# Global Problem Solving Without the Globaloney
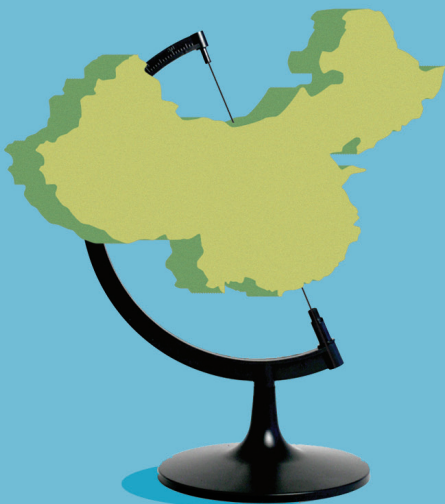
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Believing that the world is "flat," many organizations attempt to solve pressing social and environmental problems on a global scale. All too often, these efforts flounder because the problems that seemed global in scope could have been more effectively solved at the regional, national, or even local level.

# Global Problem Solving Without the Globaloney

**By PANKAJ GHEMAWAT**

There is widespread belief not just that globalization is on the rise, but that it is already (close to) complete. Fed by books such as Thomas Friedman's *The World is Flat*, and by heightened awareness of truly global problems such as climate change, large numbers of people believe that many, if not most, of today's social and environmental problems are the result of global trends and that their solutions must also be global in nature. I refer to such overstatements about the extent of globalization as "globaloney."

Consider a few examples of globaloney. The French guess that immigrants make up 24 percent of France's population—three times the actual level. British air travelers guess that international air transport accounts for more than 20 percent of energy-related greenhouse gas emissions—10 times the actual level. And Americans guess that foreign aid accounts for more than 30 percent of the US federal budget—30 times the actual level!

Illustration by OLIVER MUNDAY & PABLO DELCAN

Globaloney doesn't plague just the general populace—it also infects leaders of nonprofit, business, government, and multilateral organizations. When I polled an assembly of the national envoys to the World Trade Organization, an overwhelming majority agreed with Friedman's characterization of the world as flat—even though it raised existential questions about what they were doing in Geneva.

Globaloney has many negative consequences. It obscures the potential gains from additional globalization, swells fears about its adverse consequences, and causes companies to adopt strategies of "bigger and blander."[1] It also induces organizations and groups of organizations of all kinds to put undue emphasis on global solutions to social and environmental problems that should instead be tackled at a regional, national, or even local level. This misplaced emphasis matters because it overstretches our limited capacity for true "global problem solving" when it matters.

Consider, for instance, the Rio process orchestrated by the United Nations. It began amid much optimism with the 1992 Earth Summit, but has proven to be a colossal disappointment. Why has it largely failed? In addition to three treaties—on climate change, biodiversity, and desertification (which a review 20 years later in *Nature* graded with an "F"[2])—the Earth Summit resulted in Agenda 21, an "action plan" that covered an astounding 27 program areas and 116 individual issues such as promoting sustainable development through trade, providing adequate financial resources to developing countries, meeting primary health care needs, and providing adequate shelter for all. Were they all appropriate subjects for a global conclave? By my reckoning, action primarily at the global level was invoked for only two of the 116 issues. Of the remaining, one-third resulted in calls for action primarily at the local level, another one-third for action at the local and global levels, and the remainder for action at the regional level as well. This classification, although subjective, is suggestive. It reminds us that not everything needs international coordination—and that even when international coordination *is* required, sub-global approaches (between only two nations, for example) may make more sense.

The other obvious problem with the Rio process was that the deliberations at the Earth Summit involved 172 governments and 2,400 representatives of nongovernmental organizations (NGOs)—not to mention the 17,000 attendees at the parallel NGO Global Forum, which was accorded consultative status. And Rio+20 (the follow-on to the Earth Summit that took place in 2012) saw a further explosion in the number of NGOs participating. More than three times as many NGOs were officially involved, along with many more representatives from the business and investor communities.

There were some definite attractions to bringing civil society into the picture to supplement traditional government-to-government interactions, but the dismal results remind us that broad participation doesn't guarantee that problems will actually be solved.

## GLOBAL DESIGNS

To better understand how to differentiate between global and sub-global issues, and to pursue programs that are sized appropriately to the problem and the solution, I've devised five design principles, which I call the Five Ds: devolution, distance-sensitivity, distance-directedness, distinctive-competence, and de-biasing.

