CHAPTER 1

Strategy for the Global Marketplace

Strategy in Action

Founded in 1961 by Leonardo del Vecchio, Luxottica is the world's largest eyeglass company and one of the largest and fastest growing companies in Italy.[1] It began as supplier of eyeglass frames to the industry, and was based in the Italian region of Belluno – the center of eyeglass production in Italy. In 1967, Luxottica began to manufacture for its own brand as well as making contract parts and by 1971, it ceased contract production to become a full line manufacturer and retailer. The company then began a program of acquisition of competitors in eyeglass and sunglass manufacturing and marketing, to include Scarrone, an Italian eyeglass distribution company, and culminating in the purchase of struggling RayBan in 1999 from Bausch & Lomb. Luxottica produces eight house brands such as REVO and Arnette and has also procured exclusive licenses for a variety of luxury designer lines such as Bvlgari, Burberry, Chanel, Dolce & Gabbana, Donna Karan, Prada, Versace, and Polo Ralph Lauren – 17 in all. Its wholesale operations cover 130 countries and Luxottica has moved into downstream operations by purchasing Sunglass Hut, the world's largest retailer of sunglasses, and companies such as Pearle Vision and LensCrafters, major eyeglass retailers in the US market, and OPSM and Laubman & Pank in the Asia-Pacific region. It is the leading retailer in North America, China, Australia, New Zealand, and the UK.[2] At the same time, the company has expanded the size and scope of its manufacturing business, with six plants in the Belluno region of Italy, but also two in China for the

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production of less expensive frames. Luxottica maintains a network of designers and parts producers in Northern Italy, as well as having long-term relationships with production machinery manufacturers for its factories.

Luxottica controls its value-adding process from design to final sale, but hardly does so as a classic hierarchical bureaucracy with tight central control of all operations. Rather, the core company focuses on its established skills – designing and producing a wide variety of high-quality, fashion-conscious frames. Plastic frames are manufactured in plants located in Sedico, Pederobba, and Turin, while metal frames are manufactured in the plants located in Agordo and Rovereto – all in Italy. It makes small metal parts in yet another Italian plant. Leonardo del Vecchio says that "... in-house manufacturing resulted in many process innovations ... when you manufacture in-house, you're forced to improve ...".[3] Its marketing operations manage its own brands, but much of its production is sold under a variety of labels through collaborative relationships with many of the major French and Italian design houses. It distributes through 38 internal branches and 100 independent distributors in 130 countries. Its retail operations provide important, though hardly exclusive, outlets for its production, but continue to be managed independently, with separate brand identities and inventory from both the parent company and from competitors. Luxottica accesses the profits from retail operations and the benefits of direct contact with final customers, while Sunglass Hut and the others can use the superior credit and assets of their large parent in pursuing their rapid expansion plans in many markets around the world. The upstream network of parts design and manufacturing allies also work on nonexclusive bases, offering Luxottica new ideas and skills for certain items, while not saddling the company with capital commitments and workforce concerns in what are important, but peripheral, operations.

While Luxottica uses some very advanced materials and production methods, it offers a very traditional product, with much excess value coming from design and labeling – basic marketing tools. Luxottica is winning through its commitment to modern strategic management, not through having exclusive access to advanced product or process technology, not through monopolistic practices in mature markets or by moving all of its production to low-wage locations. The company taps all of these potential sources of advantage at

P1: OTA/XYZ P2: ABC
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times, but so do its competitors – who often use the same suppliers and outlets. Rather, it is the global vision of its founder and the combination of efficiency and innovation that arise from its networked organization that seem to free Luxottica to follow untried paths in an old, established industry that make it a success and a model for companies looking for success in the new century.

Globalization

Business strategy as the twenty-first century dawns is global strategy. Much is made of global markets, but competition, innovation, and organization are equally global. This is only a reflection, though, of the convergence of individual tastes for worldwide brands at the expense of local cultural preferences, worldwide political domination by a small number of industrialized and industrializing states and the emergence of several major new (or revived) political and economic players, the increasing strength of international nongovernmental organizations (NGOs), the integration of capital markets worldwide, the increasing ubiquity of communication and information around the world, and the spread of technology to the farthest reaches of the globe. Indeed, the impact of technology, and particularly information and communication technology (ICT), is the other characteristic aspect of twenty-first century business, one which is essential to modern globalization, dependent as it is on constant and immediate communication around the globe. Even as I work on the final draft of this book, the worldwide financial crisis and accompanying fears of a worldwide economic crash emphasize how broadly and quickly both good and bad developments spread. In later chapters, we will see that there is a debate on whether multinational companies are really globalizing, or remaining focused on their home regions. The current situation seems to me to have laid to rest such academic discussions in relation to markets and to the strategies, if not the asset bases, of the companies that compete in them. If the various economic regions of the world crash together, they must rise together – global is here, now.

