

PHILIPPE LASSERRE | FELIPