

**MULTINATIONAL MINDSETS:
SENSEMAKING CAPABILITIES AS STRATEGIC RESOURCES
IN MULTINATIONAL FIRMS
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ABSTRACT:**MULTINATIONAL MINDSETS:
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International management scholars conclude, implicitly and explicitly, that the content and processes of multinational firms' sensemaking systems can be a distinct competitive advantage or disadvantage. In this article we explore the mutual relevance of organization research on sensemaking and international management. We propose two conceptual frameworks used by organization theorists to understand how organization members make sense of their experience: social cognition and social constructionism. We also discuss empirical research opportunities that integrate and advance these programs.

The authors thank Larry Cummings, Yves Doz, Jane Dutton, Rakesh Sambharya, Susan C. Schneider and Jim Walsh for advice and comments, and Chad Nehrt for research assistance. Final responsibility for the paper is, of course, ours. We gratefully acknowledge financial support from the Strategic Management Research Center at the University of Minnesota and the Center for International Business Education and Research (CIBER) at the University of Michigan.

MULTINATIONAL MINDSETS: SENSEMAKING CAPABILITIES AS STRATEGIC RESOURCES IN MULTINATIONAL FIRMS

In recent years, international management research has been energized by a facile accommodation between seemingly incompatible theory and reality. In theory, effective organizations fit strategy and structure to environments (Chandler, 1962). But in reality, "structural indeterminacy" pervades many successful international organizations (Doz & Prahalad, 1991:2). Consequently, students of the multinational corporation (MNC) no longer think of international management as a science of discrete tradeoffs among mutually-exclusive organization structures capable of either "national responsiveness" or "global integration" (Prahalad & Doz, 1981, 1987). Instead, they recast it as a continuous process in which managers artfully examine multiple conflicting environmental demands and organizational objectives and devote increasing attention and resources to respond to them all. These perspectives rely on the assumption that the ways that organizations' members make sense of their organizations and the global environment enhance or inhibit competitive advantage. For example, after 3 years studying MNCs' management activities Bartlett and Ghoshal wrote:

What is critical, then, is not just the structure, but also the mentality of those who constitute the structure... A company's ability to develop transnational organizational capability and management mentality will be the key factor that separates the winners from the mere survivors in the emerging international environment. (1987:52)

Despite their increasing interest in organizational mindsets and information processing systems, few international management scholars have systematically applied sensemaking theories used and developed by organization theorists (for a recent exception, see Black, Mendenhall, & Oddou's integration of the international adjustment and organizational sensemaking literatures, 1991). Similarly, organization theorists have produced numerous studies on sensemaking but paid little attention to MNCs and the global context. Several researchers have argued that this artificial schism between international management and organizational research retards progress toward a more comprehensive understanding of MNCs and organizations in general (Black, Mendenhall & Oddou, 1991; Doktor, Tung & Von Glinow, 1991; Doz & Prahalad, 1991; Ghoshal & Westney, forthcoming).

Taking a global perspective provides a basis for broadening and perhaps reframing what we currently know about sensemaking in organizations. Doz and Prahalad (1991) and Sundaram (1991) have argued that MNCs differ in kind as well as degree from domestic organizations. Unlike domestic enterprises, MNCs must coordinate the activities of geographically dispersed and nationally distinct affiliates to serve a common cause in historically, culturally, ideologically, politically, legally, and economically heterogeneous environments. Although individuals of different nationalities typically share organizational responsibilities, members of different nations understand and act upon their world in distinct ways (Adler, 1986; Hofstede, 1980). The combination of cross-national differences, the potential for misunderstanding, the extra demands of coordination, and the high cost of failure bring the role of sensemaking more self-consciously into play among MNCs' members than among members of domestic organizations.

Sensemaking at the international organizational level, however, represents more than the additive cumulation of multiple, nationally-conditioned mindsets. Many MNCs begin their internationalization processes by grafting international activities, products, and affiliations onto pre-existing domestic organization structures. But eventually, all face the challenge of blending domestic and international priorities into a higher order, global vision. Similarly, the global context forces researchers to examine the limitations of domestic-research-based assumptions about human nature, organizing, and organizations. Consequently exploring organizational phenomena in MNCs may open our eyes to new variables and perhaps different relationships among them (Black, et al, 1991).

In this article, we explore the mutual relevance of research on organizational sensemaking and on MNCs. Our goal is to integrate and advance both of these research programs by providing a conceptual framework and systematic process for exploring sensemaking in MNCs. We begin by summarizing the work of international management scholars who implicitly and explicitly addressed sensemaking as a strategic process in MNCs. Based on this review, we provide a conceptual framework that depicts various aspects of these

processes. We then present two perspectives organizational researchers use to study organizational sensemaking -- social cognition and social constructionism -- and discuss how these perspectives can be used to systematically explore sensemaking processes in MNCs. We follow with illustrative propositions based on each of these perspectives.