The companies that are most involved with globalization, whether as practitioners or victims, are those multinational corporations, like Luxottica, that operate – not just sell – in multiple national markets and compete against other firms just like themselves. This book is about strategic management in multinational corporations (MNCs) competing in a technology-enabled and globalizing marketplace. It is about strategic management – indeed, it is organized as a strategy book. But it is also about international businesses and organizations and those aspects of strategy that are unique to companies operating in the international arena

Globalization is a term that is widely used, but with few limits on its possible meanings. I use it in relation to business strategy to describe the increasing integration of national and regional markets and economies and the domination of the world economy by massive multinational firms. As culture, politics, employment, and other aspects of nonbusiness life also become more global, the global strategies of multinational enterprises naturally are of great concern to business, but are of equal interest to governments, NGOs, and people who – individually and collectively – buy from, work for, fear, distrust, desire, court, sue, and otherwise interact with these companies. It seems that concern for global strategy is a particularly timely issue. This volume is intended to provide you with the basic knowledge needed to understand the forces driving international and global strategies, the character of such strategies, and the actions firms take to survive and prosper in the global economy.

A global strategy implies strategic involvement in many regions and nations around the world, but MNCs can also be widely spread without integrating their operations – they can be international, but not global – or they can integrate their operations over a smaller geographical area – they can be regional, not worldwide, in their scope. We shall see that the decision to operate abroad, to internationalize, really is separate from (if closely related to) the decision to integrate these widespread operations, to globalize. Further, we will see that most multinational firms do limit their international presence to certain regions of the world, having regional rather than global strategies, but they still must decide both how many countries they will enter (and how they will do this) and whether they will integrate their value-adding operations across national borders or run each national subsidiary as an essentially independent company. And, even if companies limit their own geographic spread, they are exposed to influences – competitors, technologies, products, money – from other regions and countries to the point that regional physical scope hardly means that the company is not engaged in the global economy.

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We will also see that the strategies of MNCs may involve all the activities and operations of these firms. International business studies have long been concerned about the internationalization and globalization of markets; about how MNCs have been able to enter foreign markets with products, skills, and market power developed in their home markets in order to increase their profits and maintain their growth. At the same time, other MNCs have looked to foreign countries as sources of production factors, whether raw materials such as minerals or agricultural products, land, labor or capital to enable them to sell less expensive or more desirable products in their home markets – or in additional foreign countries. More recently, though, recognition has grown that MNCs can also find better products, superior processes, and greater knowledge outside their home country, and that the rapid improvements in ICT in recent years enable them to coordinate multiple dispersed operation centers to create a variety of superior products for multiple dispersed markets at costs that are below those of locating integrated operations in single markets, whether at home or abroad. This technology-enabled complexity has resulted in dramatic changes in business models, in employment, in political pressures, and in strategic management of these modern MNCs – referred to as Metanational,[4] Transnational,[5] or Integrated Global[6] firms. It is not just raw material extraction and foreign sales that drive companies into the international arena any more.

Strategic Management

However, as I said above, this is not a book about international business – it is about the strategies of multinational corporations. It is intended to provide a solid background for a course on multinational strategy but to permit the time and space to supplement these basics with up-to-date materials such as readings, current event discussions, and current case examples of global strategy. In a constantly and rapidly changing environment, this seems to be the only way to retain relevance beyond the very short term. It will be organized around the basic structure of the strategic decision-making process. As such, it will parallel most business strategy or strategic management textbooks and courses.

