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# Leading the Business: The Criticality of Global Leaders' Cognitive Complexity in Setting Strategic Directions

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LISA DRAGONI AND KRISTIE MCALPINE  
*Cornell University*

Becoming an effective global leader entails a number of developmental shifts, many of which Holt and Seki (2012) eloquently describe. Naturally, they focus intently on how global work involves collaborating with people from all over the world and skillfully detail the type of multicultural orientation necessary to effectively align, motivate, and meaningfully engage a diverse set of people. This cosmopolitan orientation represents one dimension of a leader's

global mindset (Levy, Beechler, Taylor, & Boyacigiller, 2007). Yet, leadership is also about setting a direction for the team, unit, or organization (Kotter, 1999). It involves seeing business opportunities and engineering strategies to leverage these opportunities—and this activity requires a greater degree of cognitive sophistication when operating in a global environment. Here, we balance Holt and Seki's dominant focus on leaders' need to lead diverse people by elaborating on the point that *global leaders also need to lead the business*. Below we describe the cognitive complexity needed by effective global leaders, which others have referred to as the other complementary dimension of a leader's global mindset

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Correspondence concerning this article should be addressed to Lisa Dragoni.  
E-mail: ld284@cornell.edu  
Address: Cornell University, 164 Ives Hall, Ithaca, NY 14853-3901

(Levy et al., 2007), and suggest ways to advance its science and practice.

### **Cognitive Complexity**

Global leaders face an exceedingly complex business environment—one filled with tremendous multiplicity (e.g., multiple political systems, customer bases, competitors), interdependency of the business with various economies, and ambiguity in determining the appropriate course of action (Lane, Maznevski, & Mendenhall, 2004). This reality requires an enhanced cognitive complexity among global leaders. This cognitive complexity has been characterized as a combination of an awareness of various cultures and markets and the ability to meaningfully integrate this diversity to formulate actions that are globally savvy while responsive to needs of local stakeholders (Gupta & Govindarajan, 2002). To better illustrate this concept, let us provide a few examples. Gupta and Govindarajan (2002) showcase a CEO of a U.S.-based home accessories company who characterizes their strategy as “combining Chinese costs with Japanese quality, European design and American marketing. There are other Chinese competitors in the market, but along with Chinese costs what they bring is Chinese quality. On the other hand, our American competitors have excellent product quality but their costs are too high. We can and do beat both of them” (Gupta & Govindarajan, 2002, p. 118). Here, we can see an executive who is alert to the strengths and weaknesses of the competitor firms who are entrenched in a particular cultural orientation and finds a way to integrate across these various approaches to produce a strategic direction that is unique in the industry.

Another example was recently showcased by Washburn and Hunsaker (2011) in the *Harvard Business Review*. In 2009, Abner Portillo, an executive with ConocoPhillips who was responsible for overseeing the operations in Mexico and Central America, discovered why local competitor firms were outperforming the energy

giant in the sales of lubricants for trucks and heavy machinery, even though their competitors charged comparable prices for relatively lower quality products. ConocoPhillips’ target customers in this region needed to transport lubricants, which was not easily done if they purchased ConocoPhillips 55-gallon drums. Portillo’s idea was to offer their products in smaller sized containers—an idea that represents an awareness that the needs of local customers differed from the customers located in the firm’s home country. Portillo then sold the headquarters on the idea of reengineering their packaging to offer lubricants in smaller containers for customers in his region, and later this innovation was implemented in other markets. This example illustrates how Portillo managed local and global pressures by simultaneously attending to local customer concerns while working at headquarters to garner sufficient momentum for culturally attuned innovations. Further, Portillo and his colleagues implemented this innovation in a number of different markets—thus, demonstrating the ability to better appeal to a diverse customer base by integrating innovations in their business operations across various geographic markets. This type of integrative thinking, along with Portillo’s awareness of diverse customer bases, exemplifies the type of cognitive complexity needed by global leaders.

These two examples showcase the potential business opportunities that can be identified and leveraged when global leaders exhibit greater cognitive complexity. A keen awareness of the distinctions and similarities in various customer markets and the ability to synthesize this disparate knowledge can give rise to innovative ways to respond to local demands while leveraging global opportunities and resources. Given the importance of global leaders’ cognitive complexity, it is understandable that industrial–organizational (I–O) psychologists are concerned with its assessment and development, particularly when the demand of global leaders is rising yet there is a diminishing supply of experienced leaders around the world (Silzer & Dowell,

2010). We address questions concerning the assessment and development of cognitive complexity next.

### **Cognitive Complexity – Its Assessment and Development**

Holt and Seki's insightful discussion regarding the measurement of paradoxes inspired us to think more creatively and critically about how best to assess the cognitive complexity of global leaders. Gauging this type of cognitive sophistication cannot be as simple as using a self-assessment instrument in which more of a particular attribute is better. Rather, an effective assessment needs to capture the depth of one's knowledge of various cultures and markets, as well as how effectively the individual simultaneously attends to local considerations while maintaining an integrative, global perspective. We are intrigued by the tools highlighted by Holt and Seki that capture dualities, such as the Leadership Versatility Inventory (Kaplan & Kaiser, 2003), Transition Leadership Wheel (Bunker & Wakefield, 2006), and the Opposite Strengths Inventory (Thomas & Thomas, 2006), and we agree that this type of measurement approach seems promising to assess how well leaders balance opposing tensions. To capture leaders' ability to translate these opposing tensions into integrated strategic actions, high fidelity, simulated strategic making activities could be used, similar to those used in assessment centers, during which leaders would be presented with real, pressing, global business issues and asked to formulate a course of action. Objective, trained assessors could then rate leaders' breadth of awareness of markets and cultures, their ability to integrate across this knowledge, and the quality of their recommended strategic actions.

With respect to the development of global leaders' cognitive complexity, it seems appropriate to first ask whether it can be developed. A recent study of executives documents that cognitive ability, thought to be a more innate characteristic, was most strongly related to executives' strategic

thinking in global business contexts, and the second most important predictor was work experience (Dragoni, Oh, VanKatwyk, & Tesluk, 2011). We suspect that in studying global leaders' cognitive complexity we would discover a similar finding—cognitive ability and experience both matter. Holt and Seki's discussion of the "being" dimension sparked us to consider another way in which cognitive complexity may be developed—that is, through self-reflection on experiences (i.e., one element of "being"). Cognitive complexity more likely emerges when individuals wrestle with the multi-cultural and global–local tensions inherent in their experiences. Taking time to reflect on, make sense of, and reconcile, when needed, these polarities seems important to achieve an integrated world view. Recent research supports this logic, demonstrating that reflection after feedback or an experience facilitates learning and growth (e.g., Anseel, Lievens, & Schollaert, 2009; Ellis & Davidi, 2005; McCall, 2010). Perhaps one way to better incorporate the idea of "being" into the work of I–O psychology is to leverage the current momentum around the notion of reflection.

In sum, we applaud Holt and Seki for initiating the dialogue on global leadership and challenging us to think more deeply about the transitions involved in developing global leaders. Let us also remember the need for these leaders to possess an enhanced cognitive complexity. After all, global leaders need to lead the business as well as lead the people in it.

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