MULTINATIONAL MINDSETS

Contemporary international management scholars' prescriptions for organizational effectiveness have shifted away from structural change solutions in favor of process interventions. Process interventions emphasize conserving and developing organizational resources upon which competitive advantage is based, including individual competence, firm-specific knowledge, and organizational learning capabilities (Bartlett & Ghoshal, 1989; Doz & Prahalad, 1991; Prahalad & Doz, 1987). Kogut (1985) argued that the main strategic advantage of internationalizing a firm lies not in the efficiencies conferred by an expanded structure, but rather in the operational flexibility that an international network¹ makes possible. Such flexibility provides managers with discretion to compete in a changing environment without continuous restructuring.

Discretion, however, does not necessarily translate into capability. Working in complex, heterogeneous, structurally indeterminate organizations presents a significant conceptual challenge to organization members. Kogut noted that "firms vary widely in their recognition of, and their organizational capabilities to capitalize on, these opportunities. Some firms have failed to exercise these options as a result of cognitive factors..." (1985:32). Such notions have appeared and reappeared in core contributions to the international management literature during the past quarter of a century. These ideas represent theories of sensemaking, often implicit, which link MNCs' internationalization processes and performances to meaning systems. In this section, we review the research in which these theories appeared, draw attention to the theories, and cast them in more explicit terms.

Sensemaking in the International Management Literature

In the thirty years since MNCs began to attract widespread academic curiosity, interest has gradually expanded from explanations of why firms go abroad to studies of managerial process. Beginning with the earliest contributions to both of these branches, managerial sensemaking (typically under other labels) came into play. Aharoni (1966), in perhaps the first international management process study, emphasized top management's "international outlook" as a critical factor in foreign direct investment (FDI). His analysis contains many elements of a dynamic sensemaking perspective. These include the assumption of bounded rationality (March & Simon, 1958) as well as the study of attitudes, preconceptions, and implicit theories used to economize on information gathering about investment opportunities; adaptive processes of learning and commitment to particular proposals; and factors such as national biases or emotional attachments that affect investment evaluation.

In his classic lectures on FDI, Kindleberger (1969:180-83) used managerial attitudes toward foreign exchange risk and profit equalization to categorize international firms. These attitudes, he noted, "may be subconscious rather than articulated." The "national firm with foreign operations feels at home in only one country and alien everywhere else." The "multinational firm" sees speculation against a currency of any country in which it operates as a "breach of good citizenship." The "international firm" invests its capital according to criteria "free from the myopia that says home investments are automatically risk-free and all foreign investments are risky." Lessard (1986:148) took up a similar theme with his metaphor of "currency-colored eyeglasses" that "distort traditional measures of current and long-term profitability, creating illusions that depend on the currency in which alternatives are weighed and a managers' performance is judged."

Perlmutter (1969:11-13) was the first to give centrality to sensemaking factors in a model of management process in ongoing MNCs. Reflecting on field experiences within a number of MNCs during the 1960s, Perlmutter inferred three head office "primary attitudes," which he defined as ethnocentrism, polycentrism, and geocentrism. These attitudes, he suggested, guide

managers' choices of international strategies, organization structures, and policies. In head offices where ethnocentric attitudes prevail, home nationals believe themselves more trustworthy and reliable than foreign nationals either at headquarters or in subsidiaries. This prevailing attitude creates tendencies to centralize authority at headquarters. In the resulting centralized network structures, goods and information flow in a hub and spoke pattern between head office and affiliates. Personnel selection policies favor home nationals for key positions. Financial policies evaluate performance according to home standards.

Top managers in MNCs where polycentric attitudes prevail tend to frame environmental phenomena in terms of national differences. Such organizations tend to value the capabilities of local nationals to make decisions in their national markets. The resulting decentralization of authority leads to a network structure of loosely affiliated national units which exchange relatively little in the way of goods and information among themselves or with the center. Selection policies favor locals for promotion in the national markets. Local standards apply to performance evaluation.

MNCs in which geocentric attitudes prevail seek to expunge the local vs. foreign dichotomy from the corporate consciousness. Authority, although decentralized among head office and affiliates, is tempered by evaluation standards which reward coordination and focus "on worldwide as well as local objectives." Goods and information flow in a complex interdependent network structure which links affiliates both among themselves and with the head office. Selection policies seek the best qualified person for a given position without regard to position location or candidate nationality.

Although Perlmutter's model amounted to a static taxonomy of MNCs, he employed it as the basis for an evolutionarily theory of internationalization in which geocentrically-oriented MNCs represent the most advanced form. This logic, implicit in Kindleberger's (1969) taxonomy, prefigured discussions by Porter (1986), Prahalad and Doz (1981, 1987), Bartlett and Ghoshal (1989) and Hedlund (1986, 1990), all of whom predicted evolution toward complexity. The modal combinations of strategies, structures, policies and attitudes which Perlmutter used to

define the categories in his taxonomy also closely resemble combinations which these authors used to categorize MNCs in their later work (see figure 1).

Insert Figure 1 about here

On the surface, the later taxonomies do not seem to differ much among themselves. The principal differences seem to be in the focal units of analysis that form the naming dimension of each taxonomy's categories. Indeed, it seems possible to state each taxonomy in terms of the others. For example, Bartlett and Ghoshal's transnational organization could be categorized as an entity where managers espouse geocentric primary attitudes and selection policies *a la* Perlmutter, to implement a complex global strategy *a la* Porter.

