A RECONCEPTUALIZATION OF THE DEGREE OF COMPANY GLOBALIZATION

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ABSTRACT

The pervasiveness of the globalization phenomenon has triggered a significant number of studies related to the measurement of globalization and its implications for firms. Interestingly, most of the work is based on objective data, neglecting the importance of subjective and perceptual measures of degree of company globalization (DoCG). This study reviews the preliminary attempts to develop a subjective construct and a perceptual measurement tool for company globalization. Based on the work of Cavusgil, Yeniyurt, and Townsend (2004) a confirmatory factor analysis with partial least squares (PLS) path modeling illustrates relevant factors that capture the degree of globalization from a sample of multinationals. Post-hoc tests for the applicability of the generated framework are conducted to examine the consistency of results from the factor analysis. We also test the relationship between subjective and objective measures of company globalization. Although the small sample size does not allow the generalizability of the findings, this study contributes to the body of research aspiring to clarify the nature of...
a global company, offers a subjective measure for this phenomenon that can stimulate survey-based research with corporate elites, and thus provides a platform for further research.

Keywords: Degree of globalization; degree of internationalization; multinational enterprises/companies; global company; subjective measurement; measurement tool

INTRODUCTION

The pervasiveness of the globalization process during the last few decades significantly triggered the reconfiguration of markets and firms that operate within these. The international business (IB) literature has taken a great interest in understanding the globalization phenomenon, specifically the quantification of globalization and levels of internationalization as exhibited by firms operating in multiple environments (Asmussen, Pedersen, & Petersen, 2007). Recent advances in this area include issues such as organizational changes and strategy alignment, and the oscillation of managerial trends from international perspectives to global perspectives, and then back to regional perspectives (Grøgaard, 2012; Rugman, 2003).

The degree of company globalization (DoCG) is a key dimension that can be found in many of theoretical frameworks and domains of IB research (Aggarwal, Berrill, Hutson, & Kearney, 2011). This is especially pertinent for studies focusing on international performance consequences of multinationality (Ruigrok, Amann, & Wagner, 2007). Several theoretical definitions and operational measures have been proposed over the years for this important construct (Aggarwal et al., 2011; Aharoni, 1971; Asmussen, 2009; Sullivan, 1994) and the identification of a tool to measure the DoCG based on the contemporary definition of multinational enterprises (MNEs) or multinational companies (MNCs) (e.g., Bartlett & Ghoshal, 1988; Buckley & Ghauri, 2004) is subject of interest in academia and management practice. However, there is no single, commonly accepted measure available in IB, which meets the quality standards of reliability and validity. In fact, there is no consistency in the application of any such measures. For example, Aggarwal et al. (2011) studied 393 articles from main stream IB journals from the period of 1987–2007 and found out that at least 19 different attributes have been used as operational variables to define MNCs. Consequently, the key question that is still unresolved is the phenomenon
of the “global company” itself. What do we actually mean when we allude to a global firm?

Our tenet is that a thorough examination of the attributes of a global company is critical as DoCG has implications of how MNCs compete and can be successful in the long run. The measurement of actual performance of companies is easier to accomplish than it is to examine the performance of companies that exhibit different DoCG. Previous empirical studies on this topic frequently rest solely on objective measures of internationalization, without questioning the underlying strategy and the related subjective constructs (Asmussen et al., 2007; Chen, 2007; Fisch & Oesterle, 2003; Pangarkar, 2008), although a need for a measurement of subjective constructs such as leaders’ attitude toward global operations has been recognized, for example (e.g., Cavusgil, Yeniyurt, & Townsend, 2004).

A specific key gap identified forming the basis for this study is the paucity of work that directly addresses the issue of DoCG on the basis of subjective perceptual assessment via managers. Our first aim is to provide answers to the question “what do the subjective measures of DoCG contribute to the discussion and, if they are relevant, how should they be organized and classified?” Following earlier research conducted by Cavusgil (2000) and Cavusgil et al. (2004) who identified a framework of a global company and suggested a preliminary construct for the measurement of the DoCG, the second aim of the chapter is to reconceptualize how the DoCG can be assessed. The current study offers a further and detailed attempt to develop a subjective construct in order to question managers’ perception of globalization and inquire into companies’ strategies to explore whether the companies are global or not. Toward that direction we introduce a perceptual measurement tool to assess DoCG. The study by Cavusgil and his colleagues provides a basis, but there is still room for a more thorough approach in defining distinct dimensions that contribute to the global nature of a company. One issue is the testing of the frameworks; while Cavusgil et al. (2004) have based their study on a predominantly qualitative survey conducted with feedback from only 35 respondents, the current study is based on hard survey data from 63 companies. By studying the DoCG through managers’ perceptions we provide material for further international vs. global company discussion as well as for marketing managers wishing to study the optimal fit for their organizations operating in international markets.

The rest of the chapter is structured as follows. First, we discuss how MNCs have been defined and what kinds of measures have been used in the past. Second, we present the attributes or dimensions of the globalization
framework consisting of subjective DoCG measures. Third, we present our empirical study focusing on common global practices among the German and Austrian MNCs; this study can be used as a first validation attempt for the reconceptualization framework. As a post-hoc test we also study the correlations between the objective and subjective measures of DoCG before conclusions and suggestions for further research.

