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Top Management Team International Dominant Logic: A New Linkage in the International Diversification-Performance Link

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Abstract

This paper introduces the international dominant logic construct to the top management team (TMT) literature. In doing so it builds on the concept of the dominant logic. A TMT's dominant logic is defined as its "mindset or world view or conceptualization of the business and the administrative tools to accomplish goals and make decisions" which is stored as "a shared cognitive map (or set of schemas) among the dominant coalition" (Prahalad & Bettis, 1986, p. 491). An organization's TMT international dominant logic is its orientation and shared cognitive map towards managing its international portfolio of operations. It argues that the international dominant logic is a critical link in the relationship between an organization's portfolio of international (i.e., the level of its internationalization) and the organization's performance.

Introduction

The past two decades of strategic management research have greatly increased our understanding of the importance of top management team (TMT) characteristics and composition in corporate strategy and performance. In general, management researchers have shifted away from a focus on the importance of the firm's chief executive officer (CEO) and introduced the TMT as the focal point of study (Finkelstein & Hambrick, 1996). This shift reflects the understanding that the TMT is the important locus of decision making in organizations and that the interactions ongoing within this group is the relevant level of analysis. Further, upper echelon theorists have hypothesized that the firm itself (its strategies and structure) is to a large degree a reflection of the top management team (Hambrick & Mason, 1984). In a related stream of research, the administrative heritage of the top management team or its dominant logic is posited to affect the way in which it develops and implements corporate strategy and firm outcomes (Bartlett & Ghoshal, 1989; Bettis & Prahalad, 1995; Prahalad & Bettis, 1986). A TMT's dominant logic is defined as its "mindset or world view or conceptualization of the business and the administrative tools to accomplish goals and make decisions" which is stored as "a shared cognitive map (or set of schemas) among the dominant coalition" (Prahalad & Bettis, 1986, p. 491). The dominant logic, for example, has been theorized as a crucial link in the relationship between the firm's level and degree of product diversification and firm financial performance (Prahalad & Bettis, 1986).

In addition to diversifying along product lines, firms also diversify internationally. International diversification[1] is the degree to which multinational firms expand their sales and operations abroad across national political boundaries. Recently, researchers have begun to extend upper echelon theory to explain the relationship between the TMT and the firm's international diversification strategy (Athanassiou & Nigh, 2002; Athanassiou & Nigh, 2000; Sambharya, 1996). The effects that international diversification has on firm financial performance have also been explored (Hitt, Hoskisson, & Kim, 1997; Kotabe, Srinivasan, & Aulakh, 2002; Qian & Li, 2002; Ruigrok & Wagner, 2003; Thomas & Eden, 2004). For example, some research (Hitt, Hoskisson, & Kim, 1997) has found an inverted U relationship between international diversification and performance; further, the authors found that the level of firm product diversification moderates the relationship. Further, they suggest that management of international and product diversification may be an important link in the relationship. TMT researchers, however, have not specifically explored the relationship that the firm's dominant logic, international diversification and performance may have with each other.

[1] International diversification has been defined as "expansion across borders of global regions and countries into different geographic locations, or markets" (Hitt, Hoskisson, and Kim, 1997). (To this point this simple definition of international diversification is sufficient; however, later in this paper, a more refined definition will be necessary).

This paper has several purposes. First, I propose a new construct to the strategic management literature that is theorized to affect the relationship between international diversification and performance: the international dominant logic. Following Prahalad & Bettis, the international dominant logic is the dominant coalition's (TMT) mindset toward and administration of its international business (sales and operations); it is stored as a shared cognitive map amongst TMT members. The international dominant logic differs from the dominant logic proposed by Prahalad & Bettis (1986) in the sense that the dominant logic has previously focused on the TMT's towards managing its product diversified portfolio whereas the international dominant logic specifically focuses on management's orientation towards managing its international portfolio of operations and the unique causes of this orientation.