This is done for two main pedagogical reasons and one personal reason. The latter is that I am a strategy professor as well as an international business professor, and tend to think in strategy terms. The first pedagogical issue is that I want to differentiate this book from the many texts about the environment of international business and the many other texts that focus on international management. This book is about strategy – strategy in the multinational, but strategy nonetheless. The second issue is the potential use for this book. It is intended to be used for a strategy elective, and particularly for executive or executive MBA audiences who are familiar with strategy and the strategy process, so it should be familiar in its organization. It introduces issues of internationalization and globalization within this familiar framework so that managers and prospective managers see how the concerns of international business fit into their strategic decision-making processes, rather than being a separate body of knowledge to be interpreted by the user. I also hope that this format will allow some programs to use this book as the basis, with appropriate supporting material, for a global strategy course that can replace the typical "strategy core course" without compromising students' opportunities to learn and apply general strategy principles and models.

As such, an introduction to business strategy concepts is necessary in order to put the rest of the book in perspective. That is the objective of most of the rest of this introductory chapter. So, let's talk about strategy a bit. First, there are a variety of definitions of just what business strategy and strategic management are. In the simplest sense, business strategy is what businesses do and strategic management is about the planning and execution of activities by which "it" is done. Strategy is about market positioning, about responding to the competition, the environment, and the customer. It is about being good at what we do, being efficient, being unique and innovative, about having better products and processes and more effective managers, about creating detailed plans and responding quickly to changing times.

The Strategy Process

The process of developing a business strategy generally follows a familiar sequence, as we see in Figure 1.1. The *Mission* of the firm is its larger sense of purpose. From an economic perspective, firms

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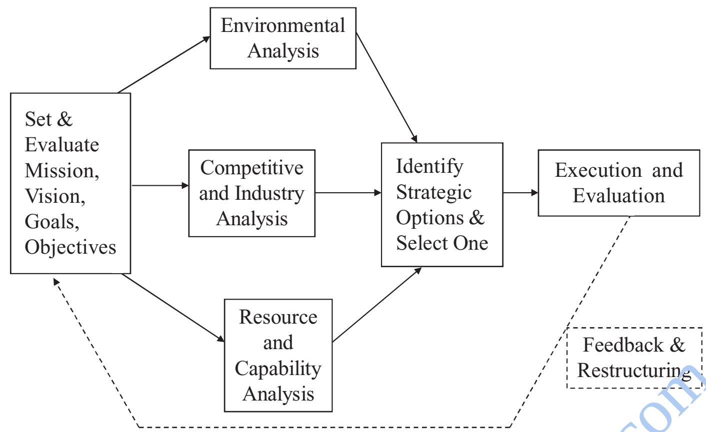

Figure 1.1 The multinational strategy process.

exist to increase the wealth of their owners or shareholders. However, many successful firms have mission statements that are pithier, more emotionally appealing, more motivating, or that offer broader perspectives on the role of the firm in society. Jack Welch has been widely cited for telling GE divisional managers that their goal was to be first or second in their industry segment or they would be gone. Komatsu built itself into a global force in the construction equipment industry with mottoes such as “maru C” or “Encircle Caterpillar”, its main rival and target.[7] We hear about “No. 1 in customer satisfaction”, “Quality is job 1” and the like. On the other hand, the Johnson & Johnson credo talks about customers, workers, and communities first and leaves profit as a residual – if we do our job right, we will be profitable.[8]

Conceptually, we see an ongoing, perhaps even intensifying, debate between what have been called the “shareholder” and the “stakeholder” models of the firm. The shareholder perspective, generally associated with Anglo-American economic models, and often associated with Chicago school economists such as Milton Friedman, contends that the only legitimate role of a business is to provide a maximum return to its owners or shareholders, and that any attempt by the firm to pursue non-wealth maximizing directions is inherently wrong – if the owners wish to use their money for altruistic purposes, they should do so themselves rather than having company management make the decision for them.

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On the other hand, stakeholder models propose that other entities and individuals have made investments in most firms, whether financial or in the form of time and effort with deferred compensation, and have a right to some returns from the business. This position has become more established as ownership of most publicly held companies has become dispersed across many individual and institutional investors rather than concentrated in an owner-manager. Many scholars argue that workers and managers typically have a greater commitment to the firm than do the owners, as they are asked to invest in firm-specific skills that make them less valuable in the open market and to accept deferred compensation such as retirement plans and other benefits. Communities, too, are asked to invest in tax relief, infrastructure improvements, worker education, and so forth in the hope of attracting jobs and eventually larger tax bases. Society in general provides the stable political, economic, and social systems that enable firms to operate at a low cost to shareholders, but at a clear cost to taxpayers. These and other stakeholders should receive direct benefits from the firm, even at some expense to equity investors.