CONCEPTUAL BACKGROUND

Evolving MNCs and Degree of Internationalization

In his seminal work Aharoni (1971) considered MNCs from three perspectives, which were performance (criteria such as foreign sales to total sales, FSTS, and foreign sales to total assets, FATA), structure (criteria such as number of countries a company operates in and organizational structure), and behavior (such as management’s approach to internationalization). Aggarwal et al. (2011) view Aharoni’s work as insightful and enduring but they conclude that unfortunately IB scholars have developed a whole plethora of other definitions since and not grounded their work by building on his original definition. Another interesting notion made by Aggarwal et al. (2011) is that the utilized operational measures in the extant empirical research focusing on MNCs have often been rather simplistic; their review of 393 IB studies establishes that in 264 studies single attributes, most often number of subsidiaries or foreign sales ratio, have been used as a measure of multinationality or degree of internationalization (DOI).

A large number of studies (e.g., Fisch & Oesterle, 2003; Sullivan, 1994) have made a call for researchers to utilize multidimensional measures of DOI. Authors who used multidimensional measures include Perlmutter (1969), Sullivan (1994), Asmussen et al. (2007), and Asmussen (2009). Asmussen et al. (2007) investigate the DOI concerning the extent of MNC’s value chains, claiming that previous research has failed to distinguish between multidomestic and global resource allocation (global specialization). In a more recent study, Asmussen (2009) attempts to align theory and data on regional multinationals, by developing theory-based measures of internationalization. Sullivan (1994), analyzing data from 74 U.S. manufacturing MNCs and using Aharoni’s (1971) attributes, finds a linear combination of five variables to be a reliable measure of DOI. These individual variables are foreign sales to total sales (FSTS), foreign assets to
total assets (FATA), the ratio of overseas subsidiaries to total subsidiaries (OSTS), top managers’ international experience (TMIE), and psychic dispersion of international operations (PDIO). The variables FATA and OSTS are explained to measure the structural attribute of internationalization where TMIE and PDIO capture the attitudinal attribute and FSTS measure the performance attribute. Other multi-item DOI indices include, for example, three-dimensional measure of Contractor, Kundu, and Hsu (2003), which draws on FSTS, FOTO (number of foreign offices:number of total offices), and FETE (number of foreign employees/number of total employees); work of Fisch and Oesterle (2003) who propose a rather sophisticated quantitative measure of internationalization based on, for example, secondary performance data; and several authors such as Hassel, Höpner, Kurdelbusch, Rehder, and Zugehör (2003) and Waldron (2008) who have employed UNCTAD’s transnationality and internationality indices in order to incorporate a company’s level of transnationality and internationalization.

Despite advancements on the measurement of DoCG, there are still considerable concerns regarding its measurement (Ramaswamy, Kroeck, & Renforth, 1996) and the aspiration to arrive at a useful operational definition of MNCs’ globalization degree “depends to a large extent on the problems discussed” (Aharoni, 1971, p. 36). Contextual shifts and “global turning points” (Guillén & Ontiveros Baeza, 2012) implicated that the modern MNCs operate in a highly competitive networked global realm, and have advances in information and communication technologies, which have transformed the notion of federalized autonomy toward centralization and global integration of operational activities (e.g., Buckley & Ghauri, 2004; Cavusgil et al., 2004; Yamin & Forsgren, 2006; Yamin & Sinkovics, 2007). Subsidiaries of contemporary MNEs are less federative players than in the past and MNCs have often become more unified holistic organizations (Cavusgil et al., 2004; Yamin & Forsgren, 2006). From a purely functional perspective, the “slicing” up of value-generating activities (Buckley & Ghauri, 2004; Rugman, 2005) further reduces the appropriateness of traditional globalization measures and thus supports the argument pursued in this chapter, migrating efforts toward subjective measures.

Subjective Measures of DoCG in Existing Research

Research on DoCG predominantly focuses on objective measures such as FSTS and number of subsidiaries rather than subjective constructs of
company globalization (e.g., Asmussen et al., 2007; Fisch & Oesterle, 2003; Pangarkar, 2008; Sullivan, 1994). Most of the empirical research relies even on a few objective measures of internationalization, in some cases only one indicator such as the percentage of foreign sales, based mostly on the exploration of the degree of companies’ tangible expansion to foreign markets (cf. Dunning & Narula, 2004). This type of objective measurement of globalization is outcome oriented and does not explain operational processes, mindsets of managers, and other strategic dimensions within an organization. While it indicates how the global strategy materializes, the decision making process and strategy formation underneath are neglected.

Building on Cavusgil et al. (2004) this study suggests that company globalization is based on the adoption of a set of practices and procedures across the whole organization, which enables effective coordination of worldwide efforts. The global company categories and dimensions suggested by Cavusgil et al. originate from the conceptualization of Yip (2003), which can be traced back to the seminal works of Penrose (1959) or Cyert and March (1963) and their view of the organizations. Cavusgil et al. (2004) work outlines the transition of a company from national to global and delineates the characteristics of a global company. In addition, the worldwide business consolidation of company units to achieve a centralized structure that fosters rationalization is highlighted. They mainly focus on the adoption of common practices in MNCs and the measurable degree of commonalities between various business levels. Their study yields qualitative insights based on a quantitative data analysis on how globally oriented companies achieve competitive advantage, via coordination, rationalization, and scale economies.