The first principle, *devolution*, emphasizes that not everything needs international coordination. It is based on the fact that most

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social and commercial interactions are only 10 to 20 percent globalized. Only a few interactions cross the 30 percent mark—and even that threshold still embodies a huge amount of "home bias." The fact that most international flows occur between countries that are near each other geographically suggests the *distance-sensitivity* principle: Even if international coordination is required, high levels of distance-sensitivity typically favor sub-global approaches focusing on regions or sub-regions. Remapping the world in terms of multiple forms of distance (economic, cultural, and administrative, along with geographic) reveals the power of the *distance-directedness* principle in guiding choices about the locus of activity or operation ("where"), which activities to perform ("what"), and ways to organize to get them done effectively ("how").

Realism about the general difficulties of cross-border operations and the management challenges confronting nonprofits, in particular, underlines the usefulness of the *distinctive-competence* principle: ask not only whether something is worth doing, but also if you, your organization, or your network are or can become capable of doing it well. And finally, remembering that most individuals are still quite distrustful of foreigners leads to the *de-biasing* principle: the importance of deliberately building cross-border trust by reducing home bias due to ignorance or prejudice.

Adhering to the Five Ds might not only have improved the outcomes of the Rio process, they also hold the potential to (re)direct and improve social initiatives. Consider a social innovation that has stirred up considerable interest recently: global solutions networks (GSNs), defined by author Don Tapscott as consisting of "diverse stakeholders, organized to address a global problem, making use of transnational networking, and with membership and governance that are self-organized."[3] The emergence of GSNs, which now number well into the hundreds if not thousands, is often extolled in glowing terms. (Examples of GSNs include knowledge and policy networks like the International Competition Network, advocacy and watchdog networks like Human Rights Watch, governance networks like the Internet Corporation for Assigned Names and Numbers, and operational and delivery networks like the Red Cross.) And the potential for GSNs is indeed enhanced by the growing connectivity afforded by the Internet—the enabler emphasized by Tapscott—and the explosive growth of what Ashoka founder Bill Drayton calls the citizen sector.[4]

Before we get carried away with the prospects for GSNs, it is worth remembering that global conditions are in many respects more challenging today than they were when the Rio process was launched in 1992. Then, the world economy was growing rapidly, globalization was increasing, and the easing of Cold War tensions raised hopes of a real shift away from war and conflict and toward development and sustainability. Today, economic conditions are generally bleaker in advanced economies, and even faster-growing emerging economies

(such as China, India, and Brazil) have experienced slumps in their growth rates. Globalization itself, after surging through 2007, faltered in the wake of the financial crisis.[5] And ongoing threats to global stability and cooperation include regional economic crises such as those in the Eurozone; increases in income inequality in many countries and of xenophobia in some; continued trade imbalances; talk of currency wars and uncertainty about the dollar's future as the world's reserve currency; the growing obsolescence of multilateral institutions, many of which were set up in the aftermath of World War II; and geopolitical tensions in regions such as the South China Sea and Ukraine.

Against this backdrop, the notion of self-organizing GSNs spontaneously generating solutions to global problems of the sort wrestled with at Rio appears to be a triumph of hope over experience. At least some other scholars who have looked at GSNs have come to similar conclusions.[6] Nevertheless, GSNs do exist, and organizations are tackling social and environmental problems at a global scale. The Five Ds are meant to provide guidance for these organizations that is grounded in what research has revealed about globalization and the responses to it.

### THE DEVOLUTION PRINCIPLE

Not all the issues raised at Rio required the powers of global problem solving (as opposed to global exhortation). Many of them could be better handled at the regional, national, or local level. But there seems to be a tendency to attach the handle "global" to issues for no other reason than to give them extra emphasis. Given the limits on our capacity for global governance, cutting back on such globaloney is one way to concentrate that capacity where it really matters.

Let's look at some relevant evidence—at data measuring the levels of internationalization of activities that can take place either domestically or across borders. (See "Internationalization Levels" at right.) It turns out that the international component of these activities represents a small fraction—typically less than 20 percent and often less than 10 percent—of the total. Only for a few—mostly financial[7]—variables do internationalization levels exceed 30 percent—and even that threshold still embodies a huge amount of home bias.

Actual levels of globalization are much lower than the levels one would expect to see if the world were flat (which would typically be 85 percent or more). They are also significantly lower than most people's intuitions. In an online survey that *Harvard Business Review* conducted for me, respondents pegged international phone calls at 29 percent of the total, immigrants at 22 percent of the world's population, and foreign direct investment at 32 percent of total capital formation—an average estimate of 27 percent, more than five times the actual average.[9] (CEOs, interestingly enough, overestimated by a factor of nearly seven!)

A common counterargument to my point is that even if the extent of globalization is small today, a borderless world may be just around the corner. Looking back in history, however, reveals that the changes that have occurred are rather mixed. The percentage of the world's population composed of immigrants is the same now as it was in 1910. And some of the pre-financial crisis measures of cross-border financial flows are comparable to earlier peaks more than 100 years ago. Because financial flows actually dropped significantly in the aftermath of the financial crisis, it is probably more accurate to describe the current trend as increasing fragmentation, not increasing integration.

