



# Effective Global Leadership Requires a Global Mindset

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Accepted for Publication in  
*Industrial and Commercial Training*  
Emerald Group Publishing, Ltd., UK  
January 2010. All Rights Reserved

True or False?

Effective global leadership requires...

- ...having lived in more than one country.
- ...having traveled to other countries.
- ...speaking more than one language fluently.
- ...managing a globally diverse team.
- ...having experienced an international assignment.
- ...having been schooled abroad.

Most people would say “true” to the items above. After all, how does one become globally effective without these types of global experiences? Or, are these necessary and/or desirable, but not sufficient? This article will explore the research to date that might shed some light on the answer to these questions.

To say the world is becoming even flatter than Thomas Friedman first told us it was in 2005, would be an incredibly huge understatement. One only has to travel abroad or note the expansion of corporations around the world to validate this notion. And, with this increasing flattening is the fact that to effectively conduct business in this new world will require a different kind of leader than ever before. A leader who will not only have to be generally effective in the traditional skills expected but also with additional knowledge, skills and above all mindset to navigate through the complexities brought on by moving beyond one’s traditional borders.

There has been a good amount of research on the requirements of the new global leader, pointing out both these new skills as well as the experiences necessary to prepare people to take on this challenge. The purpose of this article is to summarize much of this research as a backdrop for why perhaps the most important attribute required for effective global leadership is a not a new set of skills or experience, but rather a new perspective called *global mindset*. If there is any doubt about the need for a global mindset one simply has to look at the data around global workforce trends. These, not unlike those supporting global warming, are difficult to deny.

### **What Are The Global Workforce Trends?**

These trends can be neatly summarized into three broad headings: macroeconomic, environmental and social, and business and industry.

### *Macroeconomic*

Centers of economic activity will shift profoundly, not just globally, but also regionally. There is little question that the world has embarked on a massive realignment of economic activity. Public-sector activities will balloon, making productivity gains essential. The unprecedented aging of populations across the developed world will call for new levels of efficiency and creativity from the public sector never seen before. As a consequence of economic liberalization, technological advances, capital market developments, and demographic shifts, today Asia (excluding Japan) accounts for about 15 percent of world GDP, while Western Europe accounts for more than 30 percent. Within the next 20 years the two will nearly converge. The story is not simply about the march to Asia. Shifts within regions are as significant as those occurring across regions. And, without clear productivity gains, the pension and health care burden will drive taxes to stifling proportions.

### *Environmental and Social*

Technological connectivity has already, and will continue to transform the way people live and interact. The battlefield for talent will shift. For many companies and governments, global labor and talent strategies will become as important as global sourcing and manufacturing strategies. The technology revolution has been just that. Yet we are at the early, not mature, stage of this revolution. More transformational than technology itself is the shift in behavior that it enables. We work not just globally but also instantaneously. We are forming communities and relationships in new ways.

Ongoing shifts in labor and talent will be far more profound than the widely observed migration of jobs to low-wage countries. The shift to knowledge-intensive industries highlights the importance and scarcity of well-trained talent. The increasing integration of global labor markets, however, is opening up vast new talent sources. The 33 million university-educated young professionals in developing countries is more than double the number in developed ones.

### *Business and Industry*

In response to changing market regulation and the advent of new technologies, nontraditional business models are flourishing, often coexisting in the same market and sector space. Corporate borders are becoming more blurred as interlinked "ecosystems" of suppliers, producers, and customers emerge. Bigger, more complex companies demand new tools to run and manage them. Indeed, improved technology and statistical-control tools have given rise to new management approaches that make even mega-institutions viable. Today's business leaders are adopting algorithmic decision-making techniques and using highly sophisticated software to run their organizations. Scientific management is moving from a skill that creates competitive advantage to an ante that gives companies the right to play the game.

Finally, new global industry structures are emerging. Winning companies, using efficiencies gained by new structural possibilities, will capitalize on these transformations. Management will go from art to science. Long gone is the day of the "gut instinct" management style.