Hult et al. (2007) conducted an extensive survey on global marketing organizations (GMOs) in order to understand the impact of company globalization on performance. The conceptualization of the globalization framework suggests that the dimensions of the global company are interrelated and linked to performance. Hult et al.’s study is partially identical in its subjective measures with Cavusgil et al. (2004) as it identifies leadership, strategy, structure, processes, and strategy as dimensions to characterize GMOs sustaining Yip’s (2003) conceptualization. Yet another study utilizing Cavusgil et al. (2004) framework is the work of Kiyak (2004), which is also marked by its limited sample size. To this end, the current study can be seen as an extension, both in terms of theoretical dimensions covered and in terms of its empirical foundation.
The focus of this section is on the conceptualization of global company and the dimensions with which DoCG can be assessed. Cavusgil et al.’s framework of a global company is a preliminary validation and conceptualization how to measure companies’ stature or degree of globalization (2004). Their research identifies six dimensions that determine the DoCG, that is, geocentric corporate strategy, global marketing strategy, global organization/structure, people/visionary leadership, global organizational culture, and global management process. In addition to these six dimensions we also study the seventh dimension, namely “global financing.” The approach utilized here can be justified from three perspectives. First, the followed strategic principles and the level of standardization of the strategy, define what the MNCs actually are, what they do, and how they do this (see, e.g., Bartlett & Ghoshal, 1999 on issues such as global configuration and coordination). Second, this overall strategy is diffused down to MNCs’ functional strategies. Consequently, business functions such as marketing, operations (manufacturing), and finance should be taken under scrutiny. Third, the strategies are implemented by people and thus the management team of the MNC and the organizational culture in which the managers and other employees reside, play a key role. Furthermore, another resource-related element is the actual organizational structure in which the global strategy is being implemented (Luostarinen & Welch, 1990).

**Global Strategy**

According to Cavusgil et al. (2004) the literature provides ample support for the global strategy dimension (cf. also Yip, 2003). Global or geocentric corporate strategy implies that the senior management of the company maintains an integrated global vision or approach to the company strategy and operations. In this global strategy companies can be contrasted to national or multi-domestic (multi-local) companies, which tend to have a more localized and/or adapted approach and which draw most if not all of their talent pool, skills, and capabilities from the local markets. The companies that have a global strategy aim to effectively exploit resources and capabilities around the world whenever they are seen beneficial for the whole corporation.

**Global Management**

Cavusgil et al. (2004) suggest that human resources are the most critical assets of any organization, and that at the center of any globalization effort
are the managers who understand the world and are adaptable and ready to manage the complexity, uncertainty, and required learning. Favorable global mindset or orientation among the managers, that is, a real and well-thought interest in international operations, appears to be an instrument that allows an organization to utilize its financial and managerial resources in serving foreign markets (Özsomer & Gencturk, 2003). Consequently, the development of the human capital is critical constraint for globalizing companies (Bartlett & Ghoshal, 1986). The global management team dimension focuses also on human resource policies of the MNC; it is suggested that companies that follow global strategy are likely to follow standardized policies related to recruitment of foreign nationals, providing multi-country career opportunities, etc. This would include issues such as global talent training and the integration of HRM issues, leadership development, and global strategy building. Cross-cultural training is essential to allow managers to be comfortable with a number of cultures a MNC operates in (Lussier, Baeder, & Corman, 1994).

Global Operations
Global MNCs have major operation facilities in all major markets around the globe. The reasons for establishing subsidiaries may relate to cost advantage, or value seeking and the production is done in the location where it is most beneficial for the whole corporation (Hult et al., 2007; Kiyak, 2004; Lussier et al., 1994). Global strategy leads often to global standardization of products, core processes, and global product development (Lussier et al., 1994; Zou & Cavusgil, 2002). The results of the R&D are shared between all the members of the organization worldwide in a globally operating MNC (Lussier et al., 1994). Large international companies in general play a leading role in strategic technology development and collaboration at large (cf. e.g., Cloodt, Hagedoorn, & Van Kranenburg, 2006). The outcome of the global processes is expected to yield superior performance (Hult et al., 2007).

Global Financing
By leveraging its economies of scale and scope because of its size and presence in a number of markets (Chen & Yu, 2011; Hitt, Hoskisson, & Kim, 1997), an MNC should be able to gain advantages and eventually reap benefits and gain superior performance. These advantages should not only concentrate on production and marketing, however. MNCs are expected to receive financing with the lower cost than smaller and/or domestic firms due to the fact that they are, by definition, multinational or global.
MNCs often source equity and debts globally (Eiteman, Stonehill, & Moffet, 2000) with the intention to obtain best possible rates and terms worldwide (Lussier et al., 1994). Due to their size and other advantages possessed they often receive funding globally and different funding agencies may give MNCs favorable terms as a consequence of outcome of their own risk management strategies. As the finance market is global it means that financing strategies offer MNCs possibilities for standardization and worldwide coordination. This is also partially required as globalization and search for global equity, for example, create a need for standardized global corporate governance. Here, for example, international accounting standards and standardized investor relationship management form an important part of the MNCs’ “financial internationalization” (Eiteman et al., 2000; Hassel et al., 2003).

Global Marketing
Global marketing has a critical role in defining MNCs’ global performance (Cavusgil & Zou, 1994; Zou & Cavusgil, 2002). A key decision in international marketing is how much marketing is standardized and localized. Global marketing, by definition, is often leaning toward integrated standardized approach. The elements of this dimension would consist of marketing tasks such as branding decisions and local market development (Aaker, 1999; Silverstein, 1992).

