Behavioral Focus

This book emphasizes that the human element in managing effectively across cultures is just as important as, and sometimes more important than, the technical or functional elements. However, most managers develop stronger technical or business skills than the behavioral boundary-spanning, interpersonal and cultural skills. They need to complement these strong technical backgrounds with behavioral skills; if they don't, they may never get the opportunity to use the business or technical skills.

Process Focus

Related to the behavioral focus is the process focus – behaving, interacting, learning, and moving forward to meet objectives. This perspective is an important contributor to success in a global market. In other words, leading well in an international setting is not just about having the right characteristics or competences; it's about the dynamics of knowing how to adapt quickly and effectively. Often, good international management is less about "finding a solution or making a decision" and more about "identifying and embarking on a process."

Intercultural Focus

The material in this textbook focuses on the interaction between people of different cultures in work settings. This intercultural orientation is distinct from a comparative approach, in which management practices of individual countries or cultures are examined and compared. While we do often report on cultural comparisons, we focus on what happens at the intersection. This is the boundary that provides both the greatest challenges and the most interesting opportunities.

Culture-General Focus

This book is intended for a wide variety of managers and international staff who must function effectively in a global environment; therefore, we do not

concentrate deeply on particular cultures, countries, or regions. A culture-general perspective provides a framework within which country-specific learning can take place more rapidly as necessary. It helps to know what questions to ask and how to interpret the answers received when conducting business globally or helping others to do the same. It helps the learner become more effective at learning and adapting to other cultures. We do provide specific examples of cultures, countries, and regions: not enough to take the place of in-depth culture-specific training for people who are assigned to a particular place, but enough to enhance the impact of that training.

Outline of the Book: Following the Challenges and Opportunities

The four parts of this book follow the main categories of challenges and opportunities we see international managers experiencing most frequently. Each part closes with a series of teaching cases that apply the concepts of the section to management practice.

Part I looks at "The New Global Context" of international management behavior. The first chapter, "Global Leaders in the Twenty-First Century," looks carefully at the business and leadership context of today's globalization, and identifies general leadership competences needed for leading in this complexity. Chapter 2 examines the importance of "Mindful Global Leadership." This chapter explores the role of people who manage others in a global environment, and what makes this different from "regular" management. It introduces the concepts of mindfulness, global mindset, a global leadership competences model, and a set of principles for leading. These concepts set the organizing framework for the rest of the book. In Chapter 3, "Understanding Culture," we identify why culture is such an important element of the international management context, and develop a set of tools for describing and comparing cultures.

Part II consists of three chapters that look at "Leading People across Contexts." Chapter 4, "Interpersonal Skills for International Management," provides a model for interacting effectively across cultures and illustrates it with many examples. Chapter 5 looks at "Leading Global Teams," including virtual teams and broader networks of teams. "Talent Management" is the subject of Chapter 6, where we look at how organizations select, prepare, and support global leaders.

In Part III, we turn to the relationship between management behavior and company performance. Chapter 7, "Executing Global Strategy: Foundations," discusses the principles of organizational design, drawing on a model of

organizational alignment. The framework explains how aligned organizations are more likely to execute strategy effectively and perform well. Chapter 8, "Executing Global Strategy: Applications," illustrates a repertoire of organizational types from large, matrixed multinational enterprises to small born-global start-ups. Because global leaders are almost constantly involved in influencing organizational change, Chapter 9 provides guidance for "Leading Change in Global Organizations."

Part IV, "Integrity and Sustainable Performance," looks at the relationship between leaders, their organizations, and society. Chapter 10 focuses on "Competing with Integrity" as individual decision-makers with "Personal Integrity." Chapter 11 takes this to the organizational level with "Corporate Sustainability."

Chapter 12 provides a conclusion for the book, with our reflections about global leadership journeys.

The chapters combine our own research and experience and that of many others. While we do not provide a review of all the research in the field (other resources do that well), we focus on the research and frameworks that provide the most immediate practical guidance for managers, and present it in ways that have proven to be helpful for practice. We provide many examples throughout the book to help readers see how others have applied the lessons, and generate ideas for applying the ideas and behaviors themselves. Most of our examples come directly from the experience of managers we've worked closely with, and we've tried to capture the flavor, feeling, and tempo of these people and the places in which they live and work. They may not be recognized as leaders who capture headlines in the press, but through their experiences we are able we provide more behavioral and reflective insights. We find they are great role models.

Acknowledgments

The eighth edition of this book is a major revision of material from previous editions and includes many new changes.

We start by acknowledging Joseph J. DiStefano's historical contribution to this book and to our careers by including his name on the cover. In 1975, Professor DiStefano interviewed Professor Lane who was doctoral candidate at the Harvard Business School, and recruited him to Canada. He became a colleague, co-author, and friend. Professor DiStefano started one of the first cross-cultural courses anywhere in 1974 at the Ivey Business School (at the time the Western Business School) which was the genesis of this book. Professor DiStefano was the Chair of Professor Maznevski's PhD thesis committee. In January 2000, Professor DiStefano joined IMD in Lausanne, Switzerland, and recruited Professor Maznevski to IMD in 2001. In 2016 Professor Maznevski returned to the Ivey Business School where this book has its roots.

Another person at the University of Western Ontario (now Western University) who became a colleague, co-author, and friend, Professor Don Simpson, deserves special recognition for introducing Professor Lane to Africa and helping him begin his "voyage of discovery" into the reality of functioning in other cultures and doing business internationally.

We have appreciated the support for our work on international business shown by our colleagues and research associates over the years at the Ivey Business School, Northeastern University, University of Virginia, and IMD.

Both of us owe a special debt to our professors, colleagues, and friends who shaped our interests and knowledge at Ivey. We are grateful to: Deans J. J. (Jack) Wettlaufer, C. B. (Bud) Johnston, Adrian Ryans, and Larry Tapp; Professors Jim Hatch, Terry Deutscher, and Ken Hardy; the directors of Research and Publications at the Ivey Business School; and especially the donors of the Donald F. Hunter professorship (a Maclean Hunter endowment) and the Royal Bank professorship, which provided extra time for Professors Lane and DiStefano to undertake much of the initial work in developing this text. We all recognize the special contribution and mentorship of the late Professor Al Mikalachki who taught us so much about change.

In 1994, Professor Lane assumed responsibility for Ivey's Americas Program and that same year he began working with IPADE in Mexico and is very appreciative of the wonderful colleagues and friends he has made there over twenty years who not only have contributed to his education about Mexico and Latin America, but also made it enjoyable to spend time there learning. In September 1999, Professor Lane moved to the D'Amore-McKim School of Business at Northeastern University as the Darla and Frederick Brodsky Trustee Professor in Global Business. Professor Lane is grateful for their support and friendship.

In 1994, Professor Maznevski moved from Ivey to the McIntire School of Commerce at the University of Virginia. She thanks her colleagues there, in particular Dean Carl Zeithaml. The commitment of the school to making its programs global provided substantial support for her involvement in developing material for this book. Dean Zeithaml sponsored, both financially and with his enthusiasm, the first ION conferences and the genesis of a great network of colleagues which still influences our work and the field today.

In 2001, Professor Maznevski moved to IMD, and her learning and this book have been greatly influenced by her experiences there. She thanks her colleagues for their collaboration and learning adventures. As Program Director of large general management programs, the full-time MBA, and many programs for companies, she worked with senior executives from around the world, and accompanied them on their global development journeys.

To this list of acknowledgments we need to add a large number of people and institutions from around the world who have broadened and informed our experience: managers in both the public and private sectors; colleagues at other universities and institutes; companies who have provided access to their operations for the purpose of writing cases; and a number of former students and research assistants who worked with us to develop material for this and previous editions. Among the former research assistants, a special note of thanks is due to Professor Bill Blake of Queen's University and to Professor Lorna Wright of York University. We would like to thank David Ager, Dan Campbell, Celia Chui, Karsten Jonsen, and David Wesley for their substantial contributions. Other previous doctoral students who contributed to the intellectual tradition in international business at Ivey and to our learning include Paul Beamish, Neil Abramson, Shawna O'Grady, Terry Hildebrand, Iris Berdrow, Sing Chee Ling, and Jonathan Calof. As the newest additions to the research assistant team, Ali Beres and Gena Zheng provided strong support on this edition.

