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A measure of international managers' mindset

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Abstract

Purpose – This paper aims to identifying managerial mindset by constructing a cognitive or integrative geocentrim index. Going international is either an extension of successful domestic business operations or a requirement for remaining competitive. It is imperative for firms to be a part of the international market. Therefore, firms should want to know how internationalized are their operations. To gain such knowledge requires measuring the degree of internationalization, which, in turn, is related to “managerial mindset”.

Design/methodology/approach – Based on literature review, four dimensions of integrative geocentrism were identified, which also dealt with content validity of the index. A questionnaire was constructed reflecting these dimensions. The sample of 59 managers, whose jobs were involved in international business, completed the questionnaire. Reliability was established using Cronbach's alpha.

Findings – The construction of this index was an attempt in providing an objective way of measuring managerial mindset, which could be a way of measuring the degree of internationalization of firm.

Research limitations/implications – Cronbach's alpha was used to measure the reliability of the index. It was within the acceptable range. Future research could expand upon this index by improving its reliability and expanding the range of question items.

Practical implications – Often, a question is posed about the international standing of a firm, either by the managers inside the firm or by others outside. Almost always, the answer to such a question is an opinion and a guess. The application of this index enables firms to respond to such a question objectively.

Social implications – Information on the mindset of multinational company (MNC) managers would be useful in identifying how to overcome the shortcomings.

Originality/value – This index is useful to MNC as a measure of internationalization progress. The benefits of the index are twofold. First, it generates an understating about the mindset of managers. Second, it identifies needed changes and corresponding necessary actions.

Keywords Cognitive measure of internationalization, Geocentric mindset, Global mindset

Paper type Research paper

Introduction

Globalization and vanishing national borders have influenced almost everything that we do, particularly in business organizations. Although conflicts between nations have not disappeared, commonality of interests among them in creating a better life for their people, by and large, is amply evident. This commonality of interest, in part, is manifested through international business. While national governments are obliged to assume a nationalistic posture, business organizations are slowly but inexorably forced to transcend national boundaries. These businesses have the difficult task of integrating the varied values of their diverse workforces in establishing a vision and setting goals for the whole corporation. They have to manage people whose values and expectations are dissimilar. The responsibility of managing across national borders and competing in a culturally diverse world can be satisfied if these managers assume a multinational/multicultural perspective.

The world economy, particularly with the advent of the Internet, is moving ever faster toward a highly inter-related, interdependent state, in which no nation will be immune from the forces of global marketplace. Interdependency and international business is the hallmark of today's global economy. Successfully managing a business requires being a part of the international market. Therefore, firms should be introspective and ask the critical question, "How internationalized are our operations?" Measuring the degree of internationalization of these firms could provide an answer to such a question.

The expansion of firms beyond their home markets is reflected in operational information and manifested through financial and market penetration data. In addition to operational information, managers' mindsets could indicate the degree of internationalization. Without managers' favorable attitudes toward foreign involvement, organizations may not conduct much business internationally. This paper is an attempt to measure international managers' mindsets.

Two facets of internationalization

Internationalization has two separate manifestations. One facet is the geographic and operational expansion that takes companies beyond their home markets and results in building relationships with diverse people (Dunning, 1980, 1998; Johanson and Vahlne, 1977; Sethi and Guisinger, 2002; Sethi et al., 2003). This facet of internationalization is connected with a strategic perspective. Going international increases the complexity of managing and building relationships with heterogeneous groups of people (Adler and Ghadar, 1990; Ghemawat and Ghadar, 2006). Successful multinational companies (MNCs) have a strategic perspective and are able to deal with the added complexity of international operations. This makes it possible to meet the challenge of managing geographically distant operations and responding to local demands (Prahalad and Doz, 1987; Prahalad, 1990; Kim and Mauborgne, 1996; Sanders and Carpenter, 1998). Expansion into different geographic areas enhances strategic capability. The development of strategic capability (Bartlett and Ghoshal, 1989; Caproni et al., 1992) and the information processing challenge of global operation rests on the ability to conceptualize the intricate global dynamics