Proponents of a flat world often point to the Internet and, more broadly, to the fact that in the last few decades the cost of communication has plummeted and the richness of what can be transmitted has exploded "in a way that changes everything." But the portion of Internet traffic that crosses international borders is actually about 17 percent—five times as high as telephone calls, but far below the level one would expect in a flat world. Similarly, an estimated 16 percent of people's friends on Facebook are foreign,[10] as are 25 percent of the people that individuals follow on Twitter.[11] Just because we are able to befriend anyone living anywhere on Facebook doesn't mean that we will—there is an important distinction between potential connectivity and actual connectedness.
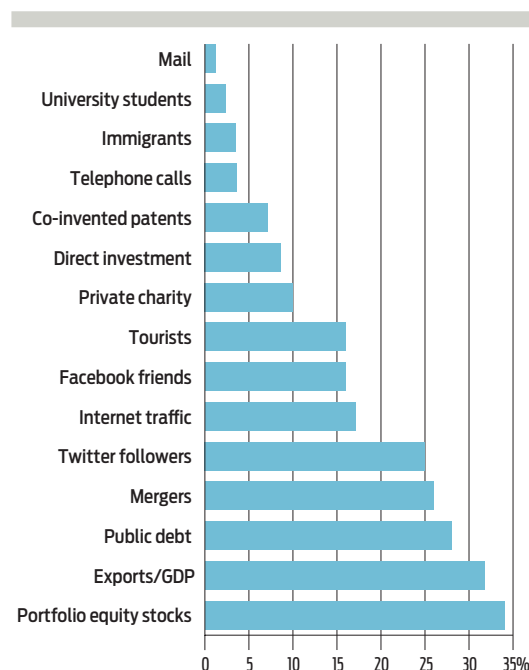
All of these data suggest that the agenda for global problem solving can be simplified by deemphasizing areas where the critical phenomena unfold mainly at a local or national level. The environmental externalities caused by pollution provide an interesting example. For distance-sensitive pollutants that stay more or less within national borders—most ground and water pollution—local solutions are generally appropriate. Pollutants that cross national borders to a significant extent—usually airborne ones—are the ones that require cross-border cooperation.

The growth and sustainability of cities provides another, somewhat different example. It may make sense to build a knowledge network to share information on, say, sustainable cities around the world, and even to build an advocacy network to engage in cross-border lobbying for more enlightened urbanism, but those are limited functions that don't require much coordination across borders.

The broader point is that a problem needs to be more than globally widespread to be a candidate for global solutions that go beyond simple information-sharing. Requiring some coordination of responses across borders, rather than simply sharing information about different types of possible responses, is the acid test for global problem solving. Hence the devolution principle: Not every global problem needs coordination across national borders, and many issues are, in fact, tackled most effectively at the national or local level.

## Internationalization Levels

The percentage of various types of interactions that take place across national borders is quite a bit lower than many people think.[8]

| Category | Percent |
| --- | --- |
| Mail | |
| University students | |
| Immigrants | |
| Telephone calls | |
| Co-invented patents | |
| Direct investment | |
| Private charity | |
| Tourists | |
| Facebook friends | |
| Internet traffic | |
| Twitter followers | |
| Mergers | |
| Public debt | |
| Exports/GDP | |
| Portfolio equity stocks | |

0   5   10   15   20   25   30   35%

## German Exports

The bulk of Germany's trade occurs with adjacent countries. The size of each country is based on Germany's exports to that country. The shade of each country is based on Germany's share of their imports.



| | | |
|---|---|---|
| 1. France | 10% | |
| 2. U.K. | 7% | |
| 3. Netherlands | 7% | |
| 4. U.S.A. | 6% | |
| 5. Austria | 5% | |
| 6. China | 5% | |
| 7. Italy | 5% | |
| 8. Switzerland | 5% | |
| 9. Poland | 4% | |
| 10. Belgium | 4% | |