The international dominant logic construct builds on previous research in global strategic management research that has focused on firm management's cognitive orientation towards its international operations. Researchers have suggested that firms that have managers with certain mindsets towards its international operations may be more likely to diversify internationally (Sambharya, 1996) and may lead to improved firm performance (Bartlett & Ghoshal, 1989; Calof & Beamish, 1994). The second purpose of this paper is to explore the antecedents of the TMT's international dominant logic. For example, I identify previous international experience as an important source of the TMT's international dominant logic. Third, I argue that the TMT's international dominant logic is a crucial link in the relationship between a firm's international diversification strategy and its performance. More specifically, I posit that management's learned problem solving behavior and cognitive map with respect to its increasingly diversified portfolio of international operation is related to firm performance. Finally, I explore the relationship that the TMT's dominant logic may have with its international dominant logic and any potential effects that this relationship may have on firm performance.

The Dominant Logic

As was previously mentioned, Prahalad and Bettis (1986) introduced the construct of managerial dominant logic in the strategic management literature. A TMT's dominant logic is defined as a "mindset or world view or conceptualization of the business and the administrative tools to accomplish goals and make decisions" which is stored as "a shared cognitive map (or set of schemas) among the dominant coalition" (Prahalad & Bettis, 1986, p. 491). A schema is a knowledge system that represents manager's "beliefs, theories, and propositions that have developed over time based on the manager's personal experiences" (Prahalad & Bettis, 1986, p. 489). The dominant coalition is the top management team. The TMT's dominant logic is "expressed as a learned, problem-solving behavior" (Prahalad & Bettis, 1986, p. 491). The TMT's dominant logic results from: 1) operant conditioning (positive reinforcement), 2) pattern recognition processes, and 3) cognitive biases, 4) personal experiences. TMT's may have single or multiple dominant logics, depending on the strategic variety (e.g., the relatedness and unrelatedness of the firm's product diversification portfolio) of the firm. TMTs working in one product line or business (i.e., an undiversified firm) may have a single dominant logic – only one paradigm by which they manage that business. TMT's of firms that have diversified into unrelated businesses may have developed multiple dominant logics – one dominant logic that guides their decision making in one line of business and another in an unrelated business.

Prahalad and Bettis (1986) suggest that because the dominant logic is a learned problem solving behavior that TMTs may adjust the dominant logic according to the demands of managing the business. Significant changes in the demands necessary for managing the existing business (e.g., significant changes in the firm's operating environment) of a firm with a single dominant logic TMT may require the TMT to make adjustments to its dominant logic in order for the firm to succeed. Further, TMTs may learn new dominant logics – adding to their existing dominant logic(s). The TMT of a single dominant logic firm may add an additional dominant logic(s) and become a multiple dominant logic TMT or the TMT of a multiple dominant logic firm may add an additional dominant logic(s). For example, when diversifying into a new product line or business, the TMT of a single dominant logic firm may adjust its dominant logic or add new ones depending on the relatedness of the diversification. If the new business is related or similar to the existing business, then the TMT may be able to manage it with the same dominant logic with which it has managed the existing business. Adding a new but dissimilar business will require a single or multiple dominant logic TMT to learn a new dominant logic that meets the demands of the new business in order for the diversification to improve firm financial performance.

Thus, the dominant logic is malleable. It is a learned, problem-solving behavior; adjustments can be made to existing logics and new ones can be learned. As it is mentioned above, Prahalad & Bettis's (1986) work on the dominant logic is specifically concerned with the dominant logic construct in the context of product diversification. In other words, the effects of the firm's diversification strategy on firm financial performance is determined in part by the TMT's dominant logic – the problem-solving behavior with which it implements the strategy. At the same time, no such work has been done with respect to the construct of dominant logic and its international diversification strategy.

The International Dominant Logic

Building on the dominant logic construct developed for product diversification, we can extend it to the firm's international diversification portfolio. The TMT's international dominant logic is the cognitive map by which it manages its portfolio of internationally diversified operations. The TMT has learned this problem solving behavior through its previous experience in the international arena, from the cognitive biases of the individual TMT members, and from the success or failures that it has experienced in conducting its firm's operations internationally. Similar to the dominant logic construct, a firm may have a single international dominant logic or multiple international dominant logics. The international dominant logic(s) of the TMT depend in part on the degree of similarity or relatedness of the markets in which it operates internationally; further, it depends on the nature of those operations (e.g., exports, wholly owned subsidiaries, etc.). This concept will be further developed in this paper. However, first, previous literature that provides the foundation for the international dominant logic will be reviewed.

