

THE BLACKWELL HANDBOOK OF GLOBAL MANAGEMENT

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THE BLACKWELL HANDBOOK OF  
GLOBAL MANAGEMENT  
A GUIDE TO MANAGING  
COMPLEXITY

*Edited by*

HENRY W. LANE, MARTHA L. MAZNEVSKI,  
MARK E. MENDENHALL, AND JEANNE MCNETT

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# Preface

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## INTRODUCING THE INTERNATIONAL ORGANIZATIONS NETWORK (ION)<sup>1</sup>

Ten years ago, leading researchers called loudly and clearly for well-coordinated multi-researcher multinational projects.<sup>2</sup> The calls cited two important benefits of such studies. They would allow us to explore the answers to international management questions, which require conducting research in multiple contexts at more or less the same time. They would also counter the cultural biases we all bring to our thinking and turn those biases into synergies. Since the 1990s several well-coordinated multi-researcher projects have been or are being conducted, and we are seeing the fruits of their labors. Some early examples include the GLOBE study on leadership<sup>3</sup> and the event management study on decision-making.<sup>4</sup>

Another group of researchers have been experimenting for the last few years with an alternative model of coordinated research – a loosely-coupled research network. ION (International Organizations Network) was formed with a mission to increase the quality and impact of research on people and their effectiveness in international organizations. The network's vision is to be a catalyst for the creation and application of knowledge and understanding that powerfully impacts how international organizations are managed. ION strives to initiate and facilitate high-quality research addressing management-related challenges of importance to global enterprises, such as motivation, leadership, teams, organizational structure, and human resource systems. ION also works to facilitate the translation of research findings into practical implications for organizations and educational material for innovative and effective teaching. In essence, we are scholars who care deeply about managers and executives who find themselves working in the global business environment.

Structurally, ION is a loosely-coupled, global network of scholars and professionals with a broad range of disciplinary backgrounds and specific topics of interest. The members are highly active at the leading edge of the field, publishing academic and management-oriented articles and books, editing journals, presenting research at conferences, developing and sharing innovative teaching methods, and consulting frequently to companies on

issues related to international management. To advance the goals of the field, ION's members are strongly committed to active collaboration on a worldwide scale. Like the most effective multinational enterprises, ION leverages the different perspectives associated with multiple disciplines and geographic regions to achieve innovation and synergy. Since its founding in 1999, the ION network affiliation has grown to include over seventy scholars located in more than twenty countries.

As a loosely coupled network, ION's purpose is not to conduct specific research projects. Instead, it supports the research community itself. No primary research project has been initiated by ION as a group. ION has, however, helped match up researchers conducting similar studies, facilitating them as they work together to create a more powerful single study. Through the ION network, scholars have helped each other find appropriate literature in other cultures, tackle methodological issues, and explore implications of unpredicted results. Some ION members work closely with others in the network, while some work almost exclusively with people outside the network.

## HOW ION WORKS

The core of the ION network consists of about forty international management scholars who study various aspects of how people work in international settings. In terms of traditional disciplines, most members of the core are trained in and teach organizational behavior/occupational psychology or organizational theory. Some are in the strategy field, and emphasize execution and implementation as much as the theory of the firm. Interestingly, almost all members cross traditional discipline boundaries regularly both in their research and in their teaching, and in fact this "lack of academic home" was one characteristic that brought the network together.

The ION core meets annually at its own three-day meeting. The first two meetings were sponsored by the University of Virginia in 1999 and 2000. The meetings are conducted as a workshop, and research in progress is shared. Research in its earliest stages benefits from brainstorming, implications of preliminary results are shared and discussed, and paper drafts are critiqued before submission for publication. Members of the network also get together whenever possible at academic meetings around the world, "drop in" on each other when traveling, and submit joint symposia or conduct professional workshops on topics of importance to international management. Core members initiate professional and social events – which are attended by an ever-broadening group of colleagues – at various academic conferences.

A key to developing an effective, loosely coupled coordinated research network seems to have been creating a tightly-coupled social system. New, important knowledge about social systems is best created with the help of a deep, close social system. When people in such networks connect in multiple ways, beyond narrow definitions of work, they understand each others' backgrounds and contexts and create shared experiences from which the knowledge is generated. ION annual workshops, no matter what the topic or setting, are always structured to facilitate deep conversation and dialogue around the thorniest issues of the field. Parts of the workshop take place in settings that help members learn together about the local history and perspectives, linking together to create insights about the field of international management.

