

The Role of Strategic Leadership in Building the Geocentric Culture of Global Corporations

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In the global economy, strategic leaders capable of learning how to shape a firm's culture in competitively relevant ways will become a valued source of competitive advantage. (Ireland & Hitt, 1999, p. 51)

GLOBAL CORPORATIONS

By the end of the 20th century, 500 largest multinational corporations (MNCs) were responsible for half of the world's trade (Rugman, 2000). Economies of the top 50 MNCs were larger than those of 130 nation-states (Cohen, 1998). In the 1990s, the number of MNCs almost doubled and the number of their foreign affiliates quadrupled (Kuper, 2004). As a result, MNCs have accumulated power to change the global economic, political, and cultural landscapes. This accumulation of power has led to much criticism as illustrated in anti-globalization protests around world. One of the criticisms of MNCs is their ethnocentric or home country-oriented corporate cultures. While their operations can be located in several dozen countries, each with different national cultures, many MNCs have been approaching cultural differences as barriers to fast company growth (Warner & Joynt, 2002) and, hence, have been choosing to replicate their organizational practices in host countries' subsidiaries (Bartlett & Ghoshal, 2000). This ethnocentric orientation might lead to a global convergence of business practices and culture toward Anglo or American business models (Gupta & Wang, 2004) and "conveys [an] aura of corporate colonialism" (Begley & Boyd, 2003, p. 357). Negativity towards the ethnocentric corporate cultures and anti-globalization feelings have made corporations address the question: "Can enterprise, which is a leading part of the *problematique* (political, economic, social and ecological), be also a leading part of the *pragmatique*, the set of practical constructive interventions that reduces future societal disorder?" (Perlmutter, 1985, p. 273).

Corporations go through four phases as they expand beyond national borders: domestic, international, multinational, and global (Adler & Bartholomew, 1992). Domestic companies operate in one country. International companies go beyond their national borders. Multinational companies operate across many nations; their services and products are standardized and they make decisions locally. Global companies operate worldwide; their services, products, and decision-making strategies are adapted to the local market. To become a leading part of this *pragmatique*, some MNCs moved toward the fourth phase - becoming a global company.

Global companies establish a new, win-win, form of relationships with other entities -symbiotic. The term symbiosis in biology "connotes reciprocal relations between organisms which live in close proximity, of similar and different species. The relationships are mutually advantageous, and essential to survival"

DOI: 10.4018/978-1-5225-1049-9.ch123

(Perlmutter, 1969, p. 280). In contrast with other phases, a corporation in the global phase attempts to take “a more constructive role in society” (Perlmutter, 1985, p. 280) by valuing both profitability and public acceptance and by establishing reciprocal relationships with other societal entities. These companies attempt to play not only economic and political, but also social and ecological roles in the society.

Units of global companies mutually negotiate corporate governance. Management decisions are made in collaboration and discussion with others and target growth in both quality and quantity and balance of both efficiency and people (Perlmutter, 1985). Management create and implement policies “that reflect both global commonalities and local differences, get the best of both worlds” (Calof & Beamish, 1994, p. 107). Shared learning, economies of scale, and local responsiveness are examples of strategies used by management.

Units represent a highly interdependent network where centers of excellence and high-potential employees are identified regardless of geographic locations. Best practices are also sought globally and integrated throughout the organization, regardless of their origin. “Headquarters and subsidiaries see themselves as parts of an organic worldwide entity. Superiority is not equated with nationality... Good ideas come from any country and go to any country within the firm” (Heenan & Perlmutter, 1979, p. 21). Knowledge, skills, competencies, and ideas are valued, not nationality. These companies implement policies and practices that aim at “the gradual elimination the very idea of a home and host country” (Kobrin, 1994, p. 495) and, consequently, of the term expatriate, which is used in companies with ethnocentric orientation. Some of these companies decide not to have a national identity, not to be associated with any particular country (Kets de Vries & Florent-Treacy, 2002). A global company formerly known as *British Petroleum* has reduced its name to simply *BP*, which stands for *Beyond Petroleum* in one of its recent ads.

Global companies strive to hire and develop managers who also are globally oriented (Adler & Bartholomew, 1992; Kobrin, 1994). Managers at all levels of the companies themselves have geocentric attitudes (Calof & Beamish, 1994) or mind-sets (Kobrin, 1994), attitudes that reflect the values and practices of the company. To foster these attitudes, the companies search and select people who have these attitudes or have a potential to develop them once hired (Kobrin, 1994). These companies implement a broad range of individual, career, and organizational development practices to develop geocentric attitudes or mind-sets. International assignments are a core practice that helps develop cross-cultural communication skills and a global perspective. They also facilitate “individual and organizational learning in all parts of the system” (Adler & Bartholomew, 1992, p. 18).

GEOCENTRIC ORGANIZATIONAL CULTURE

Any corporate culture could be viewed as a tool for management to create “an organization-wide consensus” among employees to effectively lead the company toward its goals (Martin, 2002, p. 95). A corporate culture could be understood as a set of values and beliefs that inform management practices, behaviors, and expectations (Denison, 1990). Schien (1984) defines corporate culture as

the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. (p. 3)

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