While economic theory perhaps should not be presented as an absolute measure of right or wrong, but rather as offering various ways of resolving competing demands, the missions of corporations can become a matter of intense debate over equity, efficiency, short versus long-term benefits, the role of business in society, even the meaning of work to humanity. As part of the debate on these issues within most societies, companies typically can negotiate the course in domestic markets, as managers are part of the society. However, internationalization forces companies to do business in places where the social equilibrium may be much different. While companies in the US can generally open and close facilities, hire and fire workers, and start and end lines of business without legal consequence, these companies find that most other countries are less accepting of what they see as business necessities. European countries tend to see employment and the rights of workers as having a higher priority than corporate profits. Taxation of corporations varies greatly around the world. Companies doing business in China must be more engaged with government agencies than is typical in market economies, including as partners and competitors. In general, most of the world takes a more stakeholder-oriented perspective than does the US, forcing companies to take on much more socially conscious

P1: OTA/XYZ P2: ABC
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missions than they may pursue in the US – though, of course, social and environmental consciousness is rising in America, too, and activist pressures may work through shareholders to encourage more of a stakeholder orientation, even as laws and regulation offer direct protection much more to shareholders.

At the same time, MNCs based in industrial economies, particularly in the US, are often seen as propping up or aiding foreign governments to the detriment of home-country policies, economics, and individual workers. "Statelessness" of MNCs, implying autonomy of action with no nationalistic concern or even ruthlessness, is a growing concern of many governments and activists even as it offers many benefits to operations and to shareholders. A key part of the mission of any MNC is to define how much it is a home-country firm with international interests, and how much it is a global economic entity with ties to many states, but loyalties only to its owners – and maybe to other direct stakeholders, but not to idealized concepts of citizenship perhaps more appropriate to individuals.

Within its broader mission, a business firm must define a set of *Goals and Objectives*. These are immediate outcomes that management can pursue and against which its performance can be measured. Such goals and objectives should support the mission. From a shareholder perspective, profitability (however measured) and growth (also subject to a variety of measures) tend to be the focus, as ever-increasing profits tend to maximize equity values over time. A currently popular measure that summarizes various measures is the concept of Economic Value Added, which suggests that long-term shareholder value derives from a combination of performance measures. From a stakeholder perspective, these economic goals remain important, but other measures such as the *triple bottom line*, or net performance on economic, social, and environmental measures, are becoming popular. Even firms that may not have a strong initial commitment to noneconomic goals may be forced to consider these other outcomes by activist shareholders, particularly public institutions such as public retirement funds or university portfolio managers. For multinationals, a wider set of goals and objectives to support more social and environmental missions may be strongly encouraged or even required in some countries. In the end, though, if the business firm does not perform well economically, it will be able to do little in other spheres of endeavor.

In general, the approach taken here is that the real objective of business strategy is to generate sustained competitive advantage for the firm. Competitive advantage can be used to create growth in sales, increase market share, expand into new businesses or markets, or to generate greater profits. Different firms may use competitive advantage for different purposes, and any one firm may switch from growth to profit to social objectives over time, but without a source of competitive advantage, none of these outcomes is possible. From a micro-economic perspective, competitive advantage is reflected by the idea of producer surplus. The firm that can either sell at a market price while facing lower costs, or that can produce a unique product that can support a price premium while still attracting adequate demand will generate above-normal profits. From a strategic perspective, competitive advantage occurs when a firm can provide increased value to its customers, whether through low prices or through improved products, and can therefore attain or surpass its competition and its own goals, whether by generating greater than normal profits or by taking customers away from competitors.

However, just having a competitive advantage over other firms in an industry at a particular point in time is generally not adequate to long-term success, so this book will argue for the importance of sustained competitive advantage. As we shall see, the book takes what has been called a resource-based strategy perspective, one which proposes that competitive advantage comes to a firm through its access to unique or firm-specific resources, to include entrepreneurial and managerial capabilities. Sustained advantage comes from the ability to develop new resources and capabilities and to apply them to new markets as the economic and competitive environment changes, competitors copy successful strategies and resources, innovation changes customer options, and so forth. Only by adapting its internal capabilities and accessing new assets, together with expanding its scope for applying these resources, can a firm keep up with the ever-evolving environment of business – a condition that is only exacerbated in the international realm.