Over the years, however, taxonomies have differed on another more central question: to what degree and at what level do antecedent conditions constrain managers' strategic choices? Our analysis suggests that this issue divides the taxonomies into at least two groups. Taxonomies falling into the first group hold that effectiveness drives firms to design strategies, organizations and policies which fit together in some theoretically predictable way. In terms of Figure 1, this implicit hypothesis calls for row correspondence, and suggests that each taxonomy can be stated in terms of the others. Porter (1986) falls into this group, holding that industry structure and efficiency criteria determine the other elements in each row. Perlmutter (1969) finds that managers' primary attitudes constrain firm strategy, organization and policy, although he is less clear about the relationship of industry structure to these elements.

The second group of works suggests that patterns of evolution or correspondence among international industries, strategies, organization structures and policies are firm-specific, and critically depend on sensemaking. In such perspectives, the different taxonomies lose comparability and cannot be stated in terms of each other. Even if the rows in Figure 1 represent central tendencies to which all MNCs conform over time, in given time periods managers make choices based on their perceptions, so that elements in the rows may lag, lead or match up with

others. The same thing could happen if managers follow the advice of Prahalad and Doz (1987) and break the mold of industry realities by choosing non-conformist combinations of strategy and structure. Once internationalization assumes the character of conventional wisdom in an industry, the opportunity to successfully pursue it may already have passed (Mitchell, Shaver & Yeung, 1992).

Subgroups, Sensemaking and Strategic Discretion

Groups of organization members within MNCs may also differ among themselves and over time in their interpretations of the world and in their authority and responsibilities for organizational process (Bartlett & Ghoshal, 1989; Hedlund, 1990; Prahalad & Doz, 1987). Subgroups which hold functional, business and geographic organizational responsibilities, as well as those at different levels of the hierarchy, form distinct pools of meaning. These meanings emerge from and influence managers' sensemaking (Bartlett & Ghoshal, 1989). Shifts in the power, ideologies, and membership of dominant organizational subgroups, therefore, affect organizational vision (Prahalad & Doz, 1987). Organizational power may flow toward subgroups which deal with salient environmental issues (Hickson, Hinings, Lee, Schneck & Pennings, 1971). But a dominant subgroup mindset will also influence the definition of what is salient. Many of these considerations emerged in an early discussion of "cognitive orientation" in MNCs, defined as,

the perception of the "relevant environment" by individual managers within the organization. The relevant environment of a business is constructed of an understanding of the key competitors, the competitive structure, and the forces that are likely to mold the pattern of evolution of that business. We have to recognize that in a complex organization, different types of managers (area, product and functional) and managers at different levels can have very different perceptions of the relevant environment. In other words, their cognitive orientations can be very different (Prahalad & Doz, 1981:9).

Organizations that can tolerate greater internal diversity in perspectives stand a better chance of competitively interpreting the heterogeneous, complex, rapidly changing global context. International management scholars have forecasted that as these attributes of the international economy intensify, flexible, adaptive, non-hierarchic organization forms will

increasingly prevail. Prahalad and Doz (1987) called these organizations "multifocal," Bartlett & Ghoshal (1989) "transnationals," while Hedlund (1986) envisioned them as "heterarchies." In such organizations, product, geographic and functional managerial mindsets coexist (See Figure 1). Flexibility to optimize these perspectives relies on intense multilateral coordination and communication among all groups across all international subunits. Members responsible for different functions or organizational subunits mutually adjust, integrating diverse perspectives through a "mind matrix" (Bartlett & Ghoshal, 1989) which helps them make decisions in a manner consistent with a unified corporate vision.

These organizations maintain cohesion, according to Hedlund (1990:26), through "shared objectives and knowledge, and a common organizational culture and symbolism . . . investments in communication systems, rotation of personnel, a bias for internal promotion, and other human resource management strategies . . ." Competitive advantage, while perhaps initially defined by an oligopolistic industry structure, over time comes to reside instead in organizing processes. In other words:

A global firm may be seen as an investor in technical and human infrastructure and codes, where the interpretive capability is largely firm-specific and tacit. By definition, tacit knowledge can not be easily codified, and is thus less amenable for assignation in hierarchical knowledge structures (Hedlund, 1990:26).

Highly-evolved international organization forms, therefore, are defined by their sensemaking capabilities. These enable them to choose any of the strategies and organization structures in Figure 1, ranging from the lowest to the highest order of complexity. Consequently, formal empirical investigations of conceptual frameworks which attend only to conventional elements of strategy and structure (such as centralization, divisionalization, geographic configuration, and coordination transactions) will not reliably distinguish the most evolved international organizations from less-evolved forms in the general population.² Empirical work which incorporates sensemaking may help to resolve this.

A Conceptual Framework Illustrating Sensemaking Processes in MNCs

Figure 2 illustrates a conceptual framework, based on our review of the international management literature, which depicts aspects of sensemaking processes in MNCs. In this framework, managers' interpretations of the environment and their decision making criteria both influence and are influenced by their particular world views. These world views are shaped to some degree by their group memberships, including nationality, product, functional and geographic management responsibilities; hierarchical level; relevant identity groups in the particular culture (i.e. race, class, ethnicity, gender); and the "administrative heritage" (Bartlett & Ghoshal, 1989) of their organizations' past strategies and structures.