The restructuring that has taken place in the publishing industry adds considerably to this list of acknowledgments. A series of acquisitions and

reorganizations has led to experience with six publishers and nine editors during the writing of the eight editions. All were strong believers in, and advocates for, this book and we value our relationship with all of them. Sincere thanks go to all those who helped along the way and particularly to Rosemary Nixon at Blackwell then Wiley. A major change with this edition is a new publisher, Cambridge University Press and new editor, Valerie Appleby, who has worked hard to make the eighth edition a reality. We want to recognize Jane Adams and Lisa Pinto of CUP's Textbook Development Department for their work preparing the book for publishing, and we look forward to a continuing and productive relationship with them. And in this context, we thank Professor Paul Beamish at Ivey and Professor Bert Spector at the D'Amore-McKim School of Business at Northeastern University for introducing us to Valerie and to Cambridge University Press.

We also express our appreciation to colleagues who have provided the publishers, and us, with helpful critiques. To Nick Athanassiou, Bert Spector, Chris Robertson, Jeanne McNett and Andy Savitz we say a special thanks for the reviews, suggestions, and editing which shaped this, and earlier, editions. We thank Professor Joerg Dietz for his contribution as a co-author of the sixth edition.

Students and managers who have worked with our materials, and colleagues who have adopted the book and have written to us with thanks and suggestions, all have helped us and others learn. To them we add our gratitude. Professor Lane would acknowledge, in particular, Professors Nick Athanassiou, Sheila Puffer, Alexandra Roth, David Wesley, and Tricia McConville who have used this book at Northeastern and the executives who have shared their experiences with us or have facilitated access to case situations: Ken Clark, Gail Ellement, Ted English, Charles Forsgard, Astrid Nielsen, Philipp Röh, and Ron Zitlow. Professor Maznevski thanks all the many executives in programs at IMD who have shared their stories and challenges, and new colleagues and students at Ivey who have pilot tested the development of new ideas and materials. We thank the reviewers for the eighth edition whose helpful comments are reflected in these pages.

We both warmly thank our friends and colleagues at ION, the International Organizations Network. This group has greatly facilitated and inspired our work, helped us make new friends and create new knowledge, and is always fun.

Last, but hardly least, we thank our families who have supported our learning and the publishing of what we have learned. This has meant time away from home, time spent alone writing, and time and energy devoted to the many visitors and friends from around the world who have shared our homes. All

have been critical to our development. Our spouses, Anne and Brian, have been more than patient; they have contributed significantly to our understanding and commitment, as have our children and grandchildren. We thank them all for their love and assistance.

Notwithstanding this lengthy list of personal acknowledgments, we close with the usual caveat that we alone remain responsible for the contents of this book.

Introduction

This book is for managers like Rachna, an Indian now in Europe globally sourcing service contracts for a US-based multinational; like Jonatas, a Brazilian now in Singapore, optimizing a supply chain for a specialty chemicals firm created from a European–Middle Eastern joint venture; like Rich, a Canadian who returned to his home country after working abroad, to innovate new practices in the oil industry; like Frances, a young Chinese leader developing as a global leader; and like Jaclyn, just starting her career, intrigued about international management and eager to learn what it entails.

This book is for managers like Jan, a senior German manager who has worked and lived in many countries, and is now CEO of a large multinational firm and working with his teams to develop and implement global strategies; like Magdi, a senior Lebanese manager who has also worked and lived in many countries, and now in charge of global production for a large multinational firm; and like Amy, an American senior manager in Silicon Valley with a great track record in new product development and marketing in innovative firms around the world. It is for people like Eivind, Mads, Kirsi, and other leaders in Human Resources responsible for attracting, assessing, developing, and enabling all the people who manage their organizations internationally.

It's also for people like Jemilah, Ed, Teo, Feena, and Dermot: senior leaders in global non-governmental organizations (NGOs) who are actively trying to help the world while simultaneously revolutionizing their industry to make aid more effective. And it is for Jesper, Mahoto, and Liesbeth, managers creating innovative ways to combine aid, development, and entrepreneurship to help people help themselves in countries with developing economies.

This book is not just a book about global business. It is about *people who conduct business – and manage other types of organizations – in a global*

environment. It discusses and explores typical situations that managers encounter: the problems and opportunities; the frustrations and rewards; the successes and failures; the decisions they must make and the actions they must take.

Bird and Mendenhall (2016) have pointed out that there is ambiguity in the terminology used by management scholars when talking about management outside the strictly domestic context. They consider "international management" to be the broadest classification incorporating international strategy, talent management, and other aspects of managing an organization. It also includes understanding and practicing cross-cultural management. You will find all these activities and skills discussed in this book.

International management is not an impersonal activity, and it should not be studied solely in an impersonal way. It is important to understand trade theories; to be able to weigh the pros and cons of exporting versus licensing; or to understand the advantages of a joint venture versus a wholly-owned subsidiary. But eventually, theory must give way to practice; strategizing and debating alternatives must give way to action. Working globally means interacting with colleagues, customers, and suppliers from other countries to achieve a specific outcome. We focus on these interactions, on getting things done with and through other people in an international context.

Globalization means that one does not have to travel to another country to be exposed to situations of cultural diversity. For example, consider a manager in Boston who worked for Genzyme, which is one of the world's leading biotech companies. This company was founded in Boston in 1981 and was acquired by Sanofi SA from France in 2011. Now the American manager may travel to France frequently or interact with French mangers when they come to Boston. This same manager possibly interacts with a number of other local Boston companies that are also now foreign-owned. He or she may have an account with Citizen's Bank (owned by the Royal Bank of Scotland Group) or Sovereign Bank (owned by Santander from Spain); purchase insurance from John Hancock (owned by Manulife Financial of Canada); and buy groceries from Stop & Shop (owned by Ahold Delhaize of the Netherlands). And managers from these companies also are likely to be experiencing working with their Scottish, Canadian, Spanish, and Dutch counterparts.

In countries with long histories of immigration, such as Canada, the USA, and Brazil, there is considerable diversity within the domestic workforce and many managers experience working with cultural diversity as part of their daily routine. Managers in all of these countries find the material in this book is also

useful in these situations, and they can apply it without their ever having to leave their home base.

Focus on the Voyage

This book is based on the philosophy that learning is a lifelong, continuous process. Although the book contains many recommendations about how to interact and manage in other cultures, rather than simply provide what appear to be the "answers" about the way to act in global management situations and an illusion of mastery, we hope it stimulates and facilitates even more learning about other cultures and how to work effectively with others. For some readers, the material in this book may represent a first encounter with different cultures. Other readers may have been exposed to different cultures through previous courses or personal experience. For those with prior exposure to other people and places, the journey continues with a new level of insight. For those without prior experiences, welcome to an interesting journey!

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PART I
The New Global Context

1 Global Leaders in the Twenty–First Century

> It's a dangerous business, Frodo, going out your door. You step onto the road, and if you don't keep your feet, there's no knowing where you might be swept off to.
>
> J. R. R. Tolkien, *The Lord of the Rings*

Globalization: That Was Then, This Is Now

The phrase "That Was Then, This Is Now" comes from the book of that title by S. E. Hinton (first published in 1971), and it has become a popular expression indicating that things change.

Change is the only constant. After the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in the late 1980s led to major reductions in tariffs and created the World Trade Organization, companies hastened to become global. However, according to *The Economist*, the global company is now in retreat. "The biggest business idea of the past three decades, is in deep trouble," it noted. "Companies became obsessed with internationalizing their customers, production, capital and management ... Such a spree could not last forever; an increasing body of evidence suggests that it has now ended" (The Economist, 2017). What happened?

"**Globalization**" became one of the biggest buzzwords in business and in business schools. Proponents of globalization saw it reducing poverty and bringing the world closer together. Opponents saw it as a vehicle for continued Western or American economic and cultural domination.

Until recently, business schools made two implicit assumptions in discussions about globalization. The first was that globalization and **global organizations** were recent phenomena. However, by some accounts globalization began when our ancestors started moving out of Africa; one only needs to read about trade routes such as the Silk Road, the Spice Route, and the Triangle Trade to realize that globalization has been an ongoing process. And as one of the oldest religious institutions, the Catholic Church may have been the world's first global organization. Recent economic globalization has been propelled by **trade liberalization, deregulation**, and reduced transportation costs. Modern communication technologies and channels, such as the Internet and mobile phones, have made the process manageable and more visible, and today social media facilitates commentary and discussion both positive and pejorative.

The second assumption was that globalization primarily focused on economic considerations. It is true that trade liberalization opened borders across which capital and products moved more easily, particularly in Europe, where cross-border restrictions of goods are nearly non-existent. However, globalization has also been propelled by other factors. Airline travel and reliable, inexpensive communication have effectively reduced distances and minimized the impact of physical boundaries so that corporations can manage far-flung operations. Alliances and networks blur the lines of organizational boundaries. The forces of deregulation, industry consolidation, and technology have reshaped corporate and social landscapes. Companies globalized by both responding to and feeding the trend of boundary erosion.