In order to pursue its goals and objectives in support of its overall mission, the managers of a firm must understand the *internal and external environments* of the firm. Sometimes referred to as SWOT (Strengths and Weaknesses, Opportunities, and Threats) analysis, this stage of the strategy process requires the identification of the resources and capabilities of the firm as well as the external competitive and contextual environment of the firm. The internal resources of the firm are the key to sustained competitive advantage in the model followed in this book. Most of the assets and capabilities of any firm are needed just to take part in an industry, to stay even with other competitors. However, most firms have certain unique, firm-specific assets and capabilities that are not exactly the same as those of other firms. If these resources can be applied to offer unique value, whether lower prices, better quality, higher performance, or some other preferred characteristic, to customers, the firm theoretically can generate economic rents from the resources – and in a strategic sense, can use these resources to generate competitive advantage. If the resources can be renewed and replaced as the world changes, this becomes a sustained competitive advantage. Of course, if management identifies resources that are weaker than those of the competition, it must find a way to reach competitive parity before seeking advantage, so understanding limitations is as important as knowing where the firm is strong.

Since resources only generate advantage and value when applied in the marketplace, managers must understand their environment. This applies to the larger exogenous context in which the firm operates – the political, economic, legal, social, and cultural environment. Obviously, this aspect of assessment is critical to multinational enterprises, as the dimensions of the international business environment vary from country to country and are also dependent on relationships between countries. While managers in a domestic environment may be able to largely assume the character of their home market, managers in the international realm never have that luxury. The other aspect of the environment that is particularly relevant to a business firm is the competitive environment. Who are our competitors? What are they doing? Where are they beating us and where are we beating them? Can we benchmark their capabilities? Can we match their technology? These and myriad similar questions reveal the opportunities and threats in the industry's competitive environment. In today's world, virtually all firms must consider international threats and opportunities. This is obvious for the case of MNCs, but even domestic firms may face international competition that may be much stronger than, or at least considerably different from, immediate domestic competition. Globalization brings much more uncertainty to environmental analysis.

Once strategic managers understand their resource stock and their environment, they are ready to begin *planning strategies* to pursue the firm's goals and objectives. A viable strategy needs to be congruent with the resource base and suited to the environment, as well as appropriate to the goals and objectives of the firm and internally consistent. A strategy with a bad fit in any of these areas will leave the firm in a long and difficult struggle with little chance for ultimate success. Multinational firms have a wider array of strategic choices, as well as more dispersed and differentiated resource bases and more complex environments, so while the process is similar in any firm, it is likely to be much longer and more complicated in the international environment. It is at this stage that managers must consider expanding into new product lines or new markets, the degree of diversification that they want for the firm, what are core and what peripheral activities, whether they are prepared to pursue acquisitions or alliances in moving ahead, how directly they are willing to challenge their competitors, and a variety of other strategic choices.

Closely tied to the choice of strategy is the *execution of strategy*. On the planning side, execution involves issues of structure and systems to provide the control, coordination, and communication needed to pursue the strategy. However, execution carries over into operations – more strategies fail because they are poorly pursued than because they are badly conceived. Excellence in operating the firm is as important to the firm as excellence in strategic planning. However, as soon as the strategy is put in place and the firm begins operation, new opportunities or new problems are likely to arise and lead the firm in new strategic directions. Henry Mintzberg refers to this as emergent strategy, strategy that develops as the firm operates, as compared to planned strategy that is laid out through the strategic planning process described here.[9] In addition, some parts of any planned strategy will simply not work as unexpected variations or changes in the environment are hit, leaving some aspects of the plan unrealized. A solid plan makes a solid base for the firm's strategy, but flexibility in execution to allow non-viable plans to be dropped and emerging opportunities to be pursued is equally important to strategic success. Again, the complex and evolving international environment is likely to offer multinational firms more and more varied opportunities to develop emergent strategies, making planning for change and considering investments as options rather than commitments critical for long-term success.

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Of course, strategic management is a process itself, not just the outcome of a planning process. Even allowing for emergence of new strategic directions is insufficient to a changing environment. Managers must revisit the planning process on a regular, even an ongoing, basis. Success and failure in attaining goals and objectives and pursuing the mission of the firm must be evaluated, nascent strategic directions considered, new developments in the business environment and in the industry's competitive context evaluated, and new plans made. Political, economic, social, and technological environments do not stand still and the firm cannot either.