Insert Figure 2 about here

Top managers must knit these world views, as well as firms' local and international priorities, into a seamless global vision (Prahalad & Doz, 1987). Ideally, strategic decisions translate this vision into a structure and culture that shape control, coordination, communication and commitment processes. These processes enable the organizational learning, knowledge transfer, stability and adaptation necessary to sustain and develop far-flung global networks.

These processes are undeniably less discrete, rational, and linear than portrayed in this model. Our intent is not to represent reality, but rather to provide a basis for the systematic study of sensemaking in MNCs. In the next section we describe two research streams concerned with meaning systems and sensemaking processes in organizations. These streams comprise the work of organizational researchers based in social cognition and social constructionist research traditions. Understanding these two perspectives and the distinctions between them can help guide researchers toward systematic, theoretically grounded empirical exploration of sensemaking in MNCs.

RESEARCH ON ORGANIZATIONAL SENSEMAKING

Since the mid-1970's, organizational scholars have grown increasingly interested in the processes by which members of organizations make sense of their organizational worlds.

Although based in a variety of disciplines, these researchers share the view that organizations are "bodies of thought, thought by thinking thinkers" (Weick, 1979:228). They also share the assumptions that:

1. Organizational members are boundedly rational (March & Simon, 1958).
2. Organizations are systems of meaning (although the degree to which these meaning systems are -- and should be -- shared is debated).
3. Meaning systems are dynamic rather than static.
4. Meaning and action are intertwined (although the nature of this relationship is controversial).
5. Sensemaking processes in organizations can be functional and dysfunctional (although choosing criteria for determining which are functional or dysfunctional can spark ideological debate, particularly when the question "for whom and to what end" is raised).
6. Meaning systems and sensemaking processes in organizations can be researched, understood, and managed.

In general, research on organizational sensemaking addresses several broad areas: (1) the content of meaning systems; (2) the structures through which individuals, groups, and organizations organize and contain knowledge; (3) the processes through which organizations search for, select, retain, legitimize, and transmit knowledge; (4) the consequences of these contents, structures, and processes on organizational effectiveness; and (5) the power and ideological bases of meaning systems.

This literature has emerged from two alternative, though complementary, research traditions: social cognition and social constructionism. Although both traditions characterize organizations primarily as "interpretive systems" (Daft & Weick, 1984:284), each takes root in different disciplinary heritages. These roots impose different assumptions about the nature of reality, leading to distinct research questions, research methods, interpretations, and prescriptions for organizational interventions. Understanding these distinctions can broaden the conceptual,

methodological, and prescriptive bases for understanding and managing sensemaking processes in a global organizational context. In the following sections, we present a brief overview of each of these traditions.

Social Cognition

The cognitive perspective views organizational members as boundedly rational information processors (March & Simon, 1958) who scan an objective environment, selectively attend to information, make attributions about it (i.e., relevant or irrelevant; threat or opportunity), formulate decisions, and take informed action. Most strategic international management research addressing sensemaking is consistent with this perspective.

Organizational cognition has a functionalist epistemological heritage rooted primarily in cognitive psychology and social cognition (for a useful review, see Fiske & Taylor, 1984). It begins with the premise that organization members process environmental stimuli through knowledge structures or schemas, defined as:

...a cognitive structure that represents organized knowledge about a given stimulus -- that is, a person or situation -- as well as rules that direct information processing. In essence, a schema provides observers with a knowledge base that serves as a guide for the interpretation of information, actions and expectations... Schemas help people simplify and effectively manage the information in the complex task and social environments characteristic of applied settings (Lord & Foti, 1986:22)

The implications of individual understanding for organizational knowledge structures and action, however, remain controversial. Alternative perspectives suggest that shared knowledge structures form the basis for organizational action (Sims & Gioia, 1986); are loosely coupled (Pfeffer, 1990) or decoupled from action (Donnellon, Gray & Bougon, 1986); or that action creates meaning (Weick, 1979). Notably, most of the international management literature assumes that shared knowledge structures established by top managers form the basis for individual and organizational action. Organizational research on cognitive processing has explored the use of knowledge structures, on socialization (Louis, 1980), routinization of organizational procedures (Gioia, Donnellon, & Sims; 1989), organizational learning (Argyris &

Schon, 1978; Chakravarthy & Kwun, 1990; Gioia & Manz, 1985), organizational change (Poole, Gioia & Gray, 1989), strategic decision-making (Schwenk, 1988; Stubbart, 1989) and adaptation to crises (Kiesler & Sproull, 1982; Weick, 1979).

The cognitive perspective has made a particularly notable contribution toward understanding and managing organizationally dysfunctional cognitive processes. Several organizational researchers have argued that cognitive economies associated with knowledge structures must be balanced against negative effects. Selective attention and perception can reduce information overload, ambiguity, uncertainty, and complexity, making the organizational and social world more manageable. But, as Walsh (1990) pointed out, these cognitive economies also "discourage disconfirmation of the existing knowledge structure and inhibit creative problem solving" (Gioia, 1986b) resulting in "impoverished views of the world" (Weick, 1979), "functional area tunnel blindness" (Dearborn & Simon, 1958), and "strategic myopia" (Lorsch, 1985). International management scholars and practitioners share these concerns. Bartlett and Ghoshal (1987:69), for example, regarded administrative heritage "both as an asset to protect and as a constraint to overcome".