Global Structure
The global structure or organization dimension reflects the organizational structure of the MNC and how that fits to its strategy. The key challenge is how local preferences are incorporated into the more standardized and centralized organization (Johanson & Yip, 1994; Roth & Schweiger, 1991). Some other main practices are related to knowledge management and creation of knowledge (intranets, extranets) and developing centers of excellences within the MNC (Cavusgil et al., 2004).

Global Culture
Organizational culture element includes issues such as values, norms of behavior, systems, and policies within the MNC (Cavusgil et al., 2004). If the company aims for global standardized approach, it also normally aims for single common unified corporate culture. Hence, organizational culture has a seminal role in the development and implementation of global strategies (Yip, Johansson, & Roos, 1997). Global identity and global vision are important parts of the global culture and managers should be able and
willing to build a common culture even if some national identity would be retained (Cavusgil, 2000; Cavusgil et al., 2004).

Several practical measures such as the availability of defined ethical standards (see e.g., Hult et al., 2007), language of communication, performance reviews and appraisals, and altogether similarities in these between different countries of operation would explain toward which direction a company leans to, that is, toward standardization or adaptation. A real global organization performance appraisal, for example, should include issues such as interpersonal and cross-cultural skills, and team building; globalization should be part of the culture of the company and performance in relation to this should be measured (Curran & Zignago, 2012).

METHODOLOGY

Sample and Material

For the purposes of the current study and in a search of a refined measurement tool to assess managerial perceptions DoCG previous research has been analyzed carefully. Although the early identification of the main dimensions of the company level globalization dimensions is based on Cavusgil et al. (2004) additional perspectives (and measurement items) are taken from the relevant research. To test the developed dimensions and the instrument in general we utilize a sample of Austrian and German MNCs. The sampling process followed the principles of purposive sampling (Hult et al., 2007), where sampling criteria for the selected companies are distinguished between Austrian and German companies. Companies of both countries had to undertake exporting activities and needed to dispose of more than two subsidiaries abroad and own shares in companies located abroad. While focus is on Austrian companies with a turnover above 2 billion Euros and more than 1,000 employees, the German companies that are contacted are required to have a turnover above 3 billion Euros and more than 7,000 employees.

The survey instrument consisting of 227 Likert-type statements (7-point, with 1 representing “strongly agree” and 7 “strongly disagree”; some of the original items were reverse-coded depending on the direction of the question) was forwarded to company executives, working in different industries in both Germany and Austria.2 These key respondents were asked to rate their respective opinion on DoCG aspects of their firm. As research was conducted in the English language, but the survey itself was carried out in Germany and
Austria in German, translation of the items, questions, and statements was conducted according to the validity requirements of translation and back-translation processes (Brislin, 1970; Brislin, Lonner, & Thorndike, 1973; Witte, 2000). Further, extensive pretesting of the tool has been carried out, in order to finalize the conceptual model and its respective measures.

The sampling process resulted in overall 64 questionnaires filled in by both German and Austrian companies. Only 63 of the total number of questionnaires were considered for the data analysis, which represents a missing value of 1. Ten out of the total sixty-three companies are consultancies, four companies are insurance firms, and three companies are in the furniture industry, pharmaceuticals, automotive, tools and plant construction, and computer industry. The aforementioned industries are the most frequent ones. The remaining 34 companies are operating in diverse industries, such as banking, software, paper industry, chemical, tourism, etc. No major industry concentration is observed, which presents a thorough distribution of industries. The experience in IB of the 63 companies ranges from 2 to 170 years, out of which 65% have been engaging in IB for less than 50 years (mean 48.8 years, standard deviation 41.2). Also, 50% of the participating companies indicated that they actively operated in 35–140 international countries (mean 48.9, standard deviation 39.1), which represents a fairly high experience in doing IB. When asked directly, 61.9% of the respondents considered their company to be global and 38.1% labeled their company “multinational.”

Measures

To be able to develop a refined “global strategy” measure we started with 36 items from the original questionnaire. These items incorporated the following sub-dimensions: global vision, global leverage, global sourcing, global market participation, cross-country alliances, and global business policy. The practices related to these dimensions were identified to measure the degree of global strategy development in extant research. The key sources for this dimension are Cavusgil et al. (2004) and Hult et al. (2007), and also other sources were studied to be able to gain holistic picture of the phenomenon.3

Within the global management team dimension we started with 40 items from various literates focusing on global management practices. For example, the cross-country coordination items included in the questionnaire are taken from Eom (1994), Cavusgil (1987, 2000), Lussier et al. (1994),...
and King and Sethi (1999). Several items for the global operations’ dimension are taken from the existing scale developed by Lussier et al. (1994) such as the degree of centralization of product design and production processes, and the development and global implementation of a standard system for the production process. Other sources for the 30 original items include, for example, Samiee and Roth (1992) and Schuh (2000). The items explaining the global financing dimension and its subdimensions (corporate governance, global corporate finance, and global hedging policy) are taken from the extant literature (e.g., Bedell, 2001; Eiteman et al., 2000). The final scale retains 15 items of 21 original. Regarding global marketing dimension, concepts such as global branding (Silverstein, 1992), global advertising (Bartlett & Ghoshal, 2000), global logo (Aaker, 1999), local market development (Aaker, 1999; Silverstein, 1992), and entry modes (Cavusgil, 2000) are considered to form the global marketing dimension. Here we originally had 24 items in the CFA and ended up with 9 items.