25%  20%  15%  10%  5%  1%   Unknown
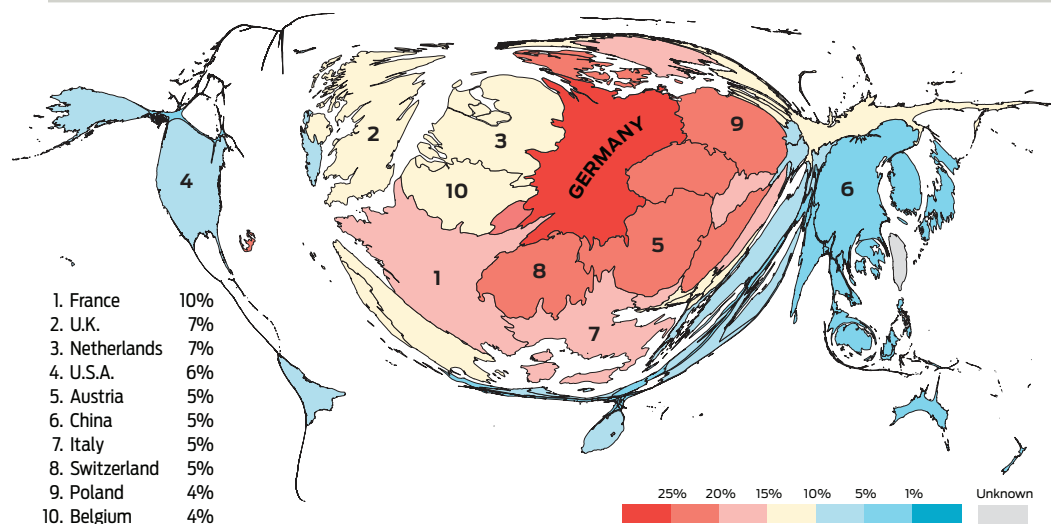
Source: Data from UN Comtrade and IMF Direction of Trade Statistics databases.   Map courtesy of Pankaj Ghemawat

### THE DISTANCE-SENSITIVITY PRINCIPLE

If the devolution principle was about determining which issues should be coordinated internationally and which should be addressed at the local or national level, the distance-sensitivity principle is about how best to structure what does make it onto the international agenda. This principle is predicated on the law of distance—the observation that the lion's share of international interactions takes place between countries that are close to each other rather than far apart. What this implies is that many "international" issues are actually regional ones and not truly global.

The distance-sensitivity principle can be illustrated by extending the earlier discussion of pollution. Airborne pollutants can range across borders, but in very different ways. Acid rain, for example, tends to have a regional footprint, accounting for the success of intra-regional initiatives such as cooperation between the United States and Canada (most notably, their 1991 Air Quality Agreement), which has helped reduce North American acid rain by 65 percent since 1976. In contrast, carbon dioxide emissions that cause global warming have an unusually low distance-sensitivity and, therefore, warrant a fully global focus.

It is not just pollutants that obey the law of distance. Distance-sensitivity also applies to the voluntary international interactions that are more commonly studied in the context of globalization: trade in products and services, flows of capital, migrations of people, and flows of information. Instead of being randomly distributed, these flows often have a regional structure.

Germany, for example, is known for its manufacturing prowess and its ability to export its products around the world, but the bulk of its trade occurs within Europe, particularly with its immediate neighbors. About 60 percent of Germany's exports go to other EU countries. Within Europe, there are also significant variations: Germany represents a particularly high share of Austria, Switzerland, the Czech Republic, and Hungary's overall imports. (See "German Exports" above.) Those countries are close to Germany not only geographically

and linguistically, but also historically: Apart from Switzerland, these countries, along with Germany, constituted the Holy Roman Empire circa 1500.

Similar patterns are evident for other kinds of international interactions. Sixty percent of German banks' foreign lending is to the rest of Europe—which also accounts for 70 to 85 percent of Germany's foreign direct investment, portfolio equity holdings, international phone calls, and international tourist arrivals. There are good reasons why the Eurozone crisis is, despite its potential global ramifications, mostly being handled in Europe.

Europe is more integrated than most continents, but similar patterns exist in other parts of the world. If we look at the world as a whole, 53 percent of merchandise trade, 52 percent of foreign direct investment, 51 percent of international telephone calls, and 49 percent of international migration all take place within rather than between roughly continent-sized regions.[12] The high average level of regionalization suggests that many issues that require international coordination might be best addressed at the regional rather than the global level. And geography isn't the only possible basis for distinguishing between the near abroad and the far abroad. Others include cultural ties, political alignment, and degree of economic development.

### THE DISTANCE-DIRECTEDNESS PRINCIPLE

The distance-directedness principle also relies on the law of distance, but shifts the focus from devising the global problem-solving agenda to shedding light on what the actors involved in it should do. The most interesting research in this area are the studies that use "gravity" models to investigate the factors underlying the law of distance, particularly concerning trade. Gravity models in international economics link interactions between countries to the product of their economic masses, divided by some composite measure of distance. Gravity models not only help us understand why, for instance, the US-Canadian trading relationship is the largest in the world; they also explain, in a statistical sense, two-thirds or more of all the variation in bilateral trade intensities between all possible pairs of countries.