Central questions from a cognitive perspective for the IM researcher include: What knowledge structure, (e.g. scripts and heuristics) guide MNCs' strategic decision making? How do MNCs' cognitive infrastructures (Dunn & Ginsberg, 1986) guide individual and organizational information processing and decision making? What are the consequences of the content, processes, and structures of meaning systems for MNC performance? What sources of bias in individual, group, and organizational information processing affect MNCs' abilities to accurately interpret and adapt to the global environment?

Social Construction

The social constructionist tradition is based on the assumption that organizational realities are products of cultural negotiation and reflect the social, economic, political, and ideological conditions in which they are embedded (Berger & Luckmann, 1966). This

perspective frames organizations as socially constructed systems of shared meanings (Pfeffer, 1990; Smircich, 1983). Organization members are characterized as interpreters and enactors (Weick, 1979) of their organizational worlds. As interpreters, they develop shared understandings about how their organizations work and their places in them. These understandings emerge through processes of organizational and cultural socialization. Thus, social groups, rather than individuals, often constitute the central unit of analysis. As enactors, organization members act out -- or do -- organization (and thus do internationalization) based on these understandings. Several organization researchers argue that organization members enact their environments. Although resources, customers, and competitors exist as concrete entities, the meanings of these entities and the relationships among them take shape consensually and often retrospectively through social interaction (Gioia, 1986a; Dunn & Ginsberg, 1986; Falkenberg & Gronhaug, 1989; Pfeffer & Salancik, 1978; Smircich & Stubbart, 1985).

Social constructionist perspectives on organizational sensemaking are rooted in a variety of research traditions that fall primarily within an interpretive organizational paradigm (Burrell & Morgan, 1979). Organizational researchers borrow from anthropology (Martin, Feldman, Hatch, & Sitkin, 1983), sociology (Pfeffer, 1990), communication (Putnam & Pacanowsky, 1983), and, most recently, literary criticism (Martin, 1990).

MNCs consist of complex networks of organizations physically located in multiple distinct national environments. The construction of meaning in this heterogeneous context may rely more critically on the development, meaning, and impact of symbols and symbolic systems than in a domestic context. Prahalad and Doz (1987:228) advocated "the blending of facts and concepts into a rich corporate language" (1987:228). The international management literature abounds with prescriptions and examples of effective and ineffective symbolic systems. Bartlett and Ghoshal (1989:41-42), for example, described how Konosuke Matsushita foresaw the difficulties of maintaining unity as his company expanded over time and across the globe. His corporate philosophy, encapsulated in "the seven spirits of Matsushita," continues to provide explicit criteria for operating decisions at all levels.

From a social constructionist perspective, the meaning of the often-used term "internationalization" becomes problematic. Some organizational and societal members may interpret "internationalization" as having little to do with their daily work or personal lives. Others may sense it mainly in the goods they consume. Yet others may experience it as direct contact with the foreign and view it as a vague threat to lifestyle or security (i.e., see the *Business Week* article, "Working for a Foreign Boss, 1990 and the *Fortune* article, "Fear and Loathing of Japan," 1990).

From this view, central research questions regarding MNCs include: What do organizational constructs (e.g., internationalization) mean to organizational members? How do symbolic processes such as language, story telling, myth making, and vision setting create, legitimize, transmit, and transform meaning systems? What is the organizational impact of these meaning systems? How do organizational members learn to do the social performances involved in going international? Through what processes do MNCs' members enact the global environment? And, what socio-cultural functions do these meaning systems and social performances serve beyond organizational effectiveness and efficiency?

Summary of the Two Sensemaking Perspectives

Although we have presented organizational research in the cognitive and social constructionist traditions as distinct streams, the literature often establishes permeable boundaries between them. For the academic purist, the acid test assesses the degree to which research questions, methods, and interpretations are consistent with the ontological and epistemological roots of a perspective (Burrell & Morgan, 1979). Figure 3 summarizes these distinctions.

Insert Figure 3 about here

Understanding these distinctions enables researchers to become more aware of the assumptions underlying international management perspectives on organizational sensemaking,

the consequences of these assumptions for scholarship and practice, and alternative ways of framing and exploring sensemaking in MNCs. MNCs provide a rich context for exploring other issues beginning to gain attention from cognitive, social constructionist, and general organizational researchers. These include the effects of emotion and ideology on sensemaking in organizations. Framing organizations as "brains," (Hedlund, 1990; Morgan, 1986) and "information processing systems" (Egelhoff, 1988) begs consideration of whether sensemaking takes place only on an individual level, or whether organizations can "think" (Sandelands & Stablein, 1987). Are "dominant logics," (Prahalad & Bettis, 1986), "organizational frames of reference" (Shrivastava & Schneider, 1984), and "negotiated belief structures" (Walsh & Fahey, 1986) aggregations of meaning systems or do they represent collective mindsets that differ from the additive sum of their parts? Finally, MNCs provide an opportunity to conduct longitudinal studies that can provide insights into how organizational meaning systems change over time (for recent domestic examples, see Isabella, 1990; Dutton & Dukerich, 1991).