In 1983, economist Theodore Levitt contributed to popularizing the concept of economic globalization. He stated that technology and globalization were shaping the world and that they would converge resulting in "global corporations, offering everyone simultaneously high-quality, more or less standardized products at optimally low prices" (Levitt, 1983). To many academics and executives, globalization became primarily about the production and distribution of products.

In 1987, Christopher Bartlett and Sumantra Ghoshal were writing about the need to develop **transnational** capabilities. In so doing, they popularized the concept of the **transnational corporation** (Bartlett and Ghoshal, 1987, 2002). Corporations increasingly began thinking of themselves as global, transnational organizations. In 2006, Sam Palmisano, the former CEO of IBM, characterized the modern global company as a globally integrated enterprise 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" (Palmisano, 2006; The Economist, 2008).

The increasing global reach of companies, as discussed in business schools, is usually considered from narrow perspectives, such as the number of markets served, the global reach of the supply chain and sources of supplies, where parts of the company's value chain are located, and alliances, or mergers and acquisitions, to source intellectual capital (knowledge). These market-oriented and technology-oriented perspectives describe only a part of the reality of globalization. They also tend to focus on external factors, such as trade and investment flows or the percentage of international sales to total sales while ignoring organizational and human considerations.

A basic feature of globalization is that people, countries, and organizations worldwide have become more economically interdependent. However, the erosion of national and company boundaries has led to concern over control of national boundaries and the influx of immigrants. **Brexit,** the rise of **populism, economic nationalism**, concern about immigration, the 2016 election of Donald Trump as President of the USA, and the increased popularity of right-wing parties in Europe have all contributed to what Bob Moritz, Global Chairman of PwC (PricewaterhouseCoopers), refers to as a "new phase of globalization" (Moritz, 2017) while Larry Summers (2016) calls it "responsible nationalism" (see also Girod, 2017).

There have been positive and negative effects from globalization. On the positive side, globalization has increased wealth in the world overall, reduced poverty, improved living standards, and spread innovations. However, the distribution of those gains has been uneven.

Economist Branko Milanovic, a leading scholar on income inequality and author of *Global Inequality: A New Approach for the Age of Globalization* (Milanovic, 2016), in a speech at the World Bank (October 2013) said, "Globalization has benefited an emerging 'global middle class,' mainly people in places such as China, India, Indonesia, and Brazil, along with the world's top 1 percent. But people at the very bottom of the income ladder, as well as the lower-middle class of rich countries, lost out." In addition to a greater distortion in the distribution of wealth from globalization, we have witnessed the appearance of a dark side to globalization as pollution, terror, and criminal enterprises globalized and cyber security became a major concern. Therefore, we must be specific when we discuss globalization – the globalization of what and to the benefit of whom?

Executives such as Bob Moritz (2017) believe that the benefits of globalization outweigh the harms. He said:

For those of us who share that view – that globalisation's pros outweigh its cons – it's time to get in the game. Although keeping immigrants and imports out may sound like a quick fix to workers struggling to keep up in the global, high-tech marketplace, it's important to seek alternate solutions. We are now at the inflection point where the idea of making globalisation work for more people needs to be supported with action.

Much of the observation and writing about the new phase of globalization and its slowdown reflects a North American and Western European orientation and must be understood from that perspective. The location of globalization drivers such as technology, cost structures, growth rates, population trends, and consumers appears to be shifting away from the North Atlantic region (Europe and the USA) to an Asian one (China, India). Jeffery Sachs (Sachs, 2017) believes that,

The dominance of the North Atlantic was a phase of world history that is now closing ... the so-called American century has now run its course. The United States remains strong and rich, but no longer dominant.

The key word in his opinion is "dominant." As Sachs suggests, we are not necessarily moving to a China Century or to an India Century, but perhaps a "World Century" characterized by greater economic and technological equality.

What does this all mean for US, Canadian, or EU companies? Their rush to expand globally may slow but they will not simply abandon their international operations and crawl back into their domestic shells. The Economist (2017) sees three operating modes in the future of global business. First, **multinational corporations** (MNCs) will increase their local footprints (production, supply chain, management) to reduce government criticism and nationalistic concerns. Second, technology companies will use more franchising to grow internationally. Finally, companies with e-commerce platforms will continue to grow globally.

The need for executives who can function effectively in this new era of globalization and who are able to manage complex internal and external networks will not disappear. In this book, we focus primarily on the business and management dimensions of globalization and on organizations that attempt to integrate their global activities.

When we examine the processes of companies that globalize, sterile statistics give way to people who create and manage the processes. The picture that emerges at the operational level is often less glamorous than the one provided by macro-level descriptions. The road to globalization has been littered with the debris of ill-considered mergers, acquisitions, and new market entry attempts. In other words, globalization is easy to talk about, but difficult to do.

What is a Global Company?

What exactly is a global company? Is it a company that has plants and subsidiaries in many countries? Is it a company that sells its products and services around the world? Or is it a company that derives more of its revenue from international sales than from domestic sales? Those are some of the characteristics of a global company but we don't believe a company is truly global until the management and employees develop a global mindset. Jack Welch, former CEO of General Electric, said "the real challenge is to globalize the mind of the organization ... Until you globalize intellect, you haven't really globalized the company" (Rohwer, 2000).

Just because a company operates in multiple locations around the world, sells its products in many countries, and derives revenue from international sales does not necessarily make it a global company. It simply means that it functions in a lot of countries. Global strategy is executed by, and global operations are managed by, people from one country interacting with people from another country. They are the managers who interface with the suppliers, alliance partners, and government officials. They are also the people who manage the plants and workforces around the world.

You don't globalize companies unless you globalize people. For example, think of a Japanese company that operates in many countries but whose top managers all have Japanese passports. This is a Japanese company operating in many countries – but not necessarily a company that has been truly globalized. A global company will have a cadre of managers who have global mindsets and understand how to operate in the modern world of economic, political, and cultural interdependence.

In 1990, C. K. Prahalad characterized the world of global business:

A world where variety, complex interaction patterns among various subunits, host governments, and customers, pressures for change and stability, and the need to reassert individual identity in a complex web of organizational relationships are the norm.

This world is one beset with ambiguity and stress. Facts, emotions, anxieties, power and dependence, competition and collaboration, individual and team efforts are all present ... Managers have to deal with these often conflicting demands simultaneously.

Although Prahalad did not use the term "**complexity**," he described this characteristic of globalization accurately. Rather than considering globalization as the proportion of trade conducted across national borders, or by some other economic or social measure, we argue that we should talk about it as a manifestation of complexity that requires new ways of thinking and managing.

Managing Globalization = Managing Complexity

The sixth edition of this book was written just as the global economic crisis was unfolding in 2008. We fully expected that by the time we wrote the seventh edition, the crisis would have been resolved and we would be describing the opportunities and lessons from recovery. Yet as we write the eighth edition, the economic and geopolitical conditions that managers face may have become more demanding. Some writers describe this "new normal" as VUCA – volatile, uncertain, complex, and ambiguous – a term originally used by the US military to describe the post-Cold War situation.

As part of our research for *The Blackwell Handbook of Global Management: A Guide to Managing Complexity* (Lane et al., 2004a) we were trying to learn from managers what globalization meant to them. Economists tended to define globalization in terms of flows of goods or money or people across borders but we sensed that managers experienced it differently in their day-to-day roles. We spoke with managers who were working both outside and inside their home countries, traveling a lot or a little. When we asked them, "What is the effect of globalization on your management role?" their answer surprised us. They all responded: "It's exhausting."

When we probed further, we found that whatever level of cross-border transactions a single manager dealt with, the effect of a more globalized economy and society meant increased complexity. This increased complexity, in turn, meant that the traditional way of managing – often one learned in business school – was not adequate. Managers were working harder to understand complex forces in order to plan and execute with some predictability. The result was a feeling of being overwhelmed and exhausted. Our experience with managers today suggests that this trend continues. Although it may represent the "new normal," many managers have not yet developed the mindset or skills to manage effectively within it.

Interdependence: Increased Connections

What gave rise to the VUCA business environment? First, globalization of trade increased the **interdependence** between countries and people in those countries. We are all more connected than we used to be. The fall (or at least permeability) of barriers to the cross-border flow of people, goods, and money means that events and decisions in one company or in one part of the world impact others who may be distant and seemingly unconnected to those events. In 2008, for example, a **subprime mortgage crash** in the USA triggered the global financial crisis. Subsequently, China's hunger for basic resources such as steel and wood influenced the price of those commodities globally. This impacted the environment and created social conflicts in countries where natural resources were sourced. With such high levels of interdependence around the world, it is impossible for a manager to predict the impact of a specific action, making effective managerial decision-making extremely difficult.