Many of ION's accomplishments are intangible, or are indirectly related to tangible outcomes. For example, through dialogue members develop a better perspective on how their research fits into the field, and then articulate its contribution more clearly to reviewers and students. In workshops, members question the received wisdom of the field and share tacit insights about the messiness of data analysis, developing a platform for more solid theory development and empirical rigor. Since all members cross traditional academic disciplines, a wide scope of knowledge is shared.

But some accomplishments are tangible. ION was a key player in the launching of the *International Journal of Cross-Cultural Management*. It has supported candidates for positions in various academic associations. It has provided a strong network for appointment, promotion, and tenure recommendations and reviews. It has generated several joint research projects and co-authorships, and presented joint papers and symposia. At the recent conference "Identifying Culture," sponsored by the Institute of International Business of the Stockholm School of Economics, ION was cited as a highly effective effort to influence a field systematically in management academics.

*THE BLACKWELL HANDBOOK OF GLOBAL MANAGEMENT:  
A GUIDE TO MANAGING GLOBAL COMPLEXITY: THE PROCESS*

While our experiment with a loosely-coupled research network has so far generated positive and interesting results, there remain some particularly difficult challenges.

One challenge is related to group-generated projects. We have found that in order to maintain and strengthen the social system around the advancement of the field, the group must create something meaningful together. However, the "something" cannot be a single research project, since that would run counter to the network's objectives.

The response to the challenge was this Handbook project. In August of 2000, the editors of this book were approached by Blackwell Publishing to write a handbook for global managers. After discussing the project with Blackwell, we realized that a greater opportunity existed than simply writing another book: utilizing the combined talent, knowledge, experience, and wisdom of the members of ION to bring the most current knowledge based on research and experience to global managers.

In Boston, during a frigid three days in late February 2001, 37 scholars of the ION membership met at Northeastern University in Boston to strategize how to go about tackling this project. How can a group of scholars who use different research methodologies, focus on different competencies of global management in their work, have a wide variety of experiences in consulting, and bring different theories to the understanding of global management, combine their efforts to write "the best book that has ever been written" for executives on global management?

This volume is a product of collaborative efforts of the members of ION. The network members agreed to write it jointly, and took on the ambitious goal of producing a coherent book that translates the very leading edge of international management thought and practice into a single statement on managing global complexity. The Handbook certainly articulates the most important findings from our field together with their implications, in a relatively seamless way, with contributions from 41 authors.

The problem with most books that have as their goal to educate global executives is that they are written by only one or two people. Even if the author is a genius, he/she is a genius within a limited area of global management. A single author – or double or triple author partnerships – simply cannot have a broad enough perspective, range of experience, and specific expertise to cover the wide complexity of issues and competencies needed to effectively manage in the global business environment. With ION, we had an international group of experts that could provide the needed scope of expertise to cover the topic.

The most common way to organize a book such as this would be to simply have each expert write a chapter on his/her area of expertise, combine them together, and publish the book; however, our experience with such edited books is that each author tends to write in isolation of the others, and in the end the book does not “connect the dots” between the various skills and issues of global management. None of the skills and issues are independent of each other – our goal was to not only specify the skills and issues of global management, but to show in a clear way how they are linked, how they depend on each other, and how they fit together.

Also, the ION writers wanted to portray the complexity of managing globally not in a “silo-based, step 1-then-step 2” format but rather to bring clarity to the actual dynamics of global management, which are usually nonlinear and systemic in nature. We wanted to wrestle with the reality of the milieu of the global manager (which is chaotic, paradoxical, confusing, and systemic) and clarify it, and then to provide approaches (based on the best research in the field) that can assist the manager to manage productively within the complexity of his or her job.

The theme and flow of the book were “negotiated” through several iterations of small-group and large-group interactions at that ION workshop at Northeastern University in 2001. Two and a half intense days were spent in mapping out a dynamic framework for the book. This constituted fleshing out what globalization actually is (versus what most people say or think it is) and targeting processes of globalization that, if managed well, raise the potential for productivity in any global organization. ION members were then formed into teams around these process management areas, where they developed plans for how they would write their respective sections.

The next year was spent in more thinking, discussion, and writing. The project team reassembled in Lausanne, Switzerland at the International Institute of Management Development (IMD) in February of 2002 to provide feedback of section drafts, coordinate each section with concepts from the other sections, and to ensure that no critical idea or issue had been overlooked. Another meeting of writers was held in Charleston, South Carolina, in October of 2002 and further refinements to each chapter in each section were made.