Previous Research that Supports the International Dominant Logic Concept

Previous research in international business reveals that the idea that executives and managers of firms have general mindsets towards areas, cultures, and business environments foreign to their own which affect their implementation of firm strategy in the international arena is not new. (Mindset is understood here to be quite similar to the dominant logic; it is a cognitive orientation or attitude developed over time based on personal experience and biases). Perlmutter (1969) developed a typology which identifies three different managerial mindsets that affect the way in which executives manage the firm's international strategy and structure: ethnocentric, polycentric, and geocentric mindsets.

An ethnocentric manager has a strong home-country culture mindset in conducting firm operations overseas; strategies, structures, and other decisions are likely to reflect such a mindset. The dominant management mindset resulting from the firm's home-country environment dominates management of the firm's international operations. According to the typology, a firm led by predominantly ethnocentric managers will likely have an ethnocentric orientation. This assertion accords with upper-echelon theory that posits that the firm is a reflection of its top managers (Hambrick & Mason, 1984). A manager with a polycentric mindset recognizes that there are differences between the cultures, markets, and business environments in which it operates and manages firm operations in light of such operations; however, strategies and structures dominate in the home-country still dominate the corporate strategy, structure, and culture. The geocentric managerial mindset recognizes the importance of each culture, subsidiary, and area as integral parts of the firm's global system of operations. The focus in such a corporation is on a global strategy, structure and culture where no home-country managerial mindset dominates. Further, the geocentric managerial mindset recognizes the need for local adaptations. Corporate strategy, structure, and culture reflect the geocentric mindset of top management.

The implicit assumption in this typology is that the three types of mindsets lie along a continuum, with ethnocentrism on one extreme and geocentrism on the other. Further, Perlmutter's (1969) writings implicitly assume that geocentrism is positively associated with performance. He suggests that management of firms involved in international operations should develop a geocentric mindset. Thus, his typology is both descriptive of what reality is and prescriptive to what it should be like. The emphasis that I wish to draw from his work is that managers do have specific mindsets with respect to managing their portfolio of internationally diversified operations.

More recently, other researchers have developed similar typologies. For example, Bartlett and Ghoshal (1989) observe three different types of firms – the international, multinational, and global firm – that reflect the executives of the firm and the strategies that they have implemented. The international, multinational, and global typology basically translates to the ethnocentric, polycentric, and geocentric typology developed by Perlmutter. Bartlett and Ghoshal are prescriptive as is Perlmutter in that they propose a particular "solution" to improving firm performance when managing an internationally diversified portfolio of operations: the transnational solution or transnational approach to management.

Transnational management cuts across the typology; it includes elements of all three mindsets: international, multinational, and global. Transnational management is characterized by focusing on a both a global strategy and local responsiveness. Managers of such a firm recognize the need to integrate operations across borders within a global strategy. At the same time, their mindset is towards responding to the needs of individual, local markets. Operations around the world are part of an integrated whole. The firm's culture, strategy and structure represent the transnational mindset of management. The location of headquarters or any other country or culture does not affect the mindset of the managers. An example of such a firm is Asea Brown Boveri (ABB) which is highly diversified internationally and which purposely has top managers from various culturally diverse areas. Their stated reason for doing so is the idea that greater diversity amongst top managers brings the mindset necessary for managing a firm that is globally competitive but locally responsive. Bartlett and Ghoshal (1989) point out that the firm's administrative heritage (which is quite similar to the dominant logic) is highly correlated with management's mindset with respect to conducting its international operations. For firms wishing to follow the prescription, they point out that one way for managers to develop such a transnational mindset is through international experience. They suggest that in the future firm performance will be dependent to a large degree on management's ability to adopt the transnational mindset.