### **Global Workforce Trends Beyond 2020**

What does this all mean for the global workforce beyond 2020? For one, an international labor market, expressing itself through migration, is upon us. The tidal wave of immigration to the United States in the 1990s has affected just about every corner of America, from large city to small. The slowdown in population and labor force growth throughout the developed world will intensify the need to take advantage of different sources of international labor from the less developed world. The fiscal impacts of aging, along with its demographic effects on declining population and workforce growth, will further heighten the need for foreign labor in the advanced economies of the world. The global economy will become a global workforce. There will be no clear tipping point and, indeed, the global workforce is really already here. The signs of this global workforce are all around us. Employment in foreign-owned or affiliated companies in the U.S. alone grew by 32 percent just between 1991 and 2000, to almost 6.5 million workers.

Furthermore, the impact of the Age Wave will be relatively uneven across the globe. By 2050, nearly 1.5 billion, or 16.3 percent of the world's population, will be aged 65 or older (3x its current size). But, by 2025, China will have more than 200 million people aged 65 and over, and by 2050 more than 300 million—more than the current size of the US population. Add to this its one-child policy, and China should expect a serious impact on the availability of all future workers, managers or otherwise. Japan is in no better shape given that, over the long-term, it would have to increase immigration eleven-fold from its current level to make up for the nation's low fertility rate and rapid decline in its working population. The median age for the world in the last half century has hovered around 24; it is over 25 now, but by 2050 it will be just under 44. In most developed nations, the median age for the population will be over 51, with Germany and Japan averaging 53 to 55.

Just these trends alone provide enough of a business case for the need for a global mindset in order to manage effectively. In summary, the world's population is aging, yielding relatively limited skilled labor in the future. Population distribution is rapidly changing, with most increasing in previously under-developed markets. As organizations expand into these new markets, the global workforce is today's reality. International sourcing of labor is rapidly becoming a necessity to deal with local shortages. The world is indeed becoming flat due to vast enhancements in technology, transportation and the interdependence of a global economy. There is little question that isolationism is the death knell for organizational survival.

### **What is a Global Mindset?**

But, what then exactly is a global mindset and how does it impact the way organizations lead? One definition offered suggests it's the *ability to influence individuals, groups, organizations, and systems that have different intellectual, social, and psychological knowledge or intelligence from your own*. But, more than the old adage, "think globally and act locally," it's now "*think and act both globally and locally*" at the same time. This means not only recognize when it is beneficial to create a consistent global standard, but also deepen the understanding of local and cultural differences, crossing cultures and changing contexts. It requires simultaneously recognizing situations in which demands from both global and local elements are compelling, while combining an openness to and awareness of diversity across cultures and markets with a willingness and ability to synthesize across this diversity.

### **What is Global Leadership?**

A 2003 study by Goldsmith et. al. interviewed an age and gender diverse group of HRD officers in 200 global organizations. They were asked what are the most important leadership skills (with 1 = Important and 10 = Extremely Important from a list of 72 items) required for effectiveness in the past, present and future. Not surprisingly, the top three items mentioned for past and present leaders included none remotely suggesting global considerations. But, when asked what will be important for the future the third most highly rated item was "makes decisions that reflect global considerations." Interestingly, this same item was rated as the 70<sup>th</sup> and 71<sup>st</sup>, respectively, for the past and present required leadership skills. So, while global considerations weren't considered that important just six years ago, there was enough foresight to recognize that they would indeed become critical in the future.

The study went on to identify just what these global leadership skills would be. Five overall clusters were identified:

- Thinking globally
- Appreciating cultural diversity
- Developing technological savvy
- Building partnerships and alliances
- Sharing leadership

But it was also concluded that these skills were required in addition to those typically associated with overall general leadership skills, such as, among others: managing change, strategic thinking, decision-making, enabling teams, managing results, etc.

So, while it is likely that general leadership skills are easily transferred into a global leadership context, this does not mean a leader who is effective in a domestic setting will necessarily be effective in a foreign setting.