The global structure dimension (36 items originally) can be categorized into subcategories such as the global–local balance of a company (Cavusgil, 1987), the degree of integration within businesses’ across geographical markets (Cavusgil, 2000; Lussier et al., 1994), knowledge management (Hamel, 1991, 2000), rationalization (Cavusgil, 2000), interconnectedness (Hamel, 1991, 2000; Sanderson, Nixon, & Aron, 2004), global distribution (Roath & Cavusgil, 2000), channel, and supply chain members (Lusch & Brown, 1996).

The global culture dimension (17 items) is grouped under subcategories of global identity, global commitment, interdependence of business, performance review, and compensation. The generation of items is based on the survey instruments of Cavusgil et al. (2004) and Lussier et al. (1994) and supported by the article from Yip, Loewe, and Yoshino (1988).

We examined first the loadings and t-values of the individual items with their respective first-order constructs (first-order sub-dimensions). All the measurement items were retained with loadings above 0.70 for their first-order constructs, which were, for example, the sub-dimensions of global marketing. Hence we utilized the threshold level recommended by Fornell and Larcker (1981). For the final measures those items were retained that had a loading of 0.60 or higher for the seven second-order dimensions of the DoCG scale.

**Procedure – Refinement of Measures, Purification, and Validation**

To develop the workable tool to measure the DoCG we first utilized Smart PLS software (Ringle, Wende, & Will, 2005) to model the constructs with
which the degree of globalization could be measured. Our subjective degree of globalization measure is a higher order construct. To be able to model reflective higher order dimensions of globalization we followed the hierarchical component approach (Chin, Marcolin, & Newsted, 2003; Lohmöller, 1989).

In the second step we examined all dimensions’ (first order and second order) Cronbach’s alpha values and composite reliability values. This examination was done for all latent variables and the final measurement models have composite reliability values exceeding the 0.7 threshold (see Nunnally & Bernstein, 1994). Most of the alpha values are above 0.7; there are some that are 0.6 or above but this can be seen satisfactory in exploratory research especially when the number of items is small.

We assessed convergent validity by using the average variance extracted (AVE, e.g., Fornell & Larcker, 1981). The final measurement models all show the values 0.50 or more, which is the threshold presented in the literature (Henseler, Ringle, & Sinkovics, 2009). The adequate discriminant validity is achieved as for each multi-item latent sub-dimension the AVE is higher than its highest squared correlation with any other latent variable for the same dimension (Henseler et al., 2009) with the exception of human resources/training sub-dimension (part of the global management dimension) where the AVE and the squared correlation are both 0.67.

In the purifying process there were some sub-dimensions that had to be dropped as our aim was to build reflective measures. This was especially the case with global strategy and global marketing dimensions. The refined measures and their sub-dimensions are presented in the appendix. Our final refined scales provide a reflective measure for global strategy (with 12 items and 4 sub-dimensions), global management (20 items and 6 sub-dimensions), global operations (13 items and four sub-dimensions), global finance (15 items and 3 sub-dimensions), global marketing (9 items and 4 sub-dimensions), global structure (20 items and 8 sub-dimensions), and global culture (10 items, 3 sub-dimensions).

After developing the measures for the seven second-order dimensions of DoCG we utilized SPSS software to assess the overall extent of globalization, and for the post-hoc analyses to test the measures relationship with objective measures.

**Post-Hoc Tests**

To validate the found dimensions and measures and to be able to assess the extent of DoCG of the focal companies we calculated unweighted averages
of the items, which form each second-order latent variable, and which are different dimensions of company globalization (for a similar procedure see Cavusgil et al., 2004). For the descriptive information of the variables, see Table 1.

Finally, following Cavusgil et al. (2004) we also calculated the unweighted average of the mean scores of the seven dimensions to be able to assess the overall extent of globalization. We also calculated Cronbach’s alpha coefficient for this construct, which is 0.90. Our exploratory analysis included also a series of paired sample t-tests to study the differences between each dimension (i.e., a “common practice”) and the overall level of company globalization. These results can be found from Table 2.

In the first tested pair in the table there is a significant difference as the global strategy has a lower score (mean = 2.4274, S.D. = .99233) than the overall extent of globalization (mean = 2.8755, S.D. = .94847). As 1 stands for “strongly agree” and 7 for “strongly disagree” this actually means that the respondents see that their corporate strategy is “more global” than the overall extent of globalization. This is an interesting result in the sample and it is in line with the result of Cavusgil et al. (2004) as their study reports that corporate strategy (i.e., geocentric strategy) was significantly higher than the overall extent of globalization among the companies they studied. Otherwise there are no significant differences. Consequently both studies support the idea that the general corporate strategy sub-dimension is more global or standardized in MNCs than functional strategies. It may be that more operational functional strategies and structures are not taken that far in the standardization – adaptation continuum or these decisions are still not yet implemented.

To be able to learn about the linkages between objective and subjective measures of DoCG we also tested correlations between the developed subjective measures and three objective measures of DOI. The latter were (1) number of international markets company is operating in, (2) export sales to total sales, and (3) the number of years a company has operated in international markets (time). We acknowledge that also other objective measures could have been used but this exercise is done to illustrate the relationship and validate those subjective measures that are the actual focus of the current study. Both performance-related and structural measures have been used (Aggarwal et al., 2011). Furthermore, we see time as an important variable to test as companies DoCG tends to evolve over time (Johanson & Vahlne, 1977; Perlmutter, 1969). The correlation matrix is reported in Table 3. The large number of negative correlations between subjective and objective measures is explained by the fact that the lower the
Table 1. Descriptive Statistics of the Seven Subjective Dimensions of DoCG.