Both Bartlett and Ghoshal and Perlmutter suggest prescriptions for managers of multinational firms; they suggest that management's adoption of geocentric or transnational mindsets with respect to managing international operations will have positive effects on firm financial performance. The main points to be taken from the two approaches is that managers have mindsets with respect to their firm's international operations and that certain mindsets may have positive effects on performance.

More recently, other researchers have specifically focused on the top management team and its relationship with firm international diversification strategy (the focus of the aforementioned authors was not on the TMT per se). For example, Athanassiou (1995) argues that TMT's develop firm specific international business tacit knowledge through engaging in foreign operations. As firms diversify internationally, individual top management team members acquire international business tacit knowledge. Tacit knowledge refers to know-how or process knowledge that can not be written down. The international business tacit knowledge of individual TMT members is integrated across other TMT members to create a TMT level international business tacit knowledge. This idea stems from upper-echelon theory and its focus on group processes (Hambrick & Mason, 1984). The degree to which international business tacit knowledge is assimilated among TMT members can affect firm performance. Top managers use their international business tacit knowledge to manage their firm's international operations. The international business tacit knowledge concept is similar to the concept of the international dominant logic – both are learned, problem solving behaviors that management uses to manage the firm's international operations.

Unfortunately, empirical tests of the hypothesized relationship between management's international mindsets and firm performance are scant (i.e., that geocentric or transnational managerial mindset is positively correlated with performance). Calof and Beamish (1994), found that a geocentric mindset is positively related to performance based on the results of a questionnaire sent to executives of thirty-eight Canadian firms.

Kobrin (1994) has convincingly argued and shown, in a survey of international human resource executives, that a geocentric mindset is not related to any specific international strategy or structure.

> *A centralized firm that is global in scope could be managed either ethno- or geocentrically, and it is also quite possible that a geocentric mindset could be prevalent in a firm that decentralizes responsibility but relies on socialization of managers for control. …[G]eographic scope, strategy and structure, and cognitive orientation are distinct concepts[.] … [A] geocentric managerial mind-set is not a necessary correlate of either a firm's position on the strategic continuum or its organizational structure (Kobrin, 1994, p. 496).*

However, he did find that geocentrism was positively associated with geographic scope which for the purposes of this paper is similar to international diversification (foreign sales/total sales, number of countries with manufacturing operations, and percent of employees abroad). Thus, "geographic scope, [international] strategy and structure, and [international] cognitive orientation are distinct concepts" (Kobrin, 1994, p. 496).

Thus, recent research suggests that the proposed relationship between mindsets as they have been hypothesized and operationalized to this point may not always hold. The attitudes and mindsets outlined by previous researchers then may not qualify under the domain of dominant which indicates that attitudes and mindsets are expressed in strategies and structures. One possible explanation for such a discrepancy is that it takes time for the effects of the dominant logic to affect strategies and structures. There also may be problems with the operationalization of the geocentric mindset. Because of the difficulties encountered in empirical tests of the aforementioned typologies and their hypotheses, I propose a broader construct – the international dominant logic. This broader construct matches TMT's mindsets to their strategies and structures; although the matching process may take time. It is clear based on this review of the literature that managers of firms do develop specific mindset and attitudes with respect to their international operations. Further, the previously reviewed work has focused on management in general but has not appeared to upper echelon theory per se. Thus, I propose that the top management teams of firms develop and maintain dominant logics with respect to managing their internationally diversified operations.

The International Dominant Logic

A TMTs international dominant logic is its mindset or towards its firm's international operations. It is expressed in its way of conducting is foreign operations. It is its learned problem-solving behavior – the cognitive map by which it manages its international portfolio of operations. The firm's international dominant logic is not necessarily evolving continually along a continuum from ethnocentric to geocentric as has been suggested previously (Kobrin (1994) also argues against the continuum concept); although some firms may follow such an evolution. Simply put, the international dominant logic of a top management team and its firm is its mindset towards its international operations which is also expressed in its international structure and strategy. Further, TMTs may have multiple international dominant logics. For example, as was previously mentioned, Bartlett and Ghoshal (1989) identify the transnational mindset which represents elements of the other mindsets that they identify – multinational, international, and global. Managers with a transnational mindset simultaneously apply elements each of the three; in other words, they have learned and are using multiple international dominant logics to manage international operations.