The Structure of the Book

So, how will all this strategy be integrated with international business concerns into a coherent volume? The next chapter addresses the ideas of mission and objectives in more detail, and shows how, when, and why MNC managers must think much more broadly about these issues than do most managers of domestic firms – even ones that have a thriving export business. Once companies begin to establish operations and locate assets in companies other than their home base, they become subject to new laws and regulations, they must understand new cultures, they can no longer favor one set of workers over another for non-economic reasons, and they must incorporate all these and many other considerations into their reasons for existing and the goals and objectives established to support them.

Chapters 3 and 4 consider issues of the environment or context in which international strategies are applied and international operations conducted by multinational companies. In a typical strategy text, one chapter addressing industry and competitive analysis would be sufficient to cover the external "opportunities and threats" faced by the firm and of concern to the strategic manager. The larger environment gets little or no consideration, because it is treated more or less as the water in which the fish swim – ubiquitous and homogenous, therefore not an explicit concern in most situations. For the multinational, though, the macro-environment is essential. The worldwide economy and various national economies are neither constant nor identical – indeed, one important aspect of international strategy is to reduce the negative effects of economic cycles in individual markets through a portfolio approach. Different political systems, legal systems, and social structures all impact MNCs in positive and negative ways, and must be given due consideration in developing and pursuing global strategies. This is the topic of Chapter 3.

Chapter 4 addresses classic issues of industry and competitive analysis, but on a cross-national basis. Not only must MNCs be concerned with emerging firms in existing markets challenging their strategic positions, but they must be aware of other MNCs, based in other countries, that can suddenly become direct competitors – and very strong ones at that. Modern industry spans the globe, and firms must understand their positions relative to the global competition, as well as their standing in each regional and national market or potential market. We will look at both essential strategy approaches to industry analysis and international business and economics models of international markets, changing cultures, and alternative institutions and try to integrate these different perspectives and levels of analysis into a coherent set of ideas – although one which will remain quite complicated!

Chapter 5 looks at the internal situation, the status of core competencies, dynamic capabilities, and strategic resources within the firm's boundaries – and its more tentative assets available through alliances, contracts, and other network relationships. This analysis of "strengths and weaknesses" combines with understanding the market and the competition (opportunities and threats) to show management just what it has to work with when it goes up against the competition identified in competitive analysis. Given the overall theoretical posture of the book, understanding resources and capabilities, particularly those capable of generating superior performance over time, or sustained competitive advantage, is the essence of strategy. Unique firm-specific resources and capabilities (FSRCs), including hard assets, unique knowledge, the capacity for innovation, and capabilities for managing these resources in innovative ways are all part of the firm's resource stocks. MNCs hold resources in many locations and have a need to command and control, coordinate and communicate among and about their stocks of resources even more than most firms. It is one thing to know that our R&D facilities are good at coming up with new ways of applying basic physical principles, and something else to also know that these facilities are spread across, and embedded in, Virginia, Bulgaria, and India.

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Chapter 6 considers the standard strategic options of MNCs. While recognizing that every strategy should be unique – after all, they are each based on a unique combination of FSRCs, national markets, products and services, and historical antecedents – we also know that there are generic strategic solutions for every broad situation. Much of the study of business strategy has focused on generic strategies and how these fit with markets and resources, but international management models have given us their own generic approaches to broad problems. I hope to introduce ideas from both directions and to show how these can be supporting, complementary approaches to the essential need for alternative ways of acting. It is one thing to be a cost leader, but something much more to be a global low cost producer, to be a niche player, but to have to decide whether that niche will be specific worldwide consumer groups, or perhaps specific regional groups of national markets, or even specific product lines that appeal to different consumers in different places – it gets complicated!

Chapter 7 looks at the structures of multinational corporations. Strategies are fine and all that, but execution is essential, and creating an organization with the best systems for control, coordination, communication, and all the other activities of management is the first step toward executing strategy efficiently. Again, bringing in the geographical dimension alone makes structuring MNCs considerably more difficult than setting up an organization in a local or national market. Considering that it is about the interactions of competing demands for customer attention, production efficiency, and technological superiority *and* the possibilities of many places for both generating and satisfying these demands, global (even regional) integration makes traditional structures and systems far too simple and static to be real solutions.