In 2003 it was time to pilot test the ideas. In February, during the annual meeting held this time at the University of Missouri St. Louis, we hosted an ION Executive Dialogue. For two days we brought together senior executives, the authors of this Handbook and other members of ION to engage in a dialogue based on the material in the book and to provide feedback to the authors. Further refinements to the manuscript were made based on these discussions before final publication.

We offer you, now, this book as a culmination of our efforts.

The book has been written in such a way that it is not necessary to read it from beginning to end, though this would be a beneficial way to begin to approach the book.

Each section is linked to all the other sections conceptually. By starting with a topic that you are currently struggling with or that you need more information about, you will find yourself being subsequently led to other sections of the book in a natural progression. That said, we do suggest beginning with the Introduction, as it sets the conceptual foundation upon which all the sections and their chapters build.

The writers of this book, and its editors, wish to thank Rosemary Nixon from Blackwell Publishing for the indefatigable patience and trust she has shown us throughout this process. From the start she sensed strongly the value-added this project would have for managers and executives, and for the entire field of international management. She is a visionary editor, the type that one rarely sees in the publishing industry. Our special thanks also go to the McIntire School of the University of Virginia, the College of Business Administration at Northeastern University, IMD, the CIBER Center of the University of South Carolina, the University of Missouri, St. Louis, and the Frierson Leadership Institute of the University of Tennessee, Chattanooga for financial and other support for this project. Finally, we would like to thank the executives who participated in the ION Executive Dialogue: Rocky Felice, Limitedbrands; Norihito Furuya, JAL Academy Co. Ltd.; Valerie Harley, Ablestik Laboratories; Alan Jarvis, GMAC; Jim Rush, Marsh, Inc., and George Schenk, Monsanto Company.

## NOTES

- 1 The “Introduction to ION” first appeared as an article in *Insights*, the research news publication of the Academy of International Business. Maznevski, M. L. (2002), Learning from loosely-coupled research coordination: The ION network, *Academy of International Business Insights*, 2(4), 5–7.
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# Part I

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## INTRODUCTION: UNDERSTANDING PEOPLE AND CONTEXT

- 1 Globalization: Hercules Meets Buddha  
HENRY W. LANE, MARTHA L. MAZNEVSKI, AND MARK E. MENDENHALL
- 2 People in Global Organizations: Culture, Personality, and Social Dynamics  
MARY YOKO BRANNEN, CAROLINA GÓMEZ, MARK F. PETERSON,  
LAURENCE ROMANI, LILACH SAGIV, AND PEI-CHUAN WU



# 1

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## Globalization: Hercules Meets Buddha

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HENRY W. LANE, MARTHA L. MAZNEVSKI,  
AND MARK E. MENDENHALL

Globalization of business seems to be a *fait accompli*, a truism no longer questioned: *corporations have to be global in their business*. This claim reflects the era in which it was written as the opening sentence in this Introduction. We think it critical to ask, though, is it still true, or has globalization reached its zenith and is now set to contract?

The planning for this book and the development of its structure started in February 2001. At that time, even though the dot.com bubble had burst and the economies of the United States and other countries had slowed considerably, there was still a belief in the inevitability of globalization. The manuscript was finished in April 2003. Two historic events took place between those dates that could affect the course of globalization: the September 11 attack on the World Trade Center and the war in Iraq. Many observers had started asking how these events would affect the conduct of business. Would the juggernaut of globalization continue or would companies pull back into “safe” countries or possibly retrench within their own borders?<sup>1</sup> Worst-case scenarios included a reduction in immigration into the United States, resulting in fewer students and potential employees, thus reducing innovation; tensions between the United States and Europe and within Europe making trade liberalization more difficult; product boycotts; and terrorism and increased security complicating outsourcing and increasing uncertainty.<sup>2</sup>

On top of the threat of terrorism and the unknown aftermath of the war was an outbreak of a new “global disease,” Severe Acute Respiratory Syndrome (SARS), that was affecting travel particularly to China and Hong Kong. Continental Airlines suspended all flights to Hong Kong and other carriers sharply reduced their schedules. Some companies restricted or banned travel to East Asia and supply-chain disruptions were feared.<sup>3</sup> Conducting business globally was becoming more uncertain and more difficult.