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<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness Statistic</th>
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<th>Kurtosis Statistic</th>
<th>Kurtosis Std. Error</th>
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<tr>
<td>Global strategy (12 items)</td>
<td>59</td>
<td>1.00</td>
<td>6.42</td>
<td>2.2924</td>
<td>.95835</td>
<td>1.819</td>
<td>.311</td>
<td>5.278</td>
<td>.613</td>
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<td>Global management (20 items)</td>
<td>61</td>
<td>1.10</td>
<td>6.60</td>
<td>2.8180</td>
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<td>1.294</td>
<td>.306</td>
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<td>.604</td>
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<td>Global operations (13 items)</td>
<td>54</td>
<td>1.38</td>
<td>6.69</td>
<td>3.0741</td>
<td>1.37108</td>
<td>1.226</td>
<td>.325</td>
<td>.752</td>
<td>.639</td>
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<tr>
<td>Global finance (15 items)</td>
<td>50</td>
<td>1.07</td>
<td>6.07</td>
<td>3.3427</td>
<td>1.24700</td>
<td>.252</td>
<td>.337</td>
<td>-.463</td>
<td>.662</td>
</tr>
<tr>
<td>Global marketing (9 items)</td>
<td>56</td>
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<td>6.78</td>
<td>2.8353</td>
<td>1.27375</td>
<td>1.189</td>
<td>.319</td>
<td>1.426</td>
<td>.628</td>
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<tr>
<td>Global structure (20 items)</td>
<td>57</td>
<td>1.05</td>
<td>6.30</td>
<td>2.6912</td>
<td>1.12198</td>
<td>.951</td>
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<td>Global culture (10 items)</td>
<td>59</td>
<td>1.00</td>
<td>5.30</td>
<td>2.5322</td>
<td>1.00558</td>
<td>1.001</td>
<td>.311</td>
<td>.824</td>
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Table 2. Paired Sample t-Tests for the Seven Subjective Dimensions and the DoCG.

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<th>t</th>
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<th>P</th>
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<td>Global culture – extent of globalization</td>
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Table 3. Correlation Matrix between the Subjective and Objective Measures of DoCG.

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<th>Global Strategy</th>
<th>Global Management</th>
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<th>Number of Years that Your Company is Operating Internationally</th>
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<td>Global strategy</td>
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<td>Global structure</td>
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<td>Global culture</td>
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Note: N is between 27 and 61.
*Correlation is significant at the 0.05 level (2-tailed).
**Correlation is significant at the 0.01 level (2-tailed).
score for subjective, perceptual measures the more global, standardized strategy the companies follow (i.e., anchor point 1 is a value for “strongly agree” or similar statements). Consequently, this means that negative correlation is what we expected and these types of results validate the developed scales further.

Global strategy dimension is significantly correlated with “number of countries a company operates in” (Pearson correlation coefficient is $-0.27$, $p < 0.05$) and “export sales to total turnover” ($-0.34$, $p < 0.05$). The similar results can also been found between global marketing and the same objective measures (correlations $-0.29$ and $-0.34$). Global operations and global management are also significantly correlated with the number of countries at 0.05 level. The objective measures correlate positively with each other (export sales to total sales with the number of countries). All in all it seems that the subjective and objective measures correlate with each other validating our scale development. By using both types of measures we are able to gain a more holistic view of DoCG.

**DISCUSSION AND CONCLUSION**

A specific gap identified forming the basis for this study was the lack of work that directly addresses the issue of DoCG on the basis of subjective perceptual assessment via managers. The growing emphasis on the strategic component of globalization, driven by the changing dynamics, magnifies the need for a subjective construct. A clear definition of globalization and the characteristics describing a truly global company remains elusive, however. The realm of the networked MNCs (Buckley & Ghauri, 2004) has made it much more difficult to explain what happens in the MNCs on the basis of traditional objective internationalization measures. As production might be outsourced elsewhere full depth of globalization may not come out via FSTS and FATA measures, even if the management would follow standardized global marketing strategy, for example. This is problematic at least from two perspectives. First, often measures are simplistic and multidimensional measures of globalization are missing. This also means that with the most of the commonly accepted measures we are not able to compare MNCs regarding their degree of globalization focusing on “softer issues” such as strategy formation and management styles. Second, measurement problems may at least partially explain ambiguous results regarding the relationship between multinationality/DoCG and performance in a number of other studies (e.g., Asmussen et al., 2007; Sullivan, 1994). Consequently, our first
aim was to provide answers to the question “what do the subjective measures of company globalization contribute to the discussion and, if they are relevant, how should they be organized and classified?”

We based our framework or tool in the several sources – the key reference being Cavusgil et al. (2004). The in-depth comparison of domains, dimensions, and item-pools of the existing questionnaires on one hand, and the updated questionnaire of the current study on the other hand, help us identify the respective gaps and extensions. Cavusgil et al. had used a short and concise questionnaire, in contrast to an updated multi-scale questionnaire of this study. Consequently, they may have neglected some vital aspects in determining the measurable DoCG. One of the additions this study suggested is the global finance dimension. We believe that there is a need to study degrees of globalization at the functional level as well as at the corporate level of firms, as “fine slicing” of activities has changed the way MNCs operate. All in all, this study engages in an extensive scrutiny in generating distinct item-pools, which identifies the global mindset and other subjectively self-assessed characteristics of the respondents and companies. The resulting framework extends beyond the skeptic position endorsed by most of the objective measurement-oriented studies cited in the previous sections. The in-depth questions can help future researchers to make a clear evaluation of the DoCG.