(Jeannet, 2000; Paul, 2000; Begley and Boyd, 2003; Arora et al., 2004). This capability is very useful for success in unfamiliar foreign environments. The advent of the Internet and the ease and opportunity of interaction among people of the world is reflected in increased numbers of international firms, particularly those that from the inception establish a global perspective. These firms are called “born global”. According to Knight and Cavusgil (2004, p. 129), a great majority of successful “born global” firms believe in the importance of this international orientation. These firms progress to internationalization rather rapidly. The period from domestic establishment to initial foreign market entry is often three years or less ([Autio et al., 2000](#); [McDougall and Oviatt, 2000](#)). These firms begin with a global view of their markets, and develop the capabilities needed to achieve their international goals ([Harveston et al., 2000](#); [Knight and Cavusgil, 2004](#), p. 125).

[Levy et al. \(2007a, 2007b\)](#) have considered this facet of internationalization as a part of global mindset. We consider this aspect as an operational complexity that enables a firm to manage global operation the way a conglomerate is operated. Operational knowledge of controlling costs and meeting customers and market demands are essential to success of a firm, be it a domestic conglomerate or an MNC. We suspect, however, that this aspect is indirectly influenced by the global mindset. Similar to other managerial phenomenon, the operational facet and the change in a manager’s mindset influence one another. The former is operational and measurable directly through quantitative data on the firm’s performance, and the latter is a cognitive phenomenon that we suggest can be measured as a way of thinking and attitude. Also, we should add that through extensive literature review on this issue, [Levy et al. \(2007a, 2007b\)](#) found that the majority of studies conceptualized two salient dimensions of global environment:

- (1) strategic complexity; and
- (2) cultural and national diversity

Therefore, geographic and operational aspect or strategic complexity is treated as a separate facet of internationalization.

The other facet is a change in the mindset of the firm’s management. Unless managers accept the reality that knowledge, skills and abilities are differentiating factors among individuals, not nationality, international business performance may suffer. Globalization has created a hypercompetitive business environment that requires a change in management mentality from locally focused to an international orientation ([Kindleberger, 1969](#); [Bartlett and Ghoshal, 1990](#)). [Nummela et al. \(2004\)](#), based on empirical data, posited that global mindset is one of the key parameters of international performance. [Chatterjee \(2005, p. 39\)](#) suggested that a “different frame of aligning people, strategy and purpose may be through the extension and enrichment of a global mindset rather than the strategy or structure.” [Gupta and Govindarajan \(2004\)](#) proposed that in today’s economic landscape, successful companies can exploit distant and often ill-understood regions of the world by creating a global mindset. [Harvey and](#)

[Novicevic \(2001\)](#) elaborated on the mental concept of time and its relation to global mindset. They recommended that in today's hypercompetitive environment, in formulating strategy, managers should take into account various time perspectives and possess a global mindset. [Jokinen \(2005\)](#) equated global mindset with global competencies and advanced certain guidelines for building it. To [Lahiri et al. \(2008\)](#), global mindset is the ability to view the world using a broad perspective that transcends a tunnel view and myopic perspective. Of course both developments, the geographic and operational expansion, and global mindset, take place gradually ([Johanson and Vahlne, 1977](#); [Kedia, and Mukherji, 1999](#)). Measuring the first facet of internationalization is not difficult. Geographic and operational expansion and establishment of subsidiaries in other markets are reflected in the financial reports and performance documents. The difficult task is measuring the mindset of managers. Fortunately, there are extant studies that have tried to provide answers to a few related issues of internationalization. These efforts are partially based on the conceptual foundation of cognitive changes in MNC managers.

The cognitive aspect of internationalization was first suggested by [Perlmutter \(1969\)](#) when he introduced geocentrism as the ultimate successful international management mentality. Perlmutter's concept could be merged with contributions from other scholars ([Kedia and Mukherji, 1999](#); [Baird, 1994](#)) and used as a foundation for constructing cognitive measure of internationalization. The following are suggestions for constructing such a measure.