Variety and Ambiguity: Increased Variables and Options but Decreased Clarity

Executives face more **variety** than ever before. In many countries, the domestic workforce is becoming more diverse. For example, in metropolitan Toronto, Canada, approximately 200 languages are spoken and in the 2011 census only 55 percent of the people identified English as their mother tongue. But workforce diversity is just one aspect of the increased variety that managers face today. With modern media and technology, businesses and consumers have become more discerning, forcing companies to better define customer segments. Competitors offer more variety in products and services. In voice communications, companies such as Nokia and Motorola found it difficult to respond to challenges from Apple and Samsung, even as Skype and other Voice over Internet Protocol (VOIP) software challenged traditional methods of telecommunications. Companies that operate in many countries face numerous economic, legal, and regulatory environments. Developing consistent compensation policies in a global company is almost impossible. Making decisions and taking action are much more complicated with so many variables to consider.

Along with increased variety came more **ambiguity**, or lack of clarity. Interconnectedness and variety make it much more difficult to see cause–effect relations. Simple cause and effect are difficult to establish. Although

we have more information available to us today than at any time in the past, the reliability of this information is not always clear or meaningful. Financial analysts give us ratings of companies – how do we know what information they've based those ratings on, and what should we do with the information? Customers complain through websites – how representative are they of all customers? How much impact will public complaints have on potential new customers? Recently, the ambiguity of available information and news has been exacerbated during and after the 2016 US presidential election with the appearance of "fake news" on social media websites. Again, decision-making and action are much more challenging when information is ambiguous, when we are not sure about the **cause–effect relations** or the clarity of our information.

The Multiplier Effect: Dynamic Complexity and Flux

Peter Senge distinguished detail complexity arising from many variables from dynamic complexity which equals Variety × Interdependence × Ambiguity (Senge, 2006). Tightly linked, complex global organizations operating in a tightly coupled global environment potentially become more vulnerable as interdependence increases (Weick and Van Orden, 1990). For example, a single email sent simultaneously to several locations in the world can be interpreted differently and forwarded to several other destinations, each generating varied interpretations and possible actions. The increase in complexity leads to a decrease in buffers, slack resources, and autonomy of units. There also is less time to contemplate corrective action. All this makes problem diagnosis and action planning difficult. Problems appear and must be resolved. "Now" has become the primary unit of time in the world of global managers.

As if that weren't enough, the configuration of our complex environment is always shifting and changing. Even if you could take a snapshot today of the interdependence, variety, and information available and study it enough to understand and make clear decisions, tomorrow will likely be different. Decisions you made yesterday may no longer be valid. We refer to this as **flux** because it represents rapid unpredictable change in many directions, not predictable change in a few dimensions.

It is no wonder that managers feel overwhelmed, whether or not they are directly involved in cross-border transactions! This environmental complexity is depicted in Figure 1.1.
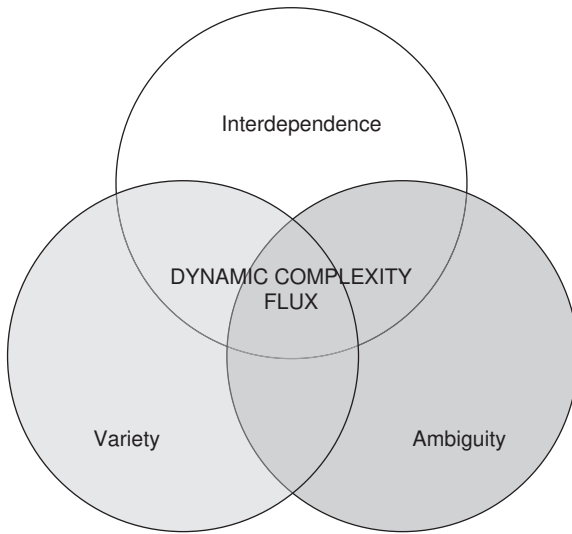
Figure 1.1 The complexity of globalization

Managing Complexity

How do you manage this level of complexity in the environment? The traditional way taught in business schools encourages the use of data, comparison, measurement, categorization, analysis, planning, and maybe **stretch goals** before taking action. However, this **command and control** mode may not be sufficient to respond to globalization pressures since not everything is under our control and change is constant. The management of people in a complex setting like globalization presents much more of a challenge; however, as we have seen in our research on complexity, it is absolutely critical to the success of organizations today.

The way to manage the complexity of globalization is by using the capacity that is in people to manage it themselves. The most complex thing in any organization is people: human brains and the relationships among people. When managers simplify a few key control processes, such as the organizational structure, the company values, goals and strategy, and some key performance indicators, they can develop a more **facilitative** and **collaborative** style to "let go" and empower people to manage the complexity. This more facilitative and process-oriented **mindful global leadership** style, using a flexible mode of operating, will make dealing with complexity more manageable and will be discussed in detail in Chapter 2.

Global Leadership: Leading People across Boundaries

What is the role of a global (or international) manager (or leader) who must function in this complex international environment? What makes it different from someone doing the same job in a single country? We explore the tasks an international manager is responsible for, and consider some basic definitions.

Manager or Leader? International or Global?

Rather than one or the other, we use manager and leader, and international and global as complementary definitions, not antagonistic roles or situations.

The debate about management versus leadership is an important one conceptually. When it was first raised by Abraham Zaleznik of the Harvard Business School in 1977 it was helpful to identify the importance of taking responsibility, setting direction, and inspiring people (**leadership**) in addition to executing organizational mandates (**management**) (Zaleznik, 2004). This debate generated an acknowledgment that those who lead businesses should include values, motivation, and other aspects of non-rational leadership in their agendas. Bennis and Nanus put it simply, "Managers do things right, leaders do the right things" (Bennis and Nanus, 1985). However, as Mintzberg pointed out twenty years later, we cannot lose sight of the fact that even leaders need to get things done, responsible leaders do it well, and this requires good management (Mintzberg, 2005).

In reality, the person who is responsible for mandates across international borders must both lead and manage, often at the same time. We therefore use the terms manager and leader interchangeably, and when it is important to specify which competences or perspectives are important for which aspects of the role, we do so carefully.

The distinction between **global** and **international** has also been the subject of much conceptual debate, both in the literature and within companies. In global strategy, the terms differentiate an approach of having the same product or services everywhere (global) from one that is highly adapted to local conditions (multi-domestic or international). This is often reflected in structures that are highly centralized or coordinated (global) versus ones that are more decentralized (international, multi-domestic).

For the purposes of our discussion, it is more important to define global as complexity, and identify different levels of "global" or complexity by the type

of task and extent of global context. It is less important to distinguish global from international. The focus of this book is the perspective of the *person* in the *role* of being responsible for mandates across borders, situations involving the crossing of boundaries, and the interpersonal and organizational dynamics encountered.

Global Leaders

Although clearly most managers' jobs have become more global, some jobs are more global than others. The more global a job or mandate, the more it requires global leadership and the kinds of management competences and perspectives addressed in the following chapters.

A leader's role can be more global to the extent that it requires (Caligiuri, 2006; Caligiuri and Tarique, 2009):

- Working with colleagues from other countries
- Interacting with external clients from other countries
- Interacting with internal clients from other countries
- Speaking a language other than one's mother tongue at work
- Supervising employees who are of different nationalities
- Developing a strategic business plan on a worldwide basis
- Managing a budget on a worldwide basis
- Negotiating in other countries or with people from other countries
- Managing foreign suppliers or vendors
- Managing risk on a worldwide basis

Using the characterization of global as complexity discussed earlier, Reiche et al. defined global leadership as:

the processes and actions through which an individual influences a range of internal and external constituents from multiple national cultures and jurisdictions in a context characterized by significant levels of task and relationship complexity. (Reiche et al., 2017)

From this definition they created a typology of four global leadership roles that they termed **incremental** or **connective** based on low task complexity and either low or high relationship complexity; and **operational** or **integrative** based on high task complexity and either low or high relationship complexity. Their typology is shown in Figure 1.2.