Based on our empirical study we provide insightful responses to our second question, which was to re-conceptualize how the DoCG can be assessed. In most of the cases actual objective measures seemed to work in unison with subjective measures: for example, possessing a global marketing strategy or global strategy, measured via multi-item perceptual measures, correlated with a larger FSTS and number of countries. These results support the existing literature focusing on linkages between DoCG or DOI and standardization along the internationalization process (Cavusgil et al., 2004; Sullivan, 1994; Zou & Cavusgil, 2002). Some questions remain, however, and an interesting area that we have to take further in the future is the relationship between the objective and subjective measures of DoCG and the internationalization phase of the MNC. The temporal element (time a company had operated internationally) was not, for example, significantly related to any of the subjective measures. Is this contextual anomaly or is there something in the general behavior and restructuring strategies of the MNCs which may explain this? Consequently, some of the questions of the validity of the scale in relation to the objective measures remain as the link between the objective and subjective measures are not completely clear. There is a need for more clarifications and this should be tested in further research.
We agree with Fisch and Oesterle (2003, p. 20) in that “more work should be done on the question of precisely what facets of globalization are most meaningful in the context of MNCs.” A further concern is our limited sample size. As the sample is 63 MNCs we decided to use PLS technique. We have to note that this is a limitation in comparison to covariance-based methods. Following Reinartz, Haenlein, and Henseler (2009) we need to point out that PLS-SEM parameter estimates are not optimal regarding bias and consistency. The validity of the current measure (out of the larger item pool) may be contextual. This is a characteristic frequently referred to as PLS-SEM bias (Hair, Sarstedt, Ringle, & Mena, 2011). The small sample size also makes it impractical to conduct invariance tests between the Austrian and German MNCs, which participated the study. Consequently, further studies using the item pool and structure of our subjective measures should be conducted and this would naturally validate the framework further. We believe, however, that in its current format our study provides an interesting basis for further research as subjective measures of DOI/DOG are limited in the existing IB literature.

All in all the outcome of this research project should be an operational tool, which is aimed at measuring the DoCG from a strategic perspective. For practicing international marketing managers this type of tool can be seen useful when analyzing companies’ operations and processes as a basis for further development, especially when a company is aiming to become “more global” in its approach to be able to gain sustainable competitive advantage in current global competitive environment. More standardized approach whenever appropriate can eliminate redundancies and provide advantages for the company (Cavusgil et al., 2004; Zou & Cavusgil, 2002). The tool may be used in academia for an updated identification of global dimensions in the internationalization process. It may also, once and for all, assess whether or not truly global companies exist, by establishing a framework that clearly identifies the extent of DoCG, including subjective managerial insights.

ACKNOWLEDGMENTS

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NOTES

1. There are a number of terms used in the literature, for example, globality, multinationality, internationalization degree, or globalness. All these terms tend to refer – at the company level – to the extent of its international operations along some type of continuum or within a specific classification scheme. Within this chapter we use the term “degree of company globalization” (DoCG). By global company or MNC we especially mean a company that has mostly standardized its strategy/operations/culture, etc., at the global level and has an extensive international presence, which distinguishes this company from other multinational/international firms that tend have a more adopted approach and often more limited geographical presence (cf. e.g. Cavusgil et al., 2004; Perlmutter, 1969; Rugman, 2005). The aim of the global MNCs is to gain competitive advantage by eliminating redundancies via worldwide coordination and implementation of common practices (Cavusgil et al., 2004).

2. The full list of items is available from the authors.

3. Due to space constraints we are not reporting here all the sources of inspiration; this list is available from the authors.

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Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics. *Journal of Marketing Research, 18*(3), 382–388.


A Reconceptualization of the Degree of Company Globalization


APPENDIX: SELECTED SURVEY ITEMS FOR THE FINAL DoCG SCALES (DIMENSION – SUB-DIMENSION AND ITEMS)

Global Strategy (12 Items)

- **Global business policy**: My company creates value for all stakeholders globally. The company has one strategic plan for the global market.
- **Global sourcing**: Management tries to allocate resources globally. Management tries to implement a global production and logistic system. My company sources customers, employees, suppliers, and technology worldwide with a total disregard for national boundaries. My company sources worldwide in order to procure the best inputs for its system-wide operations (e.g., quality, price, and delivery conditions).
- **Global vision**: My company allocates financial, human resources, etc., to operations worldwide. My company’s management increasingly sees the world as a single marketplace. Senior management makes a true commitment to globalization.
- **Market participation**: My company makes coordinated competitive moves in multiple countries as part of a global competitive strategy. My company tries to remove cultural barriers. My company’s management treats foreign and domestic business partners as equals.