Cognitive aspects of internationalization

In the past, some scholars suggested that the truly international firms with supranational framework could conceivably contribute to world peace by making wars less likely. This was based on the assumption that bombing customers, suppliers and employees is in nobody's interest ([Perlmutter, 1969](#), pp. 9-18). This assertion, slowly but steadily, is getting attention. The extended period of global peace – with the exception of regional conflicts from the end of WWII to today – is a testament to the validity of this position. We are now witnessing the emergence of firms that could rightly be called global. The executives of these firms have a global view and mentality. These firms and their executives focus on worldwide objectives, as well as local considerations. They are globally integrated and locally responsive ([Prahalad and Doz, 1987](#); [Doz et al., 2001](#)). Globalization is rendering traditional ways of doing business, and along with it a parochial mentality, irrelevant. To be globally competitive, managers need to develop a global perspective if firms are going to succeed in the future ([Doz and Prahalad, 1991](#)). Some even have suggested that internationalization is simply a cognitive process, a change in managerial mentality ([Lenway and Murtha, 1994](#); [Murtha et al., 1998](#)).

Of course, not all the firms that are engaged in international business develop a supranational framework and mentality. There appears to be an evolutionary pattern of internationalization that determines executives' states of mind. This state of mind has to do with the attitude of the executive toward foreign people, ideas, resources, relationships and even adversaries and competitors, at home and abroad. This attitude not only differentiates between

the executives of international and domestic firms, it also differentiates among executives of MNCs ([Begley and Boyd, 2003](#)).

[Perlmutter \(1969\)](#) and others ([Heenan and Perlmutter, 1979](#); [Chakraborty and Perlmutter, 1985](#)) proposed a typology of organization based on managerial mentalities. They suggested that the degree of internationalization of a firm could be estimated by the mentality and orientation of its executives. They identified three states of mind or attitudes toward key decisions on products, functions and geography. By supplementing the three-stage framework identified by [Perlmutter \(1969\)](#) with ideas presented by others, the evolutionary process of multinational firms and their executives' mentality are categorized in four stages ([Fatehi, 2008](#), pp. 28-30):

- (1) *ethnocentric* (or home country mentality);
- (2) *polycentric* (or host country mentality);
- (3) *centocentric* (or classical global mentality); and
geocentric (or supranational mentality).

They represent managerial mentalities and attitudes of firms in various stages of development. The geocentric mentality, described below, has relevance to our discussion.

Geocentric mentality

Internationalization and engagement in international business is a cognitive process ([Lenway and Murtha, 1994](#)). Unless managers of MNCs have a global view and a geocentric mindset, they may not involve their firms in businesses outside their home market. They may not have had a geocentric mentality when starting their careers, but success in a global firm necessitates the development of a corresponding mindset.

[Fatehi \(2008\)](#), pp. 29-30) identifies change in managerial mentality and the firm's progress toward geocenterism as follows. When MNCs expand into foreign markets, the continued operational expansion could increase their influence and power. This will draw local attention and could cause resentment and apprehension. Central control over subsidiaries that dictate major decisions from a home office and identification with the home country may produce additional concerns in the host countries and the subsidiaries. To offset the perceived power and control of global firms on the local markets, host governments may restrict their operations. Host governments may also pressurize MNCs for more local investment and technology transfer by enacting local content laws. Some governments demand changes in MNCs' personnel policies to allow for local representation in managerial ranks. Moreover, the global market could prove to be more heterogeneous than MNCs had assumed earlier. The volatility of global economic and political environments is another reason for global firms to become locally responsive.

