global strategy

Globalization has been defined in business schools as the production and distribution of products and services of a homogenous type and quality on a worldwide basis. Simply put — providing the same output to countries everywhere. And in recent years it has become increasingly common to hear business executives, industry analysts, and even university professors talk about the emergence of globalization and the dominance of international business by giant, multinational enterprises (MNEs) that are selling uniform products from Cairo, Illinois to Cairo, Egypt and from Lima, Ohio to Lima, Peru.To back up their claims, these individuals often point to the fact that foreign sales account for more than as Dow Chemical, Exxon, Hewlett Packard, IBM, Johnson and Johnson, Mobil, Motorola, Procter &Gamble, and Texaco. These are accurate statements—but they fail to explain that most of the sales of 'global' companies are made on a 'triad-regional' basis. For example, most MNEs that are headquartered in North America earn the bulk of their revenue within their home country or by selling to members of the triad: NAFTA, the European Union (EU), or Japan and a small group of Asian and Oceania nations. The real drivers of 'globalization' are the network managers of large multinational enterprises. But their business strategies are triad/regional and responsive to local consumers, rather than global and uniform. Another misunderstanding about globalization is the belief that MNEs are globally monolithic and excessively powerful in political terms. Research shows this is not so.A third misunderstanding about globalization is the belief that MNEs develop homogeneous products for the world market and through their efficient production techniques are able to dominate local markets everywhere. Additionally, the car designs that are popular in one area of the world areoften rejected by customers in other geographic areas. The Toyota Camry that dominates the American auto market is a poor seller in Japan.

Nokia, headquartered in one of the smallest countries in Europe, Finland, is the world's largest producer of mobile phones. It is the leader in Europe and second only to Motorola in the United States. In the 1970s Nokia transformed itself from a forest products firm into a high technology producer of electronic products, especially cellular phones; and by the end of the millennium the company was operating in 130 countries with annual sales of almost $20 billion.13
Because there are only 3 million people in Finland, Nokia has actively pursued a Quadrant 1 internationalization strategy and today 95 per cent of all revenues are generated outside of its borders. A large degree of this success can be attributed to its research and development (R&D) efforts which have resulted in mobile phones that employ 'global roaming,' thus allowing the unit to be used across different telecom systems worldwide. Nokia has also been very successful in forming strategic alliances with US distributors such as Radio Shack and American telecom companies such as AT&T, thus providing it with access to large markets where it can successfully employ its economic integration strategy.

Successful MNEs do not always use the pure globalization,one-size-fits-all strategy of Quadrant 1.Rather they seek an optimal balance of economic integration and national responsiveness. In somecases MNEs employ high economic integration and low national responsiveness (Quadrant 1); in other instances they use high national responsiveness and low economic integration (Quadrant 4); and in still others they have a high focus on both areas (Quadrant 3). The most famous example of such a Quadrant 3 strategy is ABB, widely discussed in the literature.12 This section reports on examples of 10 MNEs that are using one or other of these three strategies. (See Figure 3, which also shows the three MNEs discussed in the previous section.)

What quadrant is best? This will depend on the specific situation, but it is possible to offer some practical strategies for managers who want to increase their company's international revenues and profits. Five of the most useful lessons learned are these: 1. Do not assume an integrated global market. There is more to strategy than Quadrant 2. Design organization structures for Quadrants 3 and 4 which recognize triad-based internal knowhow capability and develop network organizational competencies, rather than always rely on international divisions or global product divisions, in Quadrant 1. 3. Develop new thinking and knowledge about regional business networks and triad-based clusters and assess the similar attributes of triad competitors, rather than always developing pure global strategies. The foreign market is not always the same as your home market. Make alliances and foster cross-cultural awareness in your senior managers. 4. Develop analytical methods for assessing regional drivers of success rather than globalization drivers because the former may be more useful in the future in gaining and holding market share. 5. Encourage all your managers to think regional, act local — and forget global!