MEANING AND MULTINATIONALS: AN EMPIRICAL AGENDA

The previous sections linked research from the international management literature to key issues in the organizational sensemaking literature based on social cognition and social constructionism. In the following sections, we provide illustrative propositions motivated by these two perspectives.

Propositions from a Cognitive Perspective

Our first set of propositions considers the relationship between cognitive complexity as an attribute of knowledge structures in MNCs, and the complexity of the networks that comprise firms. The propositions fall into measurement and associational categories. The measurement propositions pertain to variables which serve as dimensions of hypothesized constructs. Bartunek, Gordon and Weathersby (1983:274) specify two dimensions of cognitive complexity: differentiation and integration. Walsh (1990:24) defines differentiation as "the number of dimensions within a knowledge structure" and integration as "the degree of interconnectedness

among the knowledge structure's dimensions." The associational propositions refer to expected relationships among these constructs and organizational effectiveness.

Measurement Propositions: We propose that the range of knowledge structures in MNCs can be represented by three ideal types. For clarity in distinguishing them from the industry, strategy and organization focal units of analysis in Figure 1, we use Perlmutter's (1969) ethnocentric, polycentric, and geocentric terminology to name them. We define differentiation for our applied area of interest as the abilities of members of organizational subgroups holding product, functional and geographic responsibilities to make distinctions among their work activities on the basis of international context. Integration refers to the abilities of individuals within subgroups to understand the activities of other groups.

We propose that MNCs fall into three categories on the cognitive complexity dimensions, represented as averages of individual managers in the firms.

Proposition 1: (low/high)

MNCs with ethnocentric orientations will on average display relatively undifferentiated knowledge structures that are relatively integrated across the international operations of the firm.

Proposition 2: (high/low)

MNCs with polycentric orientations will on average display relatively differentiated knowledge structures that are relatively non-integrated across the international operations of the firm.

Proposition 3: (high/high)

MNCs with geocentric orientations will on average display a relatively high level of differentiation in knowledge structures that are relatively integrated across the firm's international operations.

These propositions refer to structural attributes of knowledge structures. But given the specification of the dimensions, they reflect several testable assumptions about knowledge structure content. Among management groups with ethnocentric orientations, we expect strong product or functional knowledge and self-identification and low geographic knowledge and self-identification. In polycentric management groups, we expect geographic knowledge and self-

identification to dominate. Geocentric structures should balance strong product, functional and geographic self-identification and knowledge, with greater overlapping knowledge of other areas among all groups.

Associational Propositions: Studies of complex MNCs imply that MNCs risk failing to respond to environmental complexity unless managers display requisite cognitive complexity. Early international management contributions suggested that as the international environment increases in complexity and rate of change, strategies, organization structures and managers' cognitive orientations will necessarily evolve. This suggests:

Proposition 4: (evolution hypothesis)

Over time, knowledge structures in MNCs evolve from ethnocentric to polycentric to geocentric.

However, relationships among industry, firm strategy and organization structure depend, for given firms, on managers' cognitive orientations. We therefore expect more complicated relationships among these phenomena and effectiveness than a simple evolutionary model suggests. Bartunek, Gordon and Weathersby (1983) hypothesize a positive relationship between cognitive complexity and effectiveness. International management discussions of strategic and organizational flexibility emphasize the need for slack resources (Kogut, 1985). These may, in principle, take the form of cognitive capabilities, assuming cognitively complex managers can formulate and implement simple strategies as well as complex ones. This implies:

Proposition 5 (performance)

Holding industry constant and compared across firms, managerial cognitive complexity in MNCs will correlate positively with firm performance.

Consistent with Proposition 5 and supporting arguments, we expect the following corollary relationship:

Proposition 5-1: (cognitive slack)

Regardless of industry, firms in which geocentric cognitive orientations prevail will outperform firms with simpler orientations.

We do not, however, expect managers in organizations with less complex cognitive orientations to have the vision to devise and implement more complex strategies and organizations. Instead, we offer the following proposition and corollaries:

Proposition 6: (administrative heritage)

Regardless of industry, for a given MNC, given values on either dimension of cognitive complexity constrain the implementation of higher order strategies and structures.

Proposition 6-1:

In simple global industries, firms in which ethnocentric cognitive orientations prevail will outperform firms with polycentric orientations.

Proposition 6-2:

In multidomestic industries, firms in which polycentric cognitive orientations prevail will outperform firms with ethnocentric orientations.

Consequently, we expect Table 1 row correspondence to prevail on average in simple global and multidomestic industries, but not in complex global industries, such that:

Proposition 7-1: (efficient fit)

In simple global industries, ethnocentric cognitive orientations will tend to associate with global strategies and global organization structures (Row 1).

Proposition 7-2: (efficient fit)

In multidomestic industries, polycentric cognitive orientations will tend to associate with multidomestic strategies and multinational organization structures (Row 2).

Proposition 7-3: (strategic discretion)

No predictable pattern of association exists for geocentric cognitive orientations, industries, strategies and organization structures.