## **What is a Global Leadership Mindset?**

Having identified what a global mindset and global leadership are, how do the two combine to create a *global leadership mindset*? A global leadership mindset involves carefully balancing three overall dichotomies.

1. *Global formalization vs. local flexibility*: wherein formal approaches unify an organization in the customer's eyes so they know what to expect from the global brand, but the manifestation of this brand locally may look different. For example, organizations may create different packaging of products more familiar to local customs and expectations while never changing their brand image.
2. *Global standardization vs. local customization*: wherein minimally standard protocols and processes are needed to create one company "way," but there needs to be flexibility in how these are implemented at the local level based on local requirements. For example, depending on local regulatory controls, some food and drug specifications may vary accordingly, while never endangering consumers.
3. *Global dictate vs. local delegation*: wherein ways of doing business need to be uniform but local implementation must be delegated according to existing customs. For example, local customs might dictate how business is conducted but never violate defined corporate values.

One excellent example, according to *Fortune* magazine, of managing these polarities on a global stage is McDonalds which allows countries to invent their own buns, bags, and business practices, while catering to local tastes. Without this balanced approach, organizations won't be able to effectively address local market needs. In short, a global leadership mindset is the ability to take a global rather than country-specific view of business and people, and be able to apply this perspective to a country, taking into account its culture.

## **Acquiring a Global Leadership Mindset**

What goes into creating a global leadership mindset? Is it an acquired taste? Does it come naturally? Can it be developed? And, what is the role of *cultural literacy* in enabling this type of mindset? In a world where crossing boundaries is routine, cultural intelligence becomes a vitally important aptitude and skill. Someone with high cultural intelligence can select those features of individual or group behavior that are both common and different. They are able to note what is both true and peculiar about individuals and groups; almost a sixth sense. But, can this sense be developed?

Segil et. al. identified five levels of cultural literacy as depicted in Table 1. As can be surmised, these levels are relatively cumulative in that to achieve a higher level one most likely has to already demonstrate the levels beneath it.

**Table 1. Levels of Cultural Literacy**

<b>Proud Citizen</b> →	<b>Inquisitive Internationalist</b> →	<b>Respectful Modernizer</b> →	<b>Culture Bridger</b> →	<b>Global Capitalist</b> →
- Recognizes his /her home culture and accepts everyone is a product of more than one culture	- Is curious about other cultures and places	- Sees the world from a broader perspective, remaining open to learning what other cultures and countries have to offer	- Is committed to truly collaborating and integrating cross-culturally	- Develops a well-balanced global/local mindset
- Realizes that feelings of cultural inferiority and/or superiority create tension, resentment and antagonism	- Analyzes and filters out cultural biases to insure polite and respectful interactions	- Looks globally for new business practices and points of view in hopes of applying them back home	- Seeks ways to remove barriers between people, views, and values to gain synergy	- Leverages the diversity of his/her employees to address the needs of the global market
- Knows and willing to discuss all about home country	- Seeks opportunities to openly discuss and celebrate diversity and differences	- Integrates ideas and wisdom from other cultures into his/her own to enrich perspectives, accelerate change and modernize	- Recognizes cultural relationships require close individual attention, facilitation and maintenance	- Selects, develops and recognizes local managers who have global literacy skills

Clearly, a “global capitalist” is farther up the curve than a “proud citizen,” but being the latter isn’t, by any means, derogatory. It’s just a stage in developing a strong sense of cultural literacy. The question is can experience alone help someone move up that curve?

### **Global Leadership Development**

Probably not, at least, alone. Many who have studied global leadership, as well as leadership development in general, have concluded that a multi-dimensional approach is the most effective way to develop effective global leadership. These methods reduce to four overall approaches:

#### *1. Examination:*

Examination involves introspection and self-awareness. It is the first step in developing global leaders so that they can get an accurate perspective of their interest, concerns, and current level of cultural literacy. They need to know where they are on

the continuum of both knowledge and beliefs in order to focus their development areas on their relative deficiencies.