Chapter 8 looks at entry strategies. No matter how integrated our strategy or how networked our global organization, each new country must be approached for itself as well as being part of the bigger organizational picture. Political, legal, economic, social, and cultural differences, considered as abstract concepts, color the international environment and are a part of Chapter 3, but they become hard realities when set in a particular national context. Entry strategies (and ongoing strategies for subsidiaries) must give deep consideration to all these location-tied issues as well as considering the various organizational and strategic concerns surrounding every investment. Why do we want to be in China? How do we access Vietnamese labor? What is going on in Venezuela? Such concerns are vital to global strategies, even as they must be answered on the ground in each region, country, and city.

Chapter 9 shifts gears a bit to look at current issues in global strategy in more detail, picking up on the larger, generic concepts laid out in earlier chapters to consider developing trends in the global marketplace. The rise of emerging market economies, whether from poverty or from political isolation, is changing the face of the international economy while giving MNCs a wide array of new opportunities and challenges to meet, to include new multinational competitors from these countries. The explosion of information and communication technology is making global management more possible than ever, but also means that "24/7" strategic management is rapidly becoming the norm, the minimum for competitive parity in worldwide business. More than ever, multinational strategy is about knowledge strategy, about moving key know-how from place to place, rather than moving goods and services around. This has great potential to make MNCs more efficient, but is also creating a new set of fundamental problems with the location-bound parts of the international system – the people and the nations – that will bedevil MNCs as the world moves forward. Outsourcing, offshoring, the flat world, the wired world, the integrated world, global terrorism, the end of one history and the start of a new one – companies and investors, workers and consumers, governments and management all have to deal with these and a variety of other new concepts, some threatening and some promising and most a bit of both. While breaking my initial rule of trying to avoid a current events approach to global strategy, this closing chapter will try to focus on the big picture, the long range prospects for global strategy in the coming years and decades.

It really must as the collapse of the world financial system, of demand in most countries, of credit markets globally have such dramatic strategic implications. Indeed, this crisis ties in with this book in a way that points to the dynamism and scope of the global economy. When I started seriously on the first draft in 2007, the world economy was booming, and the big question was just how to sort out winners and losers. When that draft went to my editor in the summer of 2008, things didn't look quite so good, but it looked like the rise of China and India and other emerging markets would offset sudden slowdowns in North America and Western Europe. As I complete the

P1: OTA/XYZ P2: ABC
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final draft, alarmists seem to think that the book may have to be published on clay tablets as the entire world economy implodes in a cloud of bad credit and environmental collapse. However, the current despair is likely no more permanent than the previous euphoria. So let's get to it.

Key Points in the Chapter

1 Globalization of business, in this case, refers to the increasing integration of national and regional markets and economies and the domination of the world economy by massive multinational firms.
2 Multinational corporations (MNCs) are companies with operations, not just sales in multiple countries.
3 Strategic management is the management of processes to create, protect, sustain, renew, and exploit unique firm-specific resources and capabilities in the marketplace to gain sustained competitive advantage. Global strategy is strategy practised by multinational corporations in the rapidly globalizing marketplace of the early twenty-first century.
4 The strategy process is designed to offer a systematic, step-by-step method to bring understanding to what often seems a chaotic situation and to offer a reasoned approach to deciding on a path to sustained advantage.

Notes

1 http://luxottica.com/english/profilo_aziendale/index_keyfacts.html.
2 Ibid.
3 Ibid.
4 Doz, Y.L., Williamson, P., and Santos, J. (2001) *The Metanational*. Boston, MA: Harvard Business School Press.
5 Bartlett, C.A. and Ghoshal, S. (1989) *Managing Across Borders: The Transnational Solution*. Boston, MA: Harvard Business School Press.
6 Porter, M.E. (1986) "Competition in global industries: a conceptual framework". In M.E. Porter (ed.) *Competition in Global Industries*. Boston, MA: Harvard Business School Press: 15–60.
7 Bartlett, C.A. and Rangan, U.S. (1985) *Komatsu Limited*. Harvard Business School Case 385-277.
8 Aguilar, F.J. and Bhambri, A. (1983) *Johnson & Johnson (A)*. Harvard Business School Case 384-053.
9 Mintzberg, H. (1978) "Patterns in Strategy Formulation". *Management Science*, 24(9): 934–948.