The international dominant logic concept deals with how top management conceives of and subsequently manages its international operations. Management of a firm may have operations in 18 different countries, spread out over 3 different regions; 12 in "developed" and 6 in "developing" countries. They may only source from some of these countries and export its product to others. In some they have wholly owned subsidiaries managed by local managers; in others their only contact is a third party who coordinates sales of the firm's product to retailers. Management may have a dominant logic for managing in certain regions – one for its operations in Africa, another for operations in Europe. The difference for management in thinking about managing operations in the two regions may be based on cultural differences that it has learned through experience or from cognitive biases. When thinking of its goals for developed and developing countries it may use different dominant logics that it has learned over time. The separation of different dominant logics for managing the two different types of countries may be based on market characteristics, technological infrastructure, political riskiness, among other factors. Some of the country's economies may be characterized as market-oriented and other more as centrally planned. Some of the countries in which it operates may be allies of the country in which the firm is legally incorporated (its physical, legal headquarters) and others as political enemies. Management likely has different dominant logics for managing such diversity in its international operations.

A firm that is headquartered in the United States and whose foreign operations consist of exports to Canada and to England may successfully manage operations with a single dominant logic. Thus, the concept differs from the ideas previously developed by in that they prescribe certain mindsets for management and they identify a typology of specific mindsets. For example, Bartlett and Ghoshal (1989) suggest that the transnational solution may be a universal solution that top management of all firms engaged in international business may need to adopt. The concept of the international dominant logic does not prescribe geocentrism, transnationalism, or any other specific solution for all firms. For the firm just mentioned a geocentric or transnational mindset may be inappropriate. Indeed, Perlmutter (1969), for example, may well classify the management of this firm to be ethnocentric which according to his hypothesis would not be positively related to firm performance. Instead, the international dominant logic recognizes that firms likely have multiple international dominant logics that do not necessarily fit into a three-category typology.

Sources of the International Dominant Logic

Prahalad & Bettis (1986) suggest four sources of a firm's international dominant logic: operant conditioning (positive reinforcement), pattern recognition process, and cognitive biases and personal experience. With respect to the international dominant logic it appears that these origins also apply. For example, top management team member international experience has been identified as an indicator of international mindset (Athanassiou & Nigh, 2002; Athanassiou & Nigh, 2000; Perlmutter, 1969). One study operationalized a top management team member's international mindset by using the length of time he or she had spent in international experience (Sambharya, 1996). International experience, according to Sambharya (1996), represents three important issues for the firm. "First, international experience is a proxy for the reduction of uncertainty. Second, it is a surrogate for accumulating cultural knowledge. Third, international experience represents the response of firms to internationalize their TMT's to the forces of an expanding global economy and markets" (Sambharya, 1996, p. 741). International experience is likely an important source of the dominant logic of a firm's top management team.

Top management team members gain international experience in varied ways: overseas assignments, study abroad as part of higher education, living in foreign countries. Sambharya (1996) operationalized international experience as number of years spent abroad on assignment and/or higher education or spent in the international division. For the purposes of this paper, I suggest that international experience can come in varied ways. Managers develop their international mindset not only through direct experience but also through more indirect experience, including learning foreign languages, international travel (but not living abroad), studying international topics in college (e.g., majoring in international relations). For example, the CEO of a major corporation may not have ever lived in a foreign country; however, because of the high degree of international diversification of his or her company and frequent travel to foreign subsidiaries, he or she develops more international experience. This experience, though indirect, contributes to his or her individual international dominant logic and thus, to that of the firm. Further, there is evidence that top managers of a firm learn from the international experience of other top managers. For example, Athanassiou and Nigh (2002) suggest that TMTs develop team-level international business tacit knowledge through individual members' involvement in the firm's overseas operations.