Are multilateralism in foreign affairs and globalization in business, which depends on multilateral relations, finished? Multilateralism and globalization have brought benefits to many countries and peoples of the world. Will they retain the same format in the future as they had prior to the war in Iraq or keep to the same trajectories they were following? Undoubtedly, the global political and economic systems will change. As this book nears

its completion, the nature and impact of future changes can only be speculated about, not predicted with any certainty.

Our crystal ball is no clearer than those of others, and trying to make specific predictions about governments' or companies' actions is a risky business. The prospect of terrorism, the aftermath of the war, and "global diseases" are factors that will contribute to increasing uncertainty in the environment facing executives in global companies. If anything, their job is going to become harder. The world is not becoming simpler and easier; it seems to be becoming more complex and difficult, or, perhaps, we are being forced to recognize its complexity. Larry Ellison, CEO of Oracle Corp., was quoted as saying "It's a dangerous world. We had this amazing 10-year period [the 1990s] when we pretended it wasn't."<sup>4</sup>

Managing in a complex international arena that is rapidly changing is the theme of this book. We believe that the events since September 11, 2001 reaffirm our perspective of globalization as complexity – a characteristic that is likely to endure. As British Prime Minister Tony Blair said, "We are all internationalists now, whether we like it or not."<sup>5</sup> Executives need to embrace this perspective more than ever, understand more fully the complexity with which they are dealing, and learn to cope more effectively with it.

The banality of the term "globalization" masks the reality of what it means, obscuring the important issues of doing business globally with success. Things are not going smoothly in corporate globalization, and many efforts fail to meet expectations. Globalizing a company is more complicated than we anticipated. It is easy to talk about and aspire to, but difficult to achieve. This book responds to the challenge that today's managers face. It offers a different look at what globalization means and how to respond to it. We draw on the latest research on managing global organizations, extensive experiences with a broad spectrum of international companies, and integrative dialogue with academics and executives about effective management. Our goal is to understand the globalization process more completely – to explain it or "unpack" it to see what is really there and how it affects managing.

Rather than define globalization as the proportion of trade conducted across national borders, or by some other economic or social measure, we argue that, as we talk about it in business, globalization is a manifestation of complexity. Understand its complexity, and you will understand globalization. Understand the processes necessary to deal with complexity, and you will understand what is necessary to globalize an organization.

The complexity of globalization flows from conditions of multiplicity, interdependence, and ambiguity, all of which are interrelated. These conditions in turn are in a state of constant change or flux. In complex environments, predicting the future is impossible and trying to rigidly control global organizational outcomes may be dysfunctional. Complexity of this type cannot be controlled. But it can be managed – or at least channeled – to create functional and even valuable organizational outcomes.

Managing complexity requires a new way of thinking. In addition to focusing on factors such as the organization's design, detailed lists of assets and financial projections, today's global executives must learn to manage their organizational processes. The key processes in a global organization are collaborating, discovering, architecting, and systems thinking. And the key element to channeling or managing complexity lies in the connective glue that binds the processes to complexity: people. Our model for managing these processes in organizations is shown in figure 1.1.

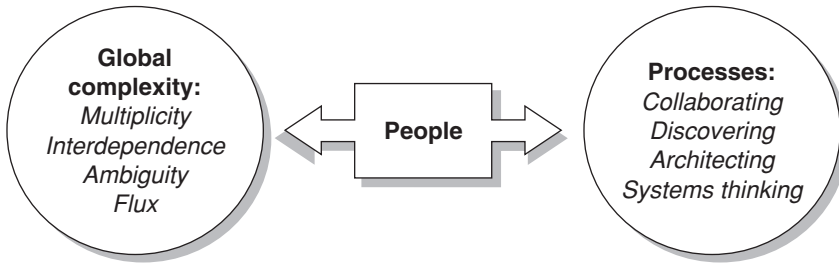


FIGURE 1.1 Managing global complexity<sup>6</sup>

We think about executives in the modern global corporation as being like Hercules, the Greek hero. The stories of his exploits, The Twelve Labors of Hercules, are accounts of his use of strength and power to overcome obstacles on his path to atonement and fame.<sup>7</sup> Hercules is the embodiment of what the Greeks call *pathos*, virtuous struggle and suffering that leads to fame.<sup>8</sup> The heroic Hercules model originates in the home of Western civilization, Greece. Greece is the cradle of Western rational thought, a cognitive model that encourages our use of comparison, measurement, categorization, and analysis in understanding the world around us.<sup>9</sup> We argue that such an analytic, strength-based mode of thinking and doing may not be sufficient in the complex environment we call globalization and should be augmented with other ways of comprehending the phenomena we find in our environment and with new techniques for meeting its challenges.