Distance, however, is not simply measured in miles. For example, the geographical distance between the United States and England may be substantial, but the two countries' shared linguistic, cultural, and historical heritage supplies important bridges that narrow the gap. The CAGE Distance Framework posits that "distance" includes multiple dimensions—cultural, administrative (or political), geographic, and economic (CAGE). And whereas there are many differences between countries, the seven variables highlighted in red in the table explain 70 to 90 percent of the variation in country-to-country flows of trade, capital, people, and information.[13] (See "CAGE Distance Framework"

below.) To illustrate the usefulness of the CAGE Distance Framework, consider some of the questions that businesses have found it helpful in answering—many of which can be adapted to the social sector.

**Where?** | Where a business originates affects what countries it should expand to—and that answer usually isn't "everywhere." In 2004, of all US companies that had foreign operations, the largest fraction operated in just one foreign country, the median number in two, and 95 percent in fewer than two dozen. As fully global action is unlikely to be warranted in the short run, do social-sector initiatives take adequate account of where they are from (for such things as administration and donors) and of relevant experience sets in deciding where to go next? Take, for example, an issue facing Worldreader.org, a nonprofit that aims to bring e-books to African schoolchildren: Which African market(s) should it focus on first? Its founders, a Briton and an American then based in Barcelona, chose Ghana because Anglophone Africa seemed the most natural target, Ghana's public administration was reputed to be relatively clean and efficient, and time-zone proximity to Barcelona would likely simplify coordination.

**What?** | Businesses also seem more inclined to recognize that their strategies in the countries in which they operate must respond in some way to international differences. That said, they often fail to consider the full range of strategy levers for dealing with the differences that matter the most in their industries: most broadly, using multiple levers and sub-levers of adaptation to adjust to differences; aggregating across countries to (partially) overcome differences; and arbitraging to exploit (selected) differences. Consider some analogues for social sector initiatives: Does a family-planning initiative targeting poor, strife-torn, traditional societies, which often have high gender inequality and fertility rates, make adequate allowance for effective approaches in male-dominated societies? Can the

Grameen Foundation, the hugely successful pioneer of microlending in Bangladesh, identify important common social needs that cut across or aggregate segments in poor countries that it can effectively help meet? Some degree of confidence that it can do so should underpin its expansion into nearly three dozen additional countries. And arbitrage or targeting differences along selected dimensions raises important issues ranging from building low-cost but adequate delivery structures for very-low-income countries to questions about the focus of social-sector initiatives on extreme deprivation, as opposed to on some other area for improvement.

**How?** | Some businesses also understand that their ability to address cross-country differences depends not only on the objective distances to be traversed, but also on their internal capabilities for dealing with them. Businesses and social enterprises should consider the following questions before expanding: Do the critical people in your organization understand how global we actually are, or have they fallen prey to globaloney? Do they have a framework for understanding the underlying differences between countries—and differences in differences—that underlie limited levels of cross-border integration? Are they housed in one location or dominated by one nationality? Are they involved in cross-border projects and networks, and, ideally, have they ever been rotated abroad? Are they prepared to engage in the debate about the social consequences of globalization in general and your organization's particular involvement in it?

### THE DISTINCTIVE-COMPETENCE PRINCIPLE
The distinctive-competence principle extends the where, what, and how questions, to ask *whether* a particular social enterprise is best positioned to pursue a particular global problem-solving opportunity—or would the cause be served better by joining up with an existing organization or network, or letting some other organization pursue it? The distinctive-competence principle emphasizes that individuals or organizations that are considering entering or expanding in the social sector need to ask themselves whether their involvement would lead to creating significantly more total value than would happen otherwise. The corollary is that organizations should ideally account for the opportunity costs of donors' resources, even if those resources are contributed free.

Most social enterprises do not measure their performance by undertaking this sort of cost-benefit analysis. But the approach does merit more attention. Industrial organization economics indicates that at least in the absence of product differentiation, there is a tendency for an excessive number of companies to enter a market simply to take business away from existing companies without growing the market or providing any other particular benefit to society.[14] These effects might be aggravated in the

## CAGE Distance Framework
This framework allows one to understand and compare the "distance" between countries along cultural, administrative (or political), geographic, and economic dimensions. The more marked the differences, the greater the distance between the countries.

| | CULTURAL DISTANCE | ADMINISTRATIVE (OR POLITICAL) DISTANCE | GEOGRAPHIC DISTANCE | ECONOMIC DISTANCE |
|---|---|---|---|---|
| **External Distance** (differences between countries) | Different languages | No colonial ties | Physical distance | Differences in consumer incomes |
| | Different ethnicities | No shared regional trading bloc | No common land border | Differences in availability of human resources, financial resources, natural resources, infrastructure, distribution networks, and organizational capabilities |
| | Lack of connective ethnic or social networks | Different currency | Different climates | |
| | Different religions | Different legal system | Different time-zones | |
| | Differences in national work systems | Differences in corruption levels | | |
| | Different values, norms, and dispositions | Differences in political stability | | |
| | | Political hostility | | |
| **Internal Distance** (attributes of each country) | Traditionalism | Nonmarket or closed economy | Landlocked-ness | Economic size |
| | Insularity | Lack of membership in international organizations | Geographic size | Low income per capita |
| | Spiritualism | Weak legal institutions or corruption | Geographic remoteness | Low level of monetization |
| | Inscrutability | Lack of government checks and balances | | Limited resources, inputs, infrastructure, complements, and capabilities |
| | | Societal conflict | | |
| | | Risk of expropriation | | |