International Dominant Logic: A Crucial Link in the International Diversification – Firm Performance Relationship

Research in strategic management has also focused on the effects of international diversification strategies on firm financial performance. Most previous work has hypothesized a direct relationship between international diversification strategies and performance (Buhner, 1987; Collins, 1990; Daniels & Bracker, 1989; Grant, 1987). Also, as has previously been noted, the work on managerial mindsets towards firm international operations has focused on direct effects on performance. Empirical tests of the relationship between international diversification and firm performance have found mixed results (Hitt, Hoskisson, & Kim, 1997; Thomas & Eden, 2004). Positive (Grant, 1987), negative (Collins, 1990) and intermediate (Buhner, 1987) relationships have been found; other researchers (Hitt, Hoskisson, & Kim, 1997) have found an inverted U relationship between international diversification and firm performance. The latter authors point out that as firms diversify internationally there is first a positive effect on performance but then a threshold is reached and performance begins to decline. Their findings suggest that international diversification only has positive effects up to a certain point when it actually begins to have a negative effect. Generally, it has been pointed out that as international diversification increases, so do the complexities that top managers have to manage. Coordination costs and control help explain such a relationship (Hitt, Hoskisson, & Kim, 1997). What is important for my argument, is that how management manages the firm's overseas operations is a key link in the relationship between its internationally diversified portfolio of operations.

The idea that management plays a crucial role in the success of international operations is not new. Researchers have previously suggested that one of the most important constraints facing internationally diversified firms is the lack of international experience of managers (Bartlett & Ghoshal, 1992). Athanassiou and Nigh (2002; 2000) argue that the degree to which individual top management team members assimilate international business and knowledge tacit knowledge within the TMT will affect firm international performance. Barkema, Shenkar, Vermeulen, and Bell (1997, p. 427) argue that as firms expand internationally they must "unlearn practices typical of their home countries" in order to have success in international joint ventures. Finally, Hitt, Hoskisson and Kim (1997, p. 793) note the "critical importance of the ability to manage…diversification" to firm performance.

Thus, following the outcome (firm performance) of firm strategy (diversification) depends on the dominant logic by which managers manage diversity. Thus, managing international diversity also depends on the TMTs international dominant logic. Previously, research has focused on the relatedness/unrelatedness or similarity/dissimilarity of the diversified businesses that the firms operate (Prahalad & Bettis, 1986). The relatedness or similarity of international diversification can also be explored (as was previously noted in this paper). Similarity for international diversification may be in terms of culture, language, political regime, market orientation, economic development, among others. The management of a firm that's international operations are diversified into foreign areas that are quite similar along these lines may be classified as a single international dominant logic TMT. Top management of firms that expand into dissimilar foreign areas along any of the aforementioned dimensions may need to learn an additional, new international dominant logic. Management of firms already operating in areas that are dissimilar along these lines that expand into new areas that are dissimilar to any of their firm's own portfolio also may need to learn a new international dominant logic. Thus, as was previously suggested, TMTs of firms may have an international dominant logic for managing operations in developed countries and another for developing countries. The extension can also be to the other dimensions mentioned here.

Another dimension that may affect the TMT's international dominant logic is the mode of entry or method of operations in foreign countries. Firms enter foreign markets through exports, licensing agreements, managerial contracts, joint ventures, strategic alliances, wholly owned subsidiaries, etc. Firms may have different international dominant logics depending on the mode of entry. For example, they may manage exports with one international dominant logic and wholly owned subsidiaries with another. Further, interactions between the mode of entry dimension and the previously mentioned dimensions also may be important for managing international operations. For example, managers may use one dominant logic when managing exports to developed countries and another for managing exports to developing countries.

Thus, the international dominant logic is determining the effects of international diversification on firm performance. Managing dissimilar international diversification with a single international dominant logic may have negative effects on performance. For example, a single dominant logic firm that diversifies along dissimilar international dimensions and does not learn a new international dominant logic may not succeed (i.e., negative performance).