There are two simultaneous demands on global firms. On the one hand, they are expected to be locally responsive. On the other hand, maintaining worldwide competitiveness requires a higher degree of efficiency that is only possible with a globally integrated operation. This gives rise to emerging geocentric firms. Geocentric firms view themselves as global companies with no

geographic center in which no nationalities dominate the firm. Viewing the world as their home, geocentric firms strive for flexibility and efficiency at the global level. Successful geocentric firms think globally and act locally. They integrate an interdependent network of decentralized and specialized companies worldwide. Successful geocentric firms integrate business activities, operations, processes, people, values and practical cultural attributes.

A number of scholars, among them [Kedia and Mukherji \(1999\)](#) and [Baird \(1994\)](#), have proposed that global managers need to develop a mindset that reflects the nature of their worldwide operations. Such a mindset takes an integrative position that weaves together a complex web of partnerships, alliances and relationships that shifts and reconfigures over time as situations demand. The integrator is able to bridge differences between people, values and cultures and manage them in a meaningful way. This is very much in line with [Kobrin's \(1994\)](#) findings when he examined the relationship between a geocentric mindset and multinational strategy. He found that “[...] development of geocentric mindset may relate to the information or knowledge intensity of the firm” ([Kobrin, 1994](#), p. 493). Today, given the importance of knowledge and information in the economy, firms, particularly international enterprises, need to rely on assets that are intangible (information, knowledge and intellectual properties) and the management of these assets. Often these assets are outside the organization and dispersed spatially across numerous locations and national borders ([Dunning and Narula, 2004](#)). As [Dunning \(1997\)](#) suggested, managers need to nurture and manage competencies in intra- and inter-firm transactions and relationships, organizational learning, innovation management and human resource development. This type of managing requires an integrative geocentric mindset.

[Heenan and Perlmutter \(1979\)](#) identified integrative geocentrism as a decision-making process, whereby MNC managers assess decisions based on their impact on each country individually. Such a mindset takes a global systems approach to decision-making ([Kobrin, 1997](#)). Integrative geocentrism takes the position that “Superiority is not equated with nationality [...]. Good ideas come from any country and go to any country within the firm” ([Heenan and Perlmutter, 1979](#), p. 21).

Conceptualization of integrator geocentrism has been offered by [Furakawa \(1997\)](#), 256). He suggested seven factors that are important to the development of an integrator geocentric mind set. They enable a manager to work effectively across cultures in a global context. The seven factors are:

- (1) observing without judgment;
- (2) tolerating ambiguity;
- (3) practicing style shifting (when in Rome, do as the Romans do);
- (4) flipping one's perception (look at issue from a local's perspective);
- (5) reprogramming one's question (don't apply Western logic to an issue in an Asian cultural context);

- (6) working interdependently and keeping mental stability and growth (living and working outside one's home country can be; and
- (7) should be, a significant learning experience).

Cognitive measure of internationalization

It is not sufficient to assert the necessity of integrative geocentrism for international managers. We should provide a method for measuring it. Similar to the measurement of any psychological phenomenon, we could use a questionnaire to gauge an integrative geocentric mindset. Such a questionnaire would be built on the conceptual foundation provided by [Heenan and Perlmutter \(1979\)](#), [Furakawa \(1997\)](#), [Kobrin \(1994\)](#), [Kedia and Mukherji \(1999\)](#), [Lenway and Murtha \(1994\)](#), [Harveston et al. \(2000\)](#), [Gupta and Govindarajan \(2002\)](#) and [Arora et al. \(2004\)](#). These studies dealt with various aspects of the internationalization of firms. Borrowing and modifying some items from these studies, our index is a set of ten items. This index is explained below.

In construction of this measurement we intended to gauge the opinion, attitudes and expectations of executives and their managerial mindset. Of course, this is a cognitive measure of internationalization. We deal with the geographic expansion and operational measure of internationalization of firms in other studies. In the construction of this measurement, care was taken to make the index applicable to non-American MNCs, as well. Therefore, there were no references to the USA.