Differences highlighted in red are the ones included in the regressions whose results are summarized in this article.
SOURCE: Adapted from Chapter 3 of Pankaj Ghemawat, *World 3.0: Global Prosperity and How to Achieve It*, Harvard Business Press, 2011.

social sector by "messianic complexes" that could lead to even more entrants than in the for-profit benchmark.[15] The good news is that in the social sector, it seems reasonable (or, at least, more reasonable than in the private sector) to ask players to internalize the social costs of their entry or expansion. Another implication of this line of reasoning is that initiatives that add to variety, whether in means or ends, are generally more deserving of grace than initiatives that simply pile additional resources onto established, relatively well-funded efforts.

To be a bit less stringent and a bit more practical, a social enterprise might not be *the* best in the world at what it does or aims to do, but it does have to be—or have plans to become—pretty good in the relevant respects. Without those plans, the adage by Kenneth Andrews, who wrote the classic text on business strategy, applies: "Opportunism without competence is a path to fairyland."[16]

To better understand these ideas, consider again the example of Worldreader.org. Its two founders focused their nonprofit on education because they had backgrounds in the field, and on e-books because one had connections in high-tech. This knowledge and these connections increased the odds of being able to do something special within the zone of distinctive-competence rather than outside it. But they also set up a clear evaluation mechanism by hiring MIT Professor Esther Duflo to help design and analyze their first field trials. And because Worldreader.org was designed to be an operational and delivery network, it clearly did require the development of some significant organizational capabilities, as well as a structure to house them in, rather than an attempt to "organize without an organization."

## THE DE-BIASING PRINCIPLE

The final principle—de-biasing—shifts the focus from governments, NGOs, and businesses to individuals. It recognizes that distrust of foreigners is rampant, reducing cross-border interactions and imposing constraints on global problem solving. To counter this bias it is important to build cross-border trust. To figure out what might be done in this regard, it is best to start with some data—in this case, concerning the extent to which citizens of various European countries reported trusting their co-citizens and others.

Close to 50 percent of respondents to the 1996 "Eurobarometer" survey reported trusting their fellow citizens "a lot," but only 20 percent reported trusting citizens of the other 16 European Union countries "a lot," and just over 10 percent reported trusting citizens of other countries "a lot." There is some variation by country (Italians report trusting the Swiss more than they trust other Italians), but on average, nationals of EU countries express "a lot" of trust twice as often in co-nationals as in nationals of other "nearby" EU countries, and four times as often compared to nationals of countries that are farther away. These data from the EU are indicative of what researchers have found in other parts of the world. Scholars have concluded that trust falls as the populations of any two countries grow more different in their languages, religions, genes, body types, geographic distance, and incomes, and if they have a more extensive history of wars.[17] This differential distrust of foreigners is estimated to have big effects. Statistical studies suggest that moving from lower to higher levels of bilateral trust can increase trade, direct investment, portfolio investment, and venture capital investment by 100 percent or more, even after controlling for other characteristics of the two countries.[18]

Fear of foreigners, particularly the ones who are most "foreign," is compounded by the constraints that cross-cultural mistrust imposes on attempts to reduce other kinds of barriers to international flows. Consider some additional examples from Western Europe—a region where nationalism has recently been more or less held in check, where countries have pursued formal administrative integration to an extent unparalleled in other regions, and where education levels are generally high. Despite this context, cultural fears have loomed very large as economic pressures have mounted. Much of the surging protectionist and, especially, anti-immigrant sentiment has not just nationalistic but cultural roots. The economic case for large-scale immigration into Europe is clear; most of the fears around immigrants have to do with cultural fears more than ostensibly economic dimensions.

In figuring out how to build trust, it is also useful to note that much cross-cultural mistrust seems to be rooted in cultural insecurities. A survey of 47 countries around the world indicates a strong positive correlation between perceiving one's own culture to be superior and perceiving it to need protection. The list is headed by India, where 93 percent of respondents agreed that their culture was superior and 92 percent agreed that it needed to be protected. India is followed by Indonesia, Tanzania, and Bangladesh. In contrast, the bottom of the list is occupied by Sweden, where only 21 percent of respondents agreed that their culture was superior and 29 percent that it needed protection. Interestingly, Swedes are highly trusted as well as trusting, illustrating a more general pattern across the countries included in both surveys: Countries that feel the least superior and defensive about their own cultures also tend to be the most trusting—and trusted.