High

CONNECTIVE Global Leadership	**INTEGRATIVE Global Leadership**
• *Task:* Low levels of variety and flux • *Relationship:* High number & variation of boundaries and high levels of interdependence	• *Task:* High levels of variety and flux • *Relationship:* High number & variation of boundaries and high levels of interdependence
Example role:	*Example role:*
• Leader of globally distributed team that handles firm's back office	• Senior executive of global multi-unit firm
Example role behaviors:	*Example role behaviors:*
• Learn nuances of distinct interaction contexts	• Recognize and handle trade-offs and paradoxes across both task and relationship domains
• Continuously adapt and respond to different exchange partners' behaviors (code-switching)	• Develop synergistic solutions
• Build interaction frequency and intensity through virtual communication and frequent travel	• Engage in regular coordination and integration activities across tasks and constituent groups
• Leverage social frictions for problem solving	• Contextualize change implementation processes
	• Engage in distributive leadership processes
INCREMENTAL Global Leadership	**OPERATIONAL Global Leadership**
• *Task:* Low levels of variety and flux • *Relationship:* Low number & variation of boundaries, and low levels of interdependence	• *Task:* High levels of variety and flux • *Relationship:* Low number & variation of boundaries and low levels of interdependence
Example role:	*Example role:*
• Export director in firm that operates internationally through licensing	• Leader of product development in firm that provides financial services to global customers
Example role behaviors:	*Example role behaviors:*
• Lead incremental change efforts	• Locally adapt task prioritization, allocation of resources, problem solving processes
• Focus on technical innovation	• Scan, process. attend to and continuously analyze disparate operational information
• Create visions that are narrow in scope	• Lead varying operational changes at local levels
• Use routinized and standardized forms of communication	

(Vertical axis: Relationship Complexity)

Low   Task Complexity   High

Figure 1.2 Global leadership typology

Superheroes or Ordinary Humans?

Research on global leadership has skyrocketed in recent years, and many studies have been published identifying the skills that global leaders need.

With lists of required competences reaching as high as 250, it seems that only a superhero can be a global leader. However, there are ways of sorting out the most important criteria, and the following framework best captures key capabilities. The Pyramid Model of Global Leadership developed by Bird and Osland (Bird and Osland, 2004) (Figure 1.3) summarizes the most important skills and knowledge, and illustrates how they build on each other. In their view, global managerial expertise is a constellation of traits, attitudes, and skills or what

Figure 1.3 Global competences model

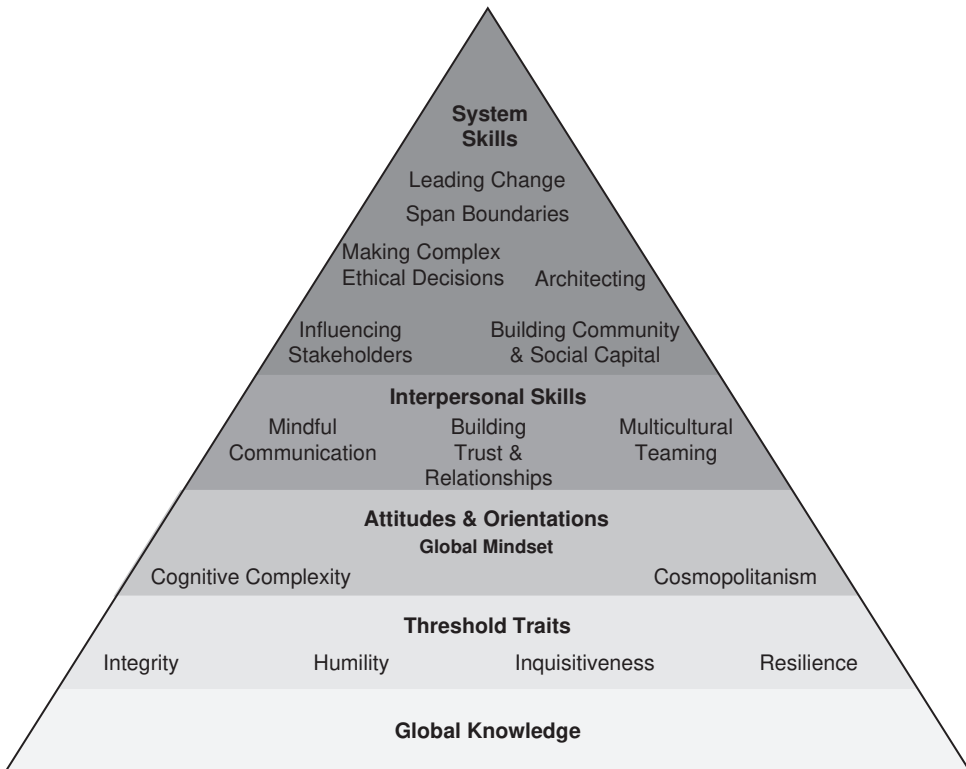they call "**global competences.**" Each level presumes and builds on the level below, and the more global a job is, the more it requires sophisticated competences in the higher levels of the pyramid.

The foundational level is "Global Business Knowledge." This is deep knowledge about the manager's business and how that business creates value. It also includes knowledge about the political, economic, social, and technical environment. This foundational knowledge is necessary before any of the next steps.

The next level identifies "Threshold Traits." Knowledge will lie dormant without the personal predisposition to use it. Among the myriad personality traits associated with effectiveness, four stand out as differentiating people who are effective in global settings from those who are less effective: integrity, humility, inquisitiveness, and resilience. Integrity is having a firm set of values associated with honesty and transparency, and being true to those values. Humility is recognizing that knowledge and skills are widely distributed, and that others

know and can do things that you, yourself, may not. Inquisitiveness is active motivation to know things one does not already know. While humility creates openness, inquisitiveness drives action to learn more, and to experiment with different ways of creating value. Finally, resilience is the ability to persevere in the face of challenges and difficulties. This resides partly in the manager's own personality, and partly in the extent to which the manager has a support network of family, friends, and/or colleagues.

The next level of the pyramid is an important set of "Attitudes and Orientations" – ways of seeing the world and the task of international management. The basic traits suggest potential within an individual; attitudes and orientations guide that potential so the individual sees opportunities. The most important is a **global mindset**, or the tendency and ability to see and understand the world differently than one has been conditioned to see and understand it. In other words, it is a view from outside of one's own borders. Two attitudes and orientations contribute to developing a global mindset. **Cognitive complexity** is an ability to see a situation from multiple perspectives, to see connections among the perspectives, and to build new connections with existing and new information. **Cosmopolitanism** is having a positive attitude toward people, things, and viewpoints from other parts of the world. For example, people who are cosmopolitan are more likely to have close friends who are from countries other than their own. Chapter 2 will focus on ways one can develop a global mindset.

The three most important "Interpersonal Skills" for global leaders are **mindful communication**, building trust, and multicultural teaming. Mindful communication is paying attention to how you communicate with others, especially those who are different, and adapting your communication as necessary to ensure that meaning is transmitted the way you intend. This includes both sending messages (speaking, writing, and non-verbal acts) and receiving them (listening, reading, and observing the behavior of others). Building trust is creating a relationship where all parties believe that the other will act with good intentions for the relationship, and can make decisions on each other's behalf. **Multicultural teaming** is working effectively with people from different cultures on joint deliverables.

Armed with these skills, leaders are better equipped to work with others to develop and implement ideas. Many other interpersonal skills are of course important to global leadership effectiveness, such as negotiation and conflict

resolution. However, if a manager is adept at mindful communication, building trust, and multicultural teaming, then generally these other skills will follow. The reverse is not necessarily true – one can negotiate solutions and resolve conflicts without increasing trust, for example.

Finally, a set of six "Systems Skills" are critical for global leaders: spanning boundaries, building community, leading change, architecting, influencing stakeholders, and ethical decision-making. Boundary-spanning is working effectively across countries, organizations, divisions within organizations, and so on. It involves using all the skills and attitudes identified in lower parts of the model to create insights and **synergies** across different perspectives. Building community is creating a sense of identity and joint commitment among a group of people distributed across different countries and units. Leading change effectively is about helping an organization through diverse ways of doing things, while creating capabilities for adapting to further change. **Architecting** is designing and implementing organizational structures and systems that facilitate the organization. Influencing stakeholders, which is an important part of any leadership role, becomes more complex in a global role, where stakeholder variety reflects different interests in different contexts. Ethical decision-making is about making and implementing decisions that consider the long-term benefit of individuals and society.

We believe these systems skills are an extremely important part of global leadership, recognizing that they rest on the levels below. But international managers find much less guidance for these systems skills. We take a systems approach throughout this book, and later chapters address them specifically. Table 1.1 presents a summary of the global competences.

You most likely have a certain level of global business knowledge and are developing more knowledge and skill. So, we assume that the basic traits are given. Therefore we focus on the bottom rows of Table 1.1.

In this chapter, we have acknowledged that today's business environment is highly complex, and the trends creating the complexity are accelerating. Success in such an environment means leading people to achieve results. Global leaders must have the knowledge and skills to create openness to new ways of thinking and acting about personal and business effectiveness. Global leaders must also have a set of competences, including interpersonal and systems skills. The remaining chapters of this book help to develop these global leadership skills.