Validity and reliability are very critical to the measurement of any construct. There are different ways of measuring validity. Among different forms of validity, content validity is well recognized as the foremost basis for measuring a construct ([Churchill, 1979](#); [Rossiter, 2002](#)). According to [Rossiter \(2002\)](#), among all types of validity, only content validity is essential and the best way to establish it is by identifying various dimensions of the construct through search and examination of the literature ([Carmines and Zeller, 1979](#), p. 21). Based on a literature review ([Beaman and International, 2004](#); [Bowen and Inkpen, 2009](#); [Chatterjee, 2005](#); [Levy et al., 2007a, 2007b](#); [Jokinen, 2005](#); [Lahiri et al., 2008](#)), four dimensions of integrative geocentrism were identified:

- (1) global perspective, meaning a mindset transcending local views on opportunities, problems and issues;
- (2) belief in universality of humanity, regardless of ethnicity or geographic domicile, and dealing with all on that basis;
- (3) merit-based treatment of people and evaluation of them based on their accomplishments rather than their affiliation with any group or collective; and
- (4) assessing business opportunities and investment options on resultant returns and benefits and not on ethnocentric preferences and nationalistic tendencies.

These dimension are reflected in the questionnaire ([Appendix](#)). Originally, the index had 12 items. A reliability test of the questionnaire indicated that

removing two items would increase the value of alpha to acceptable level. Therefore, the final form of questionnaire has ten items.

The value of the index is the average of simple summation of these items. The range for each question is from 1 (low) to 7 (high). The 1st, 3rd, 6th and 10th items are in reverse order. The higher values closer to 7 represent a more integrative geocentrism.

The sample of 59 managers, 28 males and 16 females, whose jobs were involved in international business, completed the questionnaire (Note: five responses were incomplete and were excluded from statistical analysis). [Table I](#) contains statistics for the sample. Respondents were predominantly Caucasians. Except for a few, all had extensive work experience with culturally diverse groups. The range of experience was 3-40 years. Their organizational ranks ranged from unit manager to vice president. Except for one, all had completed college education. An SPSS test of reliability was performed on the index. As mentioned earlier, it indicated that the removal of two items would increase the Cronbach's alpha value. After the removal of the two items, a ten-item scale was obtained. The resulted Cronbach value was 0.626 ([Table II](#)), which, according to [George and Mallery \(2006\)](#), was within the range of acceptability. This indicated that the index would be useful in measuring the integrative geocentric mindset of managers.

Concluding remarks

This paper was an attempt toward the construction of a cognitive index of internationalization. Such an index is useful to MNCs as a measure of internationalization progress. It is a road map directing the firm in its pursuit of expansion into global markets. The benefits of the index are twofold. First, it generates an understanding about the mindset of managers. Second, it identifies needed changes and corresponding necessary actions.

There are concrete benefits to creating a cognitive internationalization index. When a firm calculates such an index, it may discover the discrepancy between market reality and managerial attitudes. On the one hand, operational data may indicate a successful internationalization process well underway. Matching this international expansion with

Table I. Characteristics of the sample

<i>Gender</i>	
Female	16
Male	38
Total	54
<i>Ethnicity</i>	
Asian	03
Caucasian	50
Hispanic	01
<i>Years of education</i>	
Minimum	12

Maximum 22
Managerial position
 Lowest Unit Manager
 Highest VicePresident
Work with culturally diverse group
 Yes 46
 No 08
 Minimum years 03
 Maximum years 40
Firm type
 Paint (manufacturing, distribution and sales) 27
 Semi-conductor 05
 Printing/publishing (manufacturing equipment and sales) 14
 Engineering and consulting 05
 Various (services) 08
Note: Five responses were incomplete