In keeping with the distance-directedness principle, the challenge of building cross-border trust is likely to be different in, say, the Netherlands and Nepal, not the least because the former is already more than one hundred times as connected with the rest of the world than is the latter. But both countries do present challenges. Think of the success in the Netherlands, traditionally a haven of tolerance, of Geert Wilders's wildly misnamed Freedom Party, with its anti-immigrant and now Europhobic posturing.

Research on the determinants of cultural chauvinism and related fears does identify some apparent commonalities across countries—and some broad paths forward. Higher education levels in a country cause levels of nationalism and suspicion of outsiders to decrease. The extent to which an individual participates in the network of global economic, social, and cultural relations and of inclusive social identification with the world community seems important. Traveling and living abroad seems to broaden individuals' perspectives. And scholars have found that security of property rights and the rule of law are prerequisites for trust to emerge, rather than what they often seem: vital substitutes for trust.

On the basis of these findings, several concrete steps for building trust and reducing excess cultural fear can be undertaken. These steps include more education; monitoring of negativism in the media and in political discourse; encouraging more interpersonal contacts across cultures and ensuring that they are as pleasant as possible; and building a cosmopolitan global social identity. One might also try to build cross-cultural understanding between countries in which economic potential exists, but political and cultural relationships are strained (such as India and Pakistan or Israel and Palestine); to prioritize support for the rule of law; and to encourage the private sector to become involved in building bridges between cultures.

## IMPLICATIONS FOR GLOBAL PROBLEM-SOLVING LEADERS

**Focus the agenda for global problem solving.** | The devolution and distance-sensitivity principles offer systematic advice on how to set—and, in particular, limit—the agenda for global problem solving. Individuals and organizations should analyze the extent of globalization and the distance-sensitivity of the problems they wish to address. Calculate the percentage of the relevant activity that takes place domestically versus internationally and the percentage of the international component that crosses regional boundaries. Even if a similar problem appears in many countries, if it requires little coordination across borders, most of the effort expended toward solving it should be local, national, or regional, rather than global. Limiting truly global efforts to the problems that really demand them can help us make better use of our still very limited bandwidth for worldwide cooperation.

**Select and structure initiatives so as to add value.** | The distance-directedness and distinctive-competence principles look at some of the same observations about limited globalization and considerable distance-sensitivity from the perspective of the organizational actors involved in global problem solving. Distance-directedness supplies guidance about the where, what, and how of an organization's pursuit of its mission across borders, and distinctive-competence about the more basic existential question of whether it is a good instrument for that pursuit. A starting point for operationalizing these two principles is to use the CAGE Distance Framework to understand that where you are coming from affects where you might want to try to contribute and what kinds of adaptation to cross-country differences might be required. Having applied the framework to get a more realistic sense of the border-crossing and distance-bridging challenges your effort faces, ask whether your organization or network is really the right one to pursue a particular opportunity—or whether it is better pursued through other means.

**Work on improving people's attitudes towards globalization.** | The de-biasing principle goes even more micro, emphasizing that individuals' attitudes toward globalization and foreigners in particular constrain both the global agenda and what organizational actors can hope to accomplish within it. Somewhere within global problem solving we must find room to consider educational initiatives that aim to shape people's attitudes—by connecting them better with the systematic evidence about the extent, patterns, and consequences of globalization, as well as with each other. ∎

### NOTES

1 For a detailed discussion of the consequences of globaloney and how to do better, see Pankaj Ghemawat, *World 3.0: Global Prosperity and How to Achieve It*, Harvard Business Review Press, 2011.

2 Jeff Tollefson and Natasha Gilbert, "Earth Summit: Rio Report Card," *Nature*, no. 486 (7401):20–23. doi: 10.1038/486020a. Available at: http://www.nature.com/news/earth-summit-rio-report-card-1.10764

3 http://gsnetworks.org/

4 Eli Malinsky, "Bill Drayton's Five Trends for Social Entrepreneurs," *Forbes*, Dec. 12, 2012. Accessed on June 18, 2014, at http://www.forbes.com/sites/ashoka/2012/12/12/bill-draytons-five-advice-for-social-entrepreneurs-what-the-future-holds-and-how-you-should-adjust/

5 Pankaj Ghemawat and Steven A. Altman, *Depth Index of Globalization* 2013. Available at www.ghemawat.com/dig/

6 Kenneth W. Abbott and Thomas Hale, "Orchestrating Global Solution Networks," http://gsnetworks.org/research_posts/orchestrating-global-solution-networks/.