Global Management (20 Items)

- **Channel and supply chain members**: All supply chain members are provided with similar access to relevant information and other resources.
- **Cross-country coordination**: Management strives to implement cross-country coordination mechanisms. Important decisions are made on a global basis.
- **Cross-cultural training and best practices**: Managers are given cross-cultural training together with colleagues from other countries.
- **Global vision and culture**: Senior managers in my company subscribe to a cosmopolitan mindset. My company embraces multicultural values. My company creates an environment where employees who possess cross-cultural skills can flourish. My company creates a stimulating environment for its employees. Managers speak and behave in accordance with the global vision/the global organization.
- **Human resources/training**: My company trains leaders who try to build a common corporate culture. My company trains leaders who can manage
within a variety of geographical locations. My company offers training of vision communication. My company offers training of strategic decision making. My company integrates leadership development, human resources, and global strategies. My company identifies talent globally. My company embraces the training of cross-cultural skills, flexibility, adaptability, independence, and creativity.

- **Inclusions of foreign nationals**: Work experience in different countries is considered a necessity for career progression. The human resource processes in my company move people to geographical areas where they can both disseminate and absorb knowledge. My company provides the opportunities and tools necessary to develop future leaders wherever we operate. My company enables high-potential nationals to gain experience outside of their own country.

**Global Operations (12 Items)**

- **Global product**: My company strives toward a standardized core product/service that requires a minimum of local adoption.
- **Location of value-adding activities**: The company produces globally to obtain best cost and market advantage. Production takes place where it is most beneficial worldwide. My company has major operating facilities in foreign countries. Managers within my company make decisions about where to add value on the basis of economic and competitive considerations.
- **Product standardization**: My company applies cutting edge technology to developing a unique product idea. My company applies cutting edge technology to developing a new way of doing business.
- **Research and development**: My company’s R&D structure leverages talent and knowledge anywhere in the world. My company’s R&D focus is to develop global products, taking into consideration the total needs of the world market. In my company R&D results are shared worldwide.
- **Technology integration**: My company standardizes core processes around the world. My company stimulates collaboration at a distance by making use of advances in information technology.

**Global Finance (15 Items)**

- **Corporate governance**: My company’s shareholders are spread around the world. My company takes cultural differences between shareholders in different countries into consideration. My company continuously
improves standards of corporate governance. Global investor relations are considered important to attract international investors.

- **Global corporate finance**: Long-term financing is done on a global basis to obtain the best rates and terms worldwide. The company sources equity globally. The company sources debts globally. The capital structure is oriented along the cost of capital in the international capital market. My company organizes its finance globally to obtain lowest cost.

- **Global hedging policy**: My company hedges in order to eliminate currency risk. To coordinate global hedging policies my company uses database technology. The company is involved in global purchasing, currency hedging, and management of foreign exposure. My company signs derivatives wherever they are cheapest for hedging currency and commodity risk. My company signs derivatives from the international capital market. My company signs derivatives from the international capital market for hedging currency and commodity risk.

*Global Marketing (9 Items)*

- **Global advertising**: My company attempts to use the same advertising concept in multiple countries. My company has a global advertising strategy. Management has an integrated marketing communication perspective.

- **Global branding**: My company fosters a common global brand-planning process. My company has a system of global managerial responsibility for brands. My company attempts to use the same brand names in multiple countries.

- **Global logo**: My company views its logo as a unifying element for a worldwide communications platform. My company pursues a global logo strategy, creating a logo that can be used universally without any need for local adaptation.

- **Marketing research**: My company conducts its marketing research activities on a global basis.

*Global Structure (20 items)*

- **Channel and supply chain members**: All supply chain members are provided with similar access to relevant information and other resources.

- **Global information systems**: An executive information system supports the operational decision making process. An executive information system
supports the strategic decision making process in an attempt to integrate functional fields across national boundaries. An executive information systems supports the strategic decision making process. An information system provides reports for internal control. Computer-based management support systems play a vital role in the complex decision making process. My company has a uniform information system, accessible to all employees. The reports provided by the information system are available for each foreign subsidiary, the parent company, and the consolidated entity.

- **Global learning**: My company successfully internalizes its partners’ skills. Our interaction with our partners has taught us a great deal about doing business in this country [in countries we do business with them].
- **Global–local balance**: My company creates a workable global structure.
- **Interconnectedness**: An extranet plays a vital role in linking our organizational entities together. The intranet plays a vital role in connecting our organizational entities. Various geographically dispersed parts of the organization are linked together electronically.
- **Knowledge management**: My company has a formalized process of knowledge creation and accumulation. My company is structured to adapt and transfer knowledge across national units. My company strives toward managing knowledge in such a way that it is made more accessible and mobile.
- **Organizational structure**: My company has achieved a high level of integration within businesses across geographic markets.
- **Rationalization**: My company aims to eliminate redundancies in various country operations by rationalization. My company aims to eliminate redundancies in various country operations by consolidation.

**Global Culture (10 Items)**

- **Global identity**: Management has the willingness to mold a common culture while retaining national identities. My company is managed by leaders who possess a global mindset. My company has a global vision and culture. Management instills a global perspective in all of its employees. Leaders are comfortable to work in a diverse, uncertain, and multinational environment.
- **Interdependence of business**: The company’s board of directors allows for thought that is independent of own region’s prevailing business models. The board of directors are sufficiently well diversified with regard to
region of origin to allow for thought that is independent of our region’s prevailing business models. My company’s ethical standards are communicated in a manner that is understood to have the same meaning by all managers and staff worldwide.

- **Performance review and compensation:** Managers in my company are rewarded on the basis of contributions to global strategy. Managers in my company receive bonuses that are set to reinforce the company’s global objectives.