Further Insights from Product Diversification

Hitt et al. (1997) studied the relationship between product diversification, international diversification and performance. They found that product diversification moderates the relationship between international diversification. In other words, for highly product-diversified firms, as international diversification increases so does performance. The concept of the dominant logic and the international dominant logic may shed light on this relationship. It may be the case that performance is highest for firms that are highly diversified along international and product dimensions because their top management has developed the capability to learn to be flexible – to learn, develop, and add new dominant and international dominant logics as they expand. Higher levels of diversification along both dimensions have a positive effect on performance because the TMT recognizes the need to learn new dominant logics and also because the TMT recognizes when existing dominant and international dominant logics are appropriate for managing diversification. For example, a well known, highly diversified (product and international) firm is Proctor & Gamble. Imagine that Proctor and Gamble decides to launch one of its existing products into a new market – say Vietnam. Firm performance may be enhanced by the TMTs ability to successfully recognize whether an existing international dominant logic is appropriate for managing this expansion or whether a new one needs to be developed. P&G, by virtue of the fact that it has learned and developed multiple dominant and international dominant logic(s) may have the capability to recognize this and act accordingly.

Results from Author's Research and Managerial Implications

This paper has important implications for practicing managers. First, managers should be aware of how the individuals in their top management team may affect the firm's international dominant logic. The perspectives and experience of individuals on the top management will affect the decisions that the firm makes with respect to international expansion. Managers should develop diverse top management teams in order to develop effective top management team international dominant logics and have higher performance. More diverse top management teams provide more information as well as better information to the firm's decision making processes. Diversity can be based in many aspects of individuals including their education, experience, tenure in the firm, gender, and ethnicity. Firms have historically had low levels of diversity in the top management team. Research on one aspect of diversity, gender, so indicates. For example, in 1987 and in 1996 there were only two female CEOs of largest firms in the United States of America (Daily, Certo, & Dalton, 1999). Levels of diversity in top management teams in firms in countries outside the United States of America are also low. For example, the results of the author's research indicate that only 10% of the top management teams in Mexican firms are women (Thomas, Arthur, & Hood, 2004).

The results of the author's recent research indicate that firms that have higher levels of diversity in the top management team and high levels of international involvement have higher performance (Thomas, Arthur, & Hood, 2004). Conversely, firms that have higher levels of international diversification but lower levels of TMT diversity experience lower levels of performance. Clearly, the implication from this research is that managers of firms should incorporate higher levels of diversity in the top management team as the firm expands internationally. Firms with more diverse top management teams are more likely to have effective an international dominant logic(s). Further, the results of other recent research (by the author and a co-author) indicate that firms that invest overseas often experience initially higher performance and then face challenges which lead to lower performance (Thomas & Eden, 2004). Expanding internationally causes firms and their managers to encounter new information and new experiences. What works initially may not work as firms continue to expand. Managers of firms need to develop new outlooks (new international dominant logics) as their level of international involvement increased. The TMT's international dominant logic is likely related to its ability to face and overcome the challenges of increased internationalization.

Hence, managers of existing firms should increase the level of diversity in their top management teams. They should promote individuals with diverse experiences and backgrounds in order to develop an effective international dominant logic. In turn, doing so will increase the performance of these firms as they expand internationally.

Managerial Proposition 1: Increasing diversity in the top management team will increase the quality and quantity of information and perspectives provided to the firm which forms its TMT's international dominant logic.

Managerial Proposition 2: Increasing the level of diversity in the Top Management Team will create a more effective international dominant logic within the TMT.

Managerial Proposition 3: Increasing the diversity of the TMT and making the international dominant logic more effective will increase firm performance.

Conclusion

This paper contributes to the strategic management literature by (1) building on previous research in strategic management and international business to propose a new construct: the international dominant logic, (2) proposing that the TMT's international dominant logic is a crucial link in the relationship between international diversification and firm performance. More generally, the concepts explored in this paper provide a framework for better understanding the management of internationally diversified portfolio of operations. Empirical tests suggest that international diversification may or may not have positive effects on performance; thus, a better understanding of the role of the TMT in this process will help both academic and practical research. Future research on the international dominant logic should focus on developing propositions and hypotheses that can be tested. It is likely that in such tests alternative measures of the degree of international diversification (similar to those suggested by Sullivan (1994)) should be used.

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