Propositions from a Social Constructionist Perspective

The following propositions are guided by two general research questions: 1) what do key organizational constructs mean to members of MNCs, and 2) how do these meanings become real? These questions focus on the MNC and its environment as experienced and enacted by organizational members rather than as objective phenomena that can be accurately or

inaccurately perceived. The first proposition addresses the role of international management researchers in the construction of organizational realities. The second suggests that members of different levels of organizational hierarchies experience and interpret internationalization, to some degree, in distinct ways.

Hedlund (1990:8) noted that organizational reality is "partly a reflection of the mind of the analyst". Several organization scholars have argued that researchers, like all social actors, view the world through *a priori* categories that partly arise as products of their group memberships (Alderfer & Smith, 1982; Gregory, 1983). These memberships include professional associations such as researchers' scholarly traditions, affiliations with business schools, and relationships with organizational leaders and management. These memberships also include associations with identity groups based on nationality and national subcultures. International management scholars choose topics, perspectives (i.e., managerial, strategic), language, and research methods that reflect these group memberships. In turn, their venues for teaching, writing, and consulting influence the ways in which organization members understand the global organizational context and the strategies they use to enact and react to this world. In this way, scholars' contributions both enable and constrain organizational action. Thus:

Proposition 8:

International management scholars, through their research, teaching, and consulting, actively participate in enacting MNCs, a global environment, and the internationalization process.

Most studies of MNCs published in academic and professional journals used by organizational management, as well as those cited in this paper, result from international management researchers' long-term interactions with top management in MNCs. As a result, international management research, as well as practitioner interventions, in large part reflect managerial interpretations and enactments of the MNC and the global context. Yet, Egelhoff (1988) and Hedlund (1990) noted that organizational members at different levels of an organization process different kinds of information and may have dissimilar purposes for

processing information. They also note that although the issues each level addresses differ, top management generally sets organizational direction and makes decisions.

In the following propositions, we propose that members of different levels of the organization, as a result of their hierarchical group membership, will to some degree have different experiences with and interpretations of the internationalization process. These may include different visions, assessments of the environment (i.e., relevant elements, opportunities and threats, implications for particular strategic actions on day-to-day organizational life), decision making strategies, and criteria for judging strategic effectiveness. The content, structure and processes of these meaning systems will have a profound influence on organizational direction and flexibility. We therefore propose:

Proposition 9: (within-group consistency)

Members of MNCs will interpret and enact internationalization in ways that are consistent with their hierarchical group memberships.

Proposition 10: (cross-group differentiation)

Members of MNCs at the different levels of the organizational hierarchy will to some degree have different experiences with and interpretations of the internationalization process.

CONCLUSION

In this paper, we set out to demonstrate potential mutual gains from an alliance among international management and organizational sensemaking researchers. Sensemaking scholars offer international management scholars conceptual frameworks and a variety of systematic methods by which to study the ways in which the content and processes of organizational meaning systems affect firms' growth and survival in a global environment (whether viewed as real or enacted). International management scholars offer organizational sensemaking researchers a global perspective and a rich context for advancing and reframing what we know about organizational sensemaking in both domestic and global organizations. Such knowledge may ultimately provide new prescriptions to enhance organizational survival and success.

Framing multinational corporations as interpretive systems helps researchers and practitioners alike to understand why organizations embrace, resist, or muddle through the internationalization process. Global and national adjustment to increasing economic openness and internationalization relies on the adjustment of business organizations, work groups, and individuals to these changes. It is in this context that we hope to understand internationalization: from the perspective that *thinking* individuals within organizations ultimately do, or do not do, the internationalizing.

FOOTNOTES

¹ We use the term international network to refer to relationship systems that link MNCs' affiliates in various countries into unified international organizations. These systems structure international flows of information, goods, funds, and people. International competitiveness depends both on the content of these flows and on the abilities of firms to manage them.

² Non-inclusion of sensemaking variables in empirical investigations of international organization structure may explain failures to detect the most evolved forms of these organizations. Morrison and Roth (1991), for example report that they detected no transnational organizations (Bartlett & Ghoshal, 1989) in their sample of 150 U.S. MNCs.