*2. Education:*

Education involves thinking about the subject of globalization, cultures and leadership. It focuses on the content and knowledge required to be effective in a global setting. Leaders need to understand the facts about different countries and cultures, business procedures, and local information about customs and practices, both from a social and business perspective. They need to be educated on these and be able to readily transport this information across borders.

*3. Experience:*

Experience involves acting or doing. It focuses on the organization and context. It is said to be the best teacher but only if guided and intentional, that is, learning from experiences that are meaningful, relevant and applied. It's about learning how the organization does business in other parts of the world.

*4. Exposure:*

Exposure involves interacting by focusing on people and roles. It means having reference points of people and mentors who have "been there, done that" which is critical to assimilating properly and quickly.

There is no question, however, that cultural lessons are likely to be most learned from actually experiencing the culture. That's why expatriate experiences are rated as the most useful when it comes to learning a culture, in fact almost four times more than simply international experiences and fifteen more times than domestic experiences (see McCall and Lombardo, 1988).

The value of living abroad was also confirmed by the Segil study which found differences in the areas of competence of successful global executives for those who have and have not lived broad. For those who lived abroad the areas of competence included such areas as: welcoming strangers, learning languages, spirit of adventure, valuing differences, sensitivity to context, and creating new alternatives, among others. The areas of competence for those who had not lived abroad were distinctly different, illustrated by such things as: inner purpose, focus on goals, coping, clarity of communication, exposing intentions, all admirable but falling short of those more likely to be valuable for a global assignment.

What, then, can both leaders and organizations do to acquire a global mindset? It is definitely a two-way street in which both the leader and the organization must work together to enable an effective global leadership mindset. Either one alone will not be yield successful global leaders.



Certainly the most important thing the leader can do, as noted above, is learn from experience whether this involves participation in task forces or start-ups, or interaction with bosses, peers and mentors. But, they can also proactively learn the language and customs of the countries they experience, participate in many diverse meetings, communicate with a diverse group of business leaders, and immerse themselves in other cultures by living there or frequently visiting.

But, it isn't just up to the leader to develop his/her global leadership capability. It's also up to the organization to set the strategic global agenda; that is, to communicate to all employees the strategic intent and interest of being a truly global company. They can also provide clarity on what kinds of global executives with what kinds of skills are needed strategically, break the country-based glass-ceiling by hiring expats into vacant positions, identify, recruit and assess candidates as early as possible, and provide international perspectives and exposure early in careers with stretch assignments.

The organization can also facilitate this cultural assimilation by providing employees with baseline cross-cultural information, appropriate levels of oversight, support and feedback, creating opportunities for reflection, fostering an open culture built on personal relationships, small group loyalty and diverse leadership teams, and providing access to internationally experienced coaches, mentors, and role models.

## **Conclusion**

What does this all mean for both global organizations and their global leaders? First, a company's vision and values must show global consistency. However, its workplace practices, which translate policy guidelines into day-to-day procedures, should be locally determined. A need for global consistency would favor policies that accentuate formalization, standardization and global dictates, whereas a need for local responsiveness would favor flexibility, customization and delegation. Global mindset can be the new competitive advantage in the marketplace, so a global corporation needs a high stock of global mindset!

But, at the end of the day, as far as development is concerned, it must be driven by an organization's global business strategy, although what needs to be learned is not all business related. Global executives learn their trade the same as other executives do, but they must take much more responsibility for their own development. It is critical to remember the quest for a global mindset may never end. The complex and dynamic world in which we live provides unlimited opportunities for exploring the many linkages across our wide world of diversity.

So, true or false to those items at the beginning of this article? Perhaps the best answer is that just experiencing those does not guarantee effective global leadership. Equally, if not more important, is the acquisition of a true global mindset that will enable leadership effectiveness in a global capacity. Without acquiring such a mindset, all the global leader experience in the world isn't likely to improve one's effectiveness on the global stage.

As cultural and business complexity increase so does the demand for a global mindset, almost exponentially given the intersect of this complex environment.

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