Western rational thought is not the only mode of understanding the world and our place in it.<sup>10</sup> The Eastern way of “seeing and understanding” as presented in Buddhism and Taoism seeks to go beyond the world of categories, opposites, and analysis to achieve true understanding of a world of infinite complexity and variety. Two of the basic tenets of the Eastern way are that all things and events are interrelated and that change is constant and natural. The latter was an adaptation of Buddhism as it was absorbed and modified in China to become Taoism. The Tao is the “The Path” or “The Way.” It is the way or process of the universe. Hui Nan Tzu, a Chinese philosopher, described these relationships when he observed: “He who conforms to the course of the Tao, following the natural processes of Heaven and Earth, finds it easy to manage the whole world.”<sup>11</sup>

Hercules should meet Buddha. The skillful use of management processes will help manage the “whole world’s” complexity. We do not propose managers eliminate rational analytic approaches to management and globalization or perseverance over obstacles in the path in favor of the intuitive wisdom of Eastern mysticism. We do suggest that to globalize successfully, managers’ toolkits and worldviews need to be updated. We must remember that tools such as analytic spreadsheets are not reality, but rather, representations of reality based on an assumed understanding of the characteristics of countries, peoples, and anticipated markets. As Alfred Korzybski said, “the map is not the territory,”<sup>12</sup> and managers must not confuse the two. They must look beyond the tools to see the reality of their environment, to select and combine from the approaches symbolized by Hercules and Buddha. This book is about the importance of understanding more completely and from a different vantage point the global context in which executives find

themselves; about how they can enact processes that fruitfully channel and manage the complexity in globalization to create value.

### GLOBALIZATION: DEFINED BY STRUCTURES, MANAGED BY PROCESSES

Globalization – in terms of international economic integration – has been enabled and characterized by the erosion of boundaries.<sup>13</sup> Trade liberalization has opened borders across which capital moves easily. One of the most notable features of the new world economy has been the closer interconnection among countries of the developed and developing world: “The great novelty of the current era is the extent to which the poorer nations of the world have been incorporated in the global system of trade, finance and production as partners and market participants rather than colonial dependencies.”<sup>14</sup>

A second feature of globalization as boundary erosion has been the relaxation of foreign direct investment (FDI) restrictions. During the 1990s there were over a thousand changes around the world to national laws governing FDI; almost all of them had the effect of creating a climate more favorable to it.<sup>15</sup> These changes were complemented by an increase in bilateral investment treaties: in 1980 there were fewer than two hundred bilateral treaties in existence, while at the end of 1999 there were almost two thousand.<sup>16</sup>

Airline travel and reliable, inexpensive communications have shrunk the globe so effectively – diminishing physical boundaries – that corporations are now able to manage far-flung operations. The UN estimates that there are 63,000 transnational corporations, and that these companies have 690,000 foreign affiliates spanning “virtually all countries and economic activities.” The foreign affiliates of the top 100 of these firms employ over six million people around the world.<sup>17</sup> In addition, more recently the emergence of information services and the addition of new technologies such as the Internet have dramatically accelerated the globalization process. It is possible to do business in Asia through a website without leaving Paris.

Both responding to and feeding the trend of boundary erosion, companies are rapidly trying to globalize. Why? Because growth is coming from international markets and new ideas and innovations are springing up in companies around the world. In the increasingly competitive market, this search for growth must be increasingly far-flung. For years, companies restructured and systematically wrung costs out of operations to improve profitability, to capture market share, or to stay in business. As these efforts achieved their ends, new areas of opportunity for increasing profits had to be found. They began to work across boundaries – internal product/service boundaries and national borders. Internally they developed new products and services and began selling “solutions.” Many companies moved from a strategy of “best product” to “total customer solutions.”<sup>18</sup> International markets also provided growth. As foreign firms entered a market, local companies had to adapt and they began expanding internationally to remain competitive in an increasingly complex global marketplace. The quest for growth has become continual, demanded by financial markets and shareholders. And international markets are where opportunities for growth are. Some companies continue to search for growth by expanding into new international markets and some are searching for it from innovations to be achieved by integrating and expanding their current global operations.