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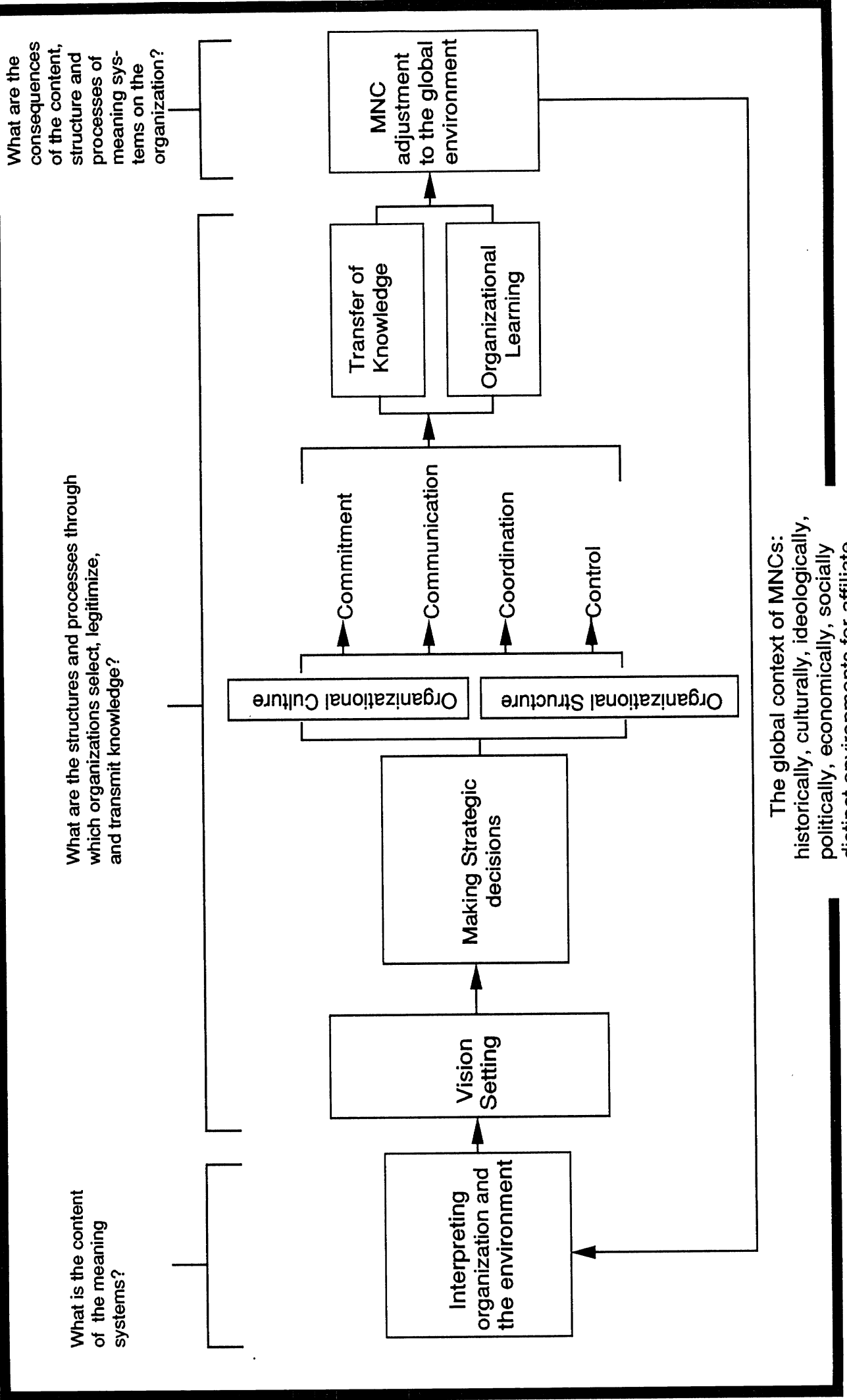
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Figure 1

Taxonomies of International Strategy and Organization

Author(s)	Porter, 1986	Prahalad & Doz, (1987)	Hedlund, 1986, 1990	Bartlett & Ghoshal, 1986/1989	Kindleberger, 1969	Perlmutter, 1969	Prahalad & Doz, Bartlett & Ghoshal
Focal Unit of Analysis	Industry	Firm Strategy	Firm Organization	Firm Organization	Managerial Attitudes	Primary Attitudes	Dominant Mindsets
Network Orientation	Simple Global	Global Integration	Hierarchy	Global	National Firm with International Operations	Ethnocentric	Product Functional
	Multidomestic	National Responsiveness	Hierarchy	Multinational	Multinational	Polycentric	Geographic
	Complex Global	Multifocal	Heterarchy	Transnational	International	Geocentric	Product Functional Geographic

FIGURE 2
Critical Sense Making Processes in MNCs
Based on IM Literature



The global context of MNCs: historically, culturally, ideologically, politically, economically, socially distinct environments for affiliate organizations.

FIGURE 3

Two Perspectives on Organizational Sense Making

SOCIAL COGNITION

SOCIAL CONSTRUCTION

Functionalist:
Cognitive and
Social
Psychology



Heritage



Interpretive:
Anthropology,
Sociology,
Language/Communication
Literary Criticism

Objective



Nature
Of
Reality



Subjective

Boundedly
rational
information
processors



Individuals



Interpreters
and
enactors

Information
processing
structures



Organizations



Socially
negotiated
systems of
shared meaning

Real



Environment



Enacted

Individual



Level of
Analysis



Group/Society

What cognitive maps, scripts and heuristics guide MNCs' strategic decision making? How do MNCs' cognitive infrastructures guide individual and organizational information processing and decision making? What are the consequences of the content, processes, and structures of meaning systems on MNCs' performances? What sources of bias in individual, group and organizational information processing affect abilities to accurately interpret and adapt to the global environment?



Central Research
Question



What do organizational constructs (e.g. internalization) mean to organizational members? How do symbolic processes such as language, story telling, myth making, and vision setting create, legitimize, transmit, and transform meaning systems? What is the organizational impact of these meaning systems? How do organizational members learn to do the the social performances involved in going international? Through what processes do members of MNCs enact the global environment? What socio-cultural functions do these meaning systems and social performances serve in MNCs beyond organizational effectiveness and efficiency?