Table II.
Summary item statistics

Mean	Minimum	Maximum	Cronbach's alpha	N
5.941	4.815	6.741	0.626	10

a possible low score on a cognitive index may signal a need for changes in managerial mentality before these managers can be considered integrator geocentrists. In the case of good operational data and a low cognitive index, it is possible that the firm is operating in benign industries or markets where opportunities abound. Therefore, the firm has successful operations despite the lack of integrative geocentrism. Expansion into other markets and successfully managing those operations may not be possible unless a change in managerial mindset takes place. A change in managerial mentality could benefit the firm's expansion into other markets and improve performance in existing markets. Of course, the reverse of this scenario may be the case. An integrative geocentrism mentality reflected in a high cognitive index matched with poor operational data on international business may indicate operational problems. A firm may have a high cognitive index, but a low operational data. This is an indicative of an integrative geocentrism but less than successful operations. In this case, while managers are thinking globally, the business is not successful locally. Why? The answer may lie in the fact that certain aspects of the operations are deficient and the business is not responsive to local demands. Solving operational deficiencies would be the answer. In this case, the firm should have been able to conduct better and more international business. While being responsive to local demands would be very useful, the reasons for a mismatch may not be the wrong attitudes of managers or the lack of cultural sensitivity, but the existence of operational difficulties. In both cases of mismatch between cognitive and

operational measures, the information obtained implies a partial internationalization of the firm. It may represent either insufficient progress cognitively or operationally, not both.

Would it be possible to have low cognitive index and poor international performance data? The answer is affirmative. We can safely assume, for example, that some early MNCs were not geocentric types and some of them did not perform well. Such a firm requires a fundamental overhaul of its operations and managerial practices if it hopes to be successful globally.

Often, a question is posed about the international standing of a firm, either by the managers inside the firm or by others outside. Almost always, the answer to such a question is an opinion and a guess. This paper is an attempt at providing an objective answer to such a question. By constructing a cognitive internationalization index for the firm, such a question can be answered objectively. Of course, no claim is made that this index is fault free. However, it is a first step toward taking the guesswork out of answering a relevant question. Future research could expand upon this index and improve its Cronbach value.

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Further reading

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Appendix

Dear manager:

You are asked to complete an 11-item questionnaire. It is designed to measure involvement in international business. It takes no more than a few minutes of your time. No personal information is collected. You will remain anonymous. Your response, along with other responses, will be analyzed as a group. All information is treated confidentially. Thank you very much.

Date:

- (1) Name of the corporation:
- (2) Your position:
- (3) Gender: Male Female
- (4) Education (high-school =12 years): Years
- (5) Highest degree:

- (7) Ethnicity:
- (8) Nationality:
- (9) Have you worked with culturally diverse work-groups? Yes/years: No:

Please circle/mark the number that reflects your opinion. Full disagreement is 1 and full agreement is 7:

1. In my opinion, it is important that the majority of top corporate officers of our firm be from our own country.
 Disagree 1 2 3 4 5 6 7 agree

2. I believe the ability and skill to build a good working relationship with the people of other cultures should have a significant impact on the advancement of managers.
 Disagree 1 2 3 4 5 6 7 agree

3. In my opinion, doing business with former enemies is not patriotic.
 Disagree 1 2 3 4 5 6 7 agree

4. I do not regard national boundaries as a very meaningful way of differentiating among people.
 Disagree 1 2 3 4 5 6 7 agree

I believe that there is no difference between our citizens buying assets and land in our country and foreigners acquiring these properties.
 Disagree 1 2 3 4 5 6 7 agree

5. I find the idea of working with a person from another culture unappealing.
 Disagree 1 2 3 4 5 6 7 agree

6. I regard each and every customer, wherever they live in the world, as being as important as a customer in my own domestic market.
 Disagree 1 2 3 4 5 6 7 agree

7. In my opinion, employees of every nationality should have the same opportunity to move up the career ladder all the way to the top.
 Disagree 1 2 3 4 5 6 7 agree

8. I consider myself as equally open to ideas from other countries and cultures as I am to ideas from my own country and culture of origin.
 Disagree 1 2 3 4 5 6 7 agree

9. In my opinion, in a work assignment abroad, I should educate locals to our way of life, because our way of life is a good model that serves them well.
 Disagree 1 2 3 4 5 6 7 agree

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