Table 1.1 **Global leadership competences descriptions**

Level	Competency	Description
Threshold traits	Integrity	Adherence to moral and ethical principles; soundness of moral character; honesty
	Humility	A willingness to learn from others and not assume that one has all the answers
	Inquisitiveness	An interest in learning; questioning; curious about other people and cultures
	Resilience	Capable of surviving under unfavorable conditions; resistance to stress; emotionally resilient
Attitudes & orientations: Global mindset	Cognitive complexity	Ability to balance contradictions and ambiguities; ability to view a situation from many ways and with many connections
	Cosmopolitanism	External orientation; free from local, provincial, or national ideas or prejudices; at home everywhere
Interpersonal skills	Mindful communication	Culturally appropriate and skillful communication
	Create and build trust	Ability to inspire confidence in the certainty of future actions
	Multicultural teaming	Ability to lead and work effectively in multicultural teams, including geographically distributed teams
Systems skills	Build community	Ability to bring the members of heterogeneous groups together to act in concert
	Span boundaries	Creating and maintaining linkages that integrate and coordinate across organizational boundaries
	Architect	Build organizational structures and processes that facilitate effective global interactions
	Lead change	Lead individuals, teams, and organizations to new ways of doing things, build capacity to learn and adapt
	Influence stakeholders	Consider multiple, often conflicting stakeholder needs; make decisions taking them into account; influence them toward alignment
	Making ethical decisions	Adhere to accepted standards of behavior; identify a clear and strong set of values and act according to them

Reflection Questions

Our reflection questions at the end of each chapter are intended to help you apply the ideas and frameworks from the chapter to your own experiences and to companies and situations you are interested in, to develop your global mindset, and to practice mindful global leadership. We hope you'll see the questions as a starting point, and use them to find and pursue other questions that are interesting to you.

1. In your own experience, what are the ways you and your community have been affected by globalization of trade, people, and information? How has it made things better? Worse?
2. We've described globalization by the level of complexity in the business environment: interdependence, variety and ambiguity, and dynamic flux. Think about a company or other organization you're very familiar with. How has the organization responded to the current complexity? Has it found opportunities in the complexity, such as new customer offerings or knowledge bases?
3. How would you assess your current level of global leadership capabilities? Looking at the leadership competence pyramid in Figure 1.3 on p. 19, think about your threshold traits, global mindset, interpersonal skills, and systems skills. What are your strengths, and what do you want to develop further?
4. Think of people you know with strong global leadership capabilities – it could be different people with different strengths. What can you learn from these people to help your own leadership? How could you build a mentoring relationship with them?

Further Resources

There are many books and articles tracing the history of globalization, and the scholarly references from this chapter point to the ones that have shaped our thinking the most. It's helpful to read about globalization as a narrative, and these are three books we think are particularly insightful, told in very compelling ways:

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Issenberg, S. (2008). *The Sushi Economy: Globalization and the Making of a Modern Delicacy.* Avery.

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2 Mindful Global Leadership

Mindfulness can encourage creativity when the focus is on the process and not the product.

If something is presented as an accepted truth, alternative ways of thinking do not even come up for consideration.

Ellen J. Langer, *Mindfulness*

Mindful Global Leadership: What Is It?

In the previous chapter we provided examples of managers at different levels of the hierarchy and what they do as global leaders. You know that managers today are facing a complex global environment and that their roles vary by the task and relationship complexity that they face. But what does it really mean to be a *mindful* global leader?[1]

Introduction

Ellen Langer, a psychology professor at Harvard University, wrote a book called *Mindfulness* which describes what it means to be a mindful leader and what happens when you are not (Langer, 1989, 2014). In the book she recounts the story of Napoleon's ill-fated attempt to conquer Russia. The outcome is well known. In June 1812, Napoleon entered Russia with 422,000 troops and in December 1812 he limped out of Russia with 10,000 – a devastating defeat.

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[1] An earlier version of this chapter was published in ISTMO, December 2016, a publication of Instituto Panamericano de Alta Dirección de Empresa (IPADE), Mexico City.

Professor Langer suggests that Napoleon was not "mindful." The opposite of mindful is "mindless" which means following pre-existing routines and doing things the same old way while processing information without questioning it and assuming that it is context free.

Napoleon was an extremely successful general. He had conquered most of Europe and defeated his enemies though the use of firepower and maneuver. He was fixated on conquering Russia and destroying the Russian army. However, success often breeds complacency and a culture of arrogance, which can lead to "mindless" action and failure. After all, why change a formula that works so well? The answer is because the *context* may be different.

As he advanced rapidly, the Russian army continually retreated destroying anything that Napoleon's troops could use. Soon Napoleon had outrun his supply line. His troops could not be resupplied nor were they able to forage and live off the land since the withdrawing Russians had destroyed everything. Napoleon's interpretation of this rapid advance was that he was "winning" and the Russians, in retreat, were "losing." However, the Russian general, Kutuzov, had a different perspective, which was to lay a trap in the context of the coming Russian winter.

In this brief description we see the dimensions of Napoleon's ascribed "mindlessness." First, he apparently had a narrow category width and couldn't break loose from previously created categories of events, such as that rapid advance signifies winning and retreat signifies the opposite, losing. Second, he apparently did not question the information he was receiving about the Russian retreat. Third, he had a limited perspective, which was that conquest was capturing terrain and eventually, Moscow, and not a broader perspective like Kutuzov's of creating a trap in the context of the approaching winter.

In addition to being able to break old categories and create new ones and being able to engage different perspectives, Langer says that mindfulness involves being **context sensitive** and **process oriented**, not simply goal and outcome fixated.

Mindful Categorization

What does this tale have to do with business today? As we thought about the characteristics of mindfulness and mindlessness, we realized that it was an organizing framework for describing what we have been teaching in Canada, the USA, Mexico, Europe, Asia, and Africa during our careers. We have been intrigued by the failures of many well-known companies that tried to enter markets outside their home countries. They took business models that worked

well at home into a new market only to see them fail. They tried to transfer policies and procedures that worked well at home only to see them fail as well. Executives gave a lot of thought to their business model, their strategy, and the goals they wanted to achieve, but did not plan the implementation process sufficiently to reach those outcomes. They had established ways of doing business that had been successful and they presumed they would work anywhere.

As an example consider Wal-Mart's experience in Germany in 2006. It had a successful "formula" that it used in the USA: everyday low prices, tight inventory control, and a wide array of products in its stores. It was (and is) an exceptional and successful retailer, but "hubris" may have partially contributed to its failure in Germany and the sale of its Superstores to a competitor. Germany had its own discount chains, but Wal-Mart must have thought that its everyday low price formula and way of operating would differentiate it from the competition. It was locked into its formula. Successful "formulas" can be powerful and difficult to break away from. Wal-Mart left Germany in 2006 but in 2014 its formula was apparently still giving it trouble in another country, Brazil. Its everyday low pricing was failing to win over customers there who, unconvinced it had the lowest prices, continued their normal routine of comparison shopping and searching for the lowest prices. Its expansion plans did not sufficiently take into account the impact of existing discount retailers or people with different shopping habits.

Category range or width refers to the number of different events, activities, behaviors, situations, places, and so on that one sees as equivalent. Napoleon, apparently trapped in his formula, could only see the retreat of the Russian army as "losing" rather than as an alternative, a "trap." Bruner, Goodnow, and Austin defined categorization as "classifying a variety of stimuli as forms of the same thing" and stated, "To categorize is to render discriminably different things equivalent, to group the objects and events and people around us into classes, and to respond to them in terms of their class membership rather than their uniqueness" (Bruner, Goodnow, and Austin, 1956).

Another categorization example comes from the early days of online grocery home-delivery business. Webvan, an early entrant into this business in the USA, was founded in the late 1990s and became one of the textbook failures of the dotcom era. It filed for bankruptcy in July 2001. Peter Relan, the founding head of technology at Webvan from 1998 to 2000, said the company made some big mistakes – its target audience segmentation and pricing model; its complex infrastructure mode; and a grow big fast mentality

accompanied by spending too much money too fast. It cost US$50 million to start up in each city. Part of the infrastructure model was to build warehouses from which deliveries would be made. Relan said, "We touted our 26-city expansion plan, signing a $1 billion Bechtel contract to build several state-of-the-art warehouses worth more than $30 million each." With high start-up costs, high initial capital expenditures, and a low margin business, the company was never profitable.

In contrast, Peapod started in the grocery delivery business in Illinois in 1989. However, it avoided the big capital expenditure mistake of building separate warehouses by choosing to partner with existing supermarket chains in its target markets. The online model also was being explored in the UK around the same time by companies such as Tesco. There was a big difference, however, between the online channel development in the USA and the UK. In the UK:

the established grocery retailers, with extensive history in the traditional store based business, were driving the development of online. In the US the start-ups entering the grocery retail industry with purely online based business models were the active players and the traditional grocery retailers remained sceptical about the new channel. (Kivilahti, 2013)

As Tesco executives developed their "brick and click" model, like Peapod, they realized that existing supermarkets were essentially warehouses. These executives were able to see supermarkets and warehouses as equivalents and avoid the expensive mistake that Webvan made.

Many of the companies that failed in their attempts to globalize also exhibited a lack of context sensitivity. Executives did not understand the unique characteristics of the new country or the culture. They could not understand their new market or their business model from the perspective of the people in the host country. They had a limited world-view based on experience in their home countries rather than a larger, cosmopolitan world-view, or what we call a global mindset. The inability to interpret differences correctly usually resulted in insufficiently detailed implementation plans. A lesson that Wal-Mart learned was that acquiring local retailers with specific market knowledge and not necessarily re-branding them could be a successful entry strategy.

Mindful global leaders are executives who possesses a global mindset so that he or she can see and understand different perspectives; are context sensitive to their own administrative heritage and corporate culture as well as to the culture of the host country; and have a process orientation that becomes reflected in a realistic implementation process.

Mindfulness: Introspective or Context Responsive? Individual or Collective?

There are differing interpretations of the concepts of mindfulness. We think it important to make clear how we interpret and use these concepts, not as a claim that ours are better, but rather to avoid creating confusion.

Mindfulness has become a popular topic in academia and practice in business. However, the term is commonly conflated with meditation and people often think they are the same thing. Although mindfulness as we use it does draw on the concepts of the religious tradition, it has been adapted and made different from that root and when applied to methods of global leadership. There are multiple definitions of mindfulness and some common characteristics from these include being fully present; a heightened state of awareness; active attention; or not being on auto-pilot.

Langer's pragmatic orientation brings awareness and active thinking into clear relationship with the external world or "context" and action or "process" (Langer, 1989, 2014). We revert to Langer for her definition:

Mindfulness is … best understood as the process of drawing novel distinctions … Actively drawing these distinctions keeps us situated in the present … makes us more aware of the context and perspective of our actions than if we rely upon distinctions and categories drawn in the past. Under this latter situation, rules and routines are more likely to govern our behavior, irrespective of the current circumstances, and this can be construed as "mindless" behavior.

Langer and Moldoveanu enumerate the results of mindfulness over **mindlessness** as: "a greater sensitivity to one's environment; more openness to new information; the creation of new categories for structuring perception; and enhanced awareness of multiple perspectives in problem solving" (Langer and Moldoveanu, 2000).

One theory of mindfulness that we do not engage with in this book is that of Karl Weick (Weick and Sutcliffe, 2007; Weick, Sutcliffe, and Obstfeld, 1999). He based his conception of mindfulness on Langer's concept, but transfigured it from the individual level to an organizational or collective way of understanding and applied it to the realm of organizational safety in his research on high reliability organizations (HROs). In that context, mindfulness permits adaptive learning and high or "reliable performance" and it also has a process orientation. In this sense it is consistent with Langer's and with our use of mindfulness.

Our application of the term "mindful," like Langer's, is at an individual level when we are applying it to international business and global leadership – it is a competency for leaders, not processes for whole organizations. This is different from Weick's collective concept applied to reliability. Learning and the ability to create knowledge come from being able to notice, understand, and classify differences. Adaptive learning comes from the ability to be sensitive to differing contexts (cultural context which requires a global mindset) as well as alertness to differing physical and organizational contexts. Often organizations are guilty of over-simplifying the similarity of contexts (home and abroad) and assume things can be done the same way as at home.

Mindful Global Leadership Starts with a Global Mindset

Global managers must learn how to function as effectively in other contexts as they do in their own country, and to build bridges across the world. In the broadest terms, this means reorganizing the way they think as managers.

As one executive put it, "to think globally really requires an alteration of our mindset." At the heart of the global mindset is the ability to see and understand the world differently than one has been conditioned to see and understand it. It is a meta-capability that permits an individual to function successfully in new and unknown situations and to integrate this new understanding with other existing skills and knowledge bases. In other words, it is the ability to "have new eyes" and to be able to understand context from multiple perspectives.

Academics have shown considerable interest in the concept of global mindset in recent years. Based on research by the Global Mindset Project at Thunderbird, Mansour Javidan and colleagues say that leaders who have a high level of global mindset are more likely to succeed in working with people from other cultures (Javidan and Bowen, 2013). They define global mindset as

The set of individual qualities and attributes that help a manager influence individuals, groups and organizations who are from other parts of the world.

According to Javidan and Bowen, a global mindset entails three core elements (Javidan and Bowen, 2013):

- **Intellectual capital:** Global business savvy, cognitive complexity, cosmopolitan outlook.

- **Psychological capital**: Passion for diversity, quest for adventure, self-assurance.
- **Social capital**: Intercultural empathy, interpersonal impact, diplomacy.

Those core elements tend to be at the individual level as identified in Chapter 1 in the discussion of Bird and Osland's global competences model. We agree that a mindful global leader will display those traits; however, as important as a global mindset is, mindfulness is about the process of using those traits in management situations.

Mindful global leaders are executives who possess a global mindset so that they can see and understand **different perspectives**. They also are **context sensitive** to their own administrative heritage, organizational context, and corporate culture as well as to the culture of the host country; and have a **process orientation** that becomes reflected in a realistic implementation process. Mindful global leadership, as we define it, anchors the concept in management roles and not only in terms of culture and personal traits.

A global mindset enables an executive to adapt to the changing needs of global business. It is a way of organizing a set of attitudes and skills for developing and acting on knowledge in a dynamic world. A global mindset incorporates knowledge and openness about working across cultures, and about implementing business across strategic complexity. We define a global mindset like this:

A global mindset is the capacity to analyze situations and develop criteria for personal and business performance that are independent from the assumptions of a single country, culture, or context; and to implement those criteria appropriately in different countries, cultures, and contexts.

For example, a company was implementing self-managed teams throughout the organization for its new modular-based production facilities. In its dynamic and interdependent environment, the company believed it was important to place decision-making authority with the people who had the most immediate information to make the decisions, and who had to implement the decisions. The company developed a model of how self-managed teams should work; pilot-tested it in their home country; then rolled out the new structure around the world. However, it met with resistance. In many parts of the world, the idea of teams managing themselves, without a specific boss to lead them, is completely unheard of. Some plant managers pushed through the self-managed teams program to greater and greater dissatisfaction; others gave up and just kept the more rigid and hierarchical teams.

Some managers, however, did something a bit different. They looked at the two most important criteria for identifying who should make a decision in this new manufacturing context: the people who have the information, and the people who have to implement it. They also realized that manufacturing would not achieve its potential unless there was more interdependence among the various parts of the process. Then they questioned whether the only way to accomplish this was the self-managed team model that headquarters dictated. They met with their managers and teams, and developed a way to achieve the required working relationships and decision processes that fit with the local teams' preferences and context. In some cases, this solution had more hierarchy, in others it had fewer specific roles and more fluidity, and still others had more individual responsibility. In all cases, it achieved the performance goals.

These managers were working with a global mindset. They were able to separate performance criteria, like "people with the information make the decisions," from culturally influenced contextual preferences, like "self-managed teams." Then they found a way to achieve the performance criteria in different contexts.

Components and Domains of a Global Mindset

The crux of developing a global mindset is achieving self-awareness and other-awareness including the relationship between context and characteristics of the self and others. How much of my behavior is "me" and how much of it is influenced by my context? Or, more appropriately, when and how is my behavior more or less influenced by my context? When and how is this the case for others? In business, we need this understanding both about ourselves and others as individuals, and ourselves and others in social groups, especially organizations.

Two orientations that characterize a global mindset are cognitive complexity and cosmopolitanism (Boyacigiller et al., 2004). These orientations help to develop four types of knowledge in the domains in which a global mindset operates, shown in Table 2.1.

Type 1: Knowledge about Self. A global mindset incorporates a concept of self, both as an individual and as part of an organization. We need to acknowledge and understand what it is about our mindset that has been shaped by our own context. Both national culture and organizational culture are critical parts of context that influence self. A global mindset should include sophisticated knowledge about these cultures.

Table 2.1 **Domains of a global mindset**		
	Individual	**Organizational**
Self	**Type 1: Myself** Understand myself and how who I am is associated with my culture and the context I am in.	**Type 3: My own organization** Understand my own organization and how its characteristics, organizational culture, and effectiveness are associated with the context and national culture it is in.
Other	**Type 2: Others** Understand how characteristics of people from other countries and cultures are associated with the contexts they are in.	**Type 4: Other organizations** Understand how characteristics, cultures, and effectiveness of organizations from other countries and national cultures are associated with the contexts they are in.

Culture is an implicit agreement among a group of people concerning what people's actions mean. It is their list of shoulds and oughts for life or, as Hofstede (1980) described it, the collective programming of the mind that distinguishes one group from another. Brannen has pointed out that we should not use "nation as a cognate for culture" (Brannen, 1999; Tung, 1999). Gender, age, religion, or region of a country, for example, can be considered cultures, and a person can be a member of many cultures simultaneously. Culture is often hidden from members of the culture: we rarely examine our own values or context in the normal course of doing things – it is there, taken for granted as the foundation. To paraphrase Edward T. Hall, culture is like air to us, all around and necessary for survival but usually not noticed (Hall, 1959, 1973). Hall observed:

[Culture] is a mold in which we are all cast, and it controls our daily lives in many unsuspected ways ... Culture hides much more than it reveals, and strangely enough what it hides, it hides most effectively from its own participants. Years of study have convinced me that the real job is not to understand foreign culture but to understand our own. (Hall, 1959, 1973)

Becoming aware of the influence of culture on one's self can be both uncomfortable and difficult. But the ability to "see" it and to examine it is critical to developing an effective global mindset.

Type 2: Knowledge about Others. Of course, different contexts create different assumptions and value systems. This is the more obvious part about cultural

differences. It is easy to see that people from different cultures perceive the same situation differently, interpret what they notice differently, evaluate the situation differently, and take different actions. A global mindset means going beyond these superficial observations and understanding the deeper nature and impact of these differences.

Type 3: Knowledge about Own Organization. A global mindset also requires understanding how the organizations of which we are a part (families, peer groups, institutions, companies) are influenced by their context. Most companies have a particular administrative heritage or organizational culture that has evolved in their home countries. This means that a potential cultural bias may exist in their strategy, systems, and practices – "the way things are done in the headquarters' home country."

Hofstede observed that "theories reflect the cultural environment in which they were written" (Hofstede, 1980). Management concepts and practices are explained by theories regarding organization, motivation, and leadership. Therefore, theories of management systems and management practices may work well in the culture that developed them because they are based on local cultural assumptions and paradigms about the right way to manage.

Type 4: Knowledge about Other Organizations. Knowledge about other organizations and the relationship with their context allows a manager to adapt continually to business and contextual contingencies. This is what helps the manager identify criteria for performance that can be universally applied, and then adapt them to different contexts. For example, a human resource system that provides collective performance bonuses in Mexico and individual performance bonuses in the USA might fit with cultural preferences in those countries and encourage high performance today. However, a human resource system dedicated to motivating all employees to perform well, whatever their background or preferences, will always be subject to adaptation and will encourage high performance into the future.

Developing Global Mindsets in Theory and Practice

A global mindset is not something innate, it can be developed. However, it cannot be developed by simply reading a book on an airplane or by being lectured about it in a classroom. It has to be actively shaped, which implies changes have to take place.

A global mindset is a specific type of mental framework, or cognitive **schema**, for organizing information; in other words, a world-view or mindset. Schemas influence what we notice and what meaning we attribute to perceptions and guide our actions in the world around us. Schemas are simple at first and become more complex with greater experience. The development of more complex schemas allows a person to process enormous amounts of information and to see patterns without getting lost in the detail. There is a difference in the way that expert and novice global managers think, as shown by Bird and Osland:

When entering into a new situation [experts] notice more and different types of cues, they interpret those cues differently, they choose from a different, wider range of appropriate actions than do novices, and then they execute/implement their chosen course of action at higher levels than do novices. In the case of global managers, these differences between novices and experts are magnified ...

[As] they become more competent, experts recognize complexity and a larger set of cues. They are able to discern which cues are the most important and are able to move beyond strict adherence to rules and to think in terms of trade-offs. On attaining 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 or mental maps that allow for effortless framing and reframing of strategies and quick adaptation. (Bird and Osland, 2004)

Once a schema exists, it changes through one of two processes – **assimilation** or **accommodation** (Furth, 1970). In assimilation, new information is seen to be consistent with the schema and is incorporated readily, perhaps refining the details of the schema. In accommodation, new information contradicts the schema to the extent that the schema itself is changed. In organizational learning, these processes have been referred to as **single-loop** and **double-loop** learning (Argyris and Schön, 1978) and **evolutionary** and **revolutionary** change (Gersick, 1991). Good learning maximizes both processes.

Assimilation is the easier of these two processes. When perceptions are consistent with assumptions, people don't need to question assumptions, they can simply "bolt on" new knowledge. For example, Jack, a manager in a US consumer products firm, learned that people are motivated by individual monetary incentives such as bonus schemes and commissions. He implemented incentives to influence his salespeople's focus on specific products in the portfolio – one shampoo brand this season, a shower gel product next season. The results were immediate, sales in the right categories went up, and his knowledge was reinforced through assimilation.

Accommodation is a much more difficult and uncomfortable process. When people encounter something that contradicts existing assumptions, they experience "cognitive dissonance," a feeling of imbalance. People try to reduce the imbalance to achieve consistency again either by changing perceptions of the evidence to match the assumptions (call into question the subject of the contradiction), or by changing assumptions to match the evidence (call into question ourselves). People are more inclined to invoke the first method than the second; it requires a great deal less energy, is reinforced by others who hold the same assumptions, and is less confusing. The other option, altering one's own assumptions, unfortunately is usually a less chosen alternative.

After several years of success, Jack moved to his company's Norwegian subsidiary. But when he implemented his trusted incentive schemes and bonuses, he did not see corresponding increases in sales of the desired products. Why not?

At first I thought there was something wrong with the salespeople. I knew the incentive schemes and bonuses always work, so it must have been the local salespeople that created the problem. I started to think about how to fix that – maybe I had the wrong staff? Then I started to wonder maybe, just maybe, they motivated salespeople differently here. I began asking my Norwegian colleagues how they influenced salespeople to change their focus in their portfolios.

The sales managers told me that they just talk with them, ask them questions, and then sales change to the right things. This sounded crazy to me, but they were getting results, so I started sitting in on the discussions to see what was going on. I saw what I thought was a very complex process of managers discussing the market with each salesperson, and combining the salesperson's advice with the manager's own expertise, to kind of emerge to an agreement about what to sell. It seemed that the Norwegian salespeople – in our company at least – were more motivated to change by having their expertise valued, than by financial incentives. It took me a while, but I learned to work with my salespeople in this way, and then I began to wonder if this approach would also work back in the US. I'll sure try combining it with traditional methods when I go back.

Jack's response is an accommodation response – questioning your assumptions and adjusting the schema itself.

To learn through accommodation, managers must be able to articulate their current schema accurately. They must realize that a current schema exists to shape information processing; only with this knowledge can they identify its limits and address them with a new structure.

Feedback is critical for learning through accommodation. A learner can best judge the appropriateness of a schema if its impact is clearly seen (Argyris and Schön, 1978). This is why experiential learning is much more effective than passive knowledge acquisition: the experience provides immediate feedback (Kolb, 1983).

Developing Your Own Global Mindset

First, developing your own global mindset requires active learning. You have to engage problems where you must assess the situation, see options, make decisions, implement actions, and experience feedback. Second, it requires paying close attention to your own reactions and to what is happening in the environment.

You will become aware of how your assumptions and frameworks shape perceptions, values, and behavior as you confront the different sets of assumptions guiding the views and practices of others. If you are exposed to new experiences under the right circumstances, part of your response may include an examination of your own guiding values and theories of management – the beginning of developing a global mindset. You may find that your existing frameworks are incomplete or are disconfirmed because you did not see the whole picture or could only see it from a narrow point of view. The use of case studies, experiential exercises, and the debriefing of personal experiences in class or group settings are useful tools and techniques. The educational experience is richer and can have a greater impact if it includes a diverse set of participants.

As you go through the material in this book, focus both on building awareness of yourself in your own context, as well as learning about others in their contexts. Question your assumptions and those of others, and test the application of your knowledge in different contexts. Ask people you work with questions – questions you may not have thought of before. Pay attention to surprises, both as you read the book and as you ask questions and engage with others. Surprise is an indicator that you had hidden assumptions, and provides an opportunity to identify them. These actions will help you build a global mindset. They will extend your repertoire of behaviors and enrich your personal experience of the world.

Today's business environment is highly complex, and the trends creating the complexity are accelerating. Success in such an environment means leading people to achieve results. Global leaders must have a global mindset – a way of organizing knowledge to create openness to new ways of thinking and acting about personal and business effectiveness. They also need to be context sensitive.