7 Although nominal exports add up to 32 percent of global GDP, if you remove double-counting, only about 23 percent of value added around the world gets exported.

8 *Mail* (international share of letter-post items, 2012) is based on data from Universal Postal Union; *University students* (students enrolled in degree programs outside their home countries as share of total tertiary education enrollment, 2011) is based on data from Euromonitor Passport, UNESCO Institute for Statistics, and Ministry of Education of the Republic of China (Taiwan); *Immigrants* (immigrants' share of total world population, 2012) is based on data from United Nations Department of Economic and Social Affairs, "Trends in International Migrant Stock: Migrants by Destination and Origin," 2013 (United Nations database, POP/DB/MIG/Stock/Rev.2013) and World Development Indicators; *Telephone calls* (international share of total telephone call minutes, including calls placed over the Internet, 2013 estimate) is based on data from International Telecommunication Union and Telegeography (note that this estimate includes calls between telephones using voice over IP technology, calls between telephones and computers, and calls directly between computers via Skype but does not include calls directly between computers using other services); *Co-invented patents* (share of patents with at least one foreign co-inventor in OECD member countries, 2009-2011) is based on data from OECD Science, Technology, and Industry Scoreboard 2013: Innovation for Growth; *Direct investment* (Outward Foreign Direct Investment Flows as percentage of Gross Fixed Capital Formation, 2012) comes from UNCTAD World Investment Report 2013; *Private charity* (share of grants from US foundations to non-US based charitable organizations, 2007) comes from Global Geneva; *Tourists* (international share of total international and domestic tourist arrivals, 2012) taken from United Nations World Tourism Organization, "UNWTO Tourism Highlights," 2013 edition; *Facebook friends* (share of Facebook friends located in different countries, 2011) comes from Jason Ugander, Brian Karrer, Lars Backstrom, and Cameron Marlow, "The Anatomy of the Facebook Social Graph," arXiv:1111.4503, [cs.SI], Nov. 2011; *Internet traffic* (international share of total Internet traffic, 2012) is an estimate based on data from Cisco Visual Networking Index and Telegeography; *Twitter followers* (share of Twitter followers located in different countries from the people they follow, 2012) comes from Yuri Takhteyev, Anatoliy Gruzd, and Barry Wellman, "Geography of Twitter Networks," *Social Networks*, vol. 34, no. 1, Jan. 2012; *Mergers* (international share of total M&A transactions both in number of transactions and in value based on the 40 percent of transactions with values reported, excluding spinoffs, 2013) comes from Thomson Research; *Public debt* (foreign debt share of total public debt, 2012), based on data from Euromonitor; *Exports/GDP* (gross exports of goods and commercial services as percentage of world GDP, 2012) comes from World Trade Organization and World Development Indicators; *Portfolio equity stocks* (inward portfolio equity stock as percent of market capitalization of listed companies, weighted average across 88 countries, 2012) comes from IMF Balance of Payments and International Investment Position Statistics and Euromonitor.

9 *Harvard Business Review* online globalization survey launched on April 25, 2007.

10 Jason Ugander, Brian Karrer, Lars Backstrom, and Cameron Marlow, "The Anatomy of the Facebook Social Graph," arXiv:1111.4503 [cs.SI], Nov. 2011. Available at: http://arxiv.org/abs/1111.4503

11 Yuri Takhteyev, Anatoliy Gruzd, and Barry Wellman, "Geography of Twitter Networks," *Social Networks*, vol. 34, no. 1, Jan. 2012: 73-81. Available at: http://www.sciencedirect.com/science/article/pii/S0378873311000359

12 Pankaj Ghemawat and Steven A. Altman, "DHL Global Connectedness Index 2012," Report, Deutsche Post DHL, 2012. Available at: http://www.dhl.com/en/about_us/logistics_insights/studies_research/global_connectedness_index/global_connectedness_index_2012

13 Pankaj Ghemawat and Tamara de la Mata, "Globalization and Gravity," unpublished working paper, IESE Business School, Sept. 2013.

14 N. Gregory Mankiw and Michael D. Whinston, "Free Entry and Social Inefficiency," *The RAND Journal of Economics*, vol. 17, no. 1, Spring 1986: 48-58. Available at: http://www.jstor.org.ezp-prod1.hul.harvard.edu/stable/2555627

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16 Kenneth Andrews, *The Concept of Corporate Strategy*, Richard D. Irwin, 1971.

17 Luigi Guiso, Paola Sapienza, and Luigi Zingales, "Cultural Biases in Economic Exchange," working paper, National Bureau of Economic Research, Dec. 2004. Available at: http://www.nber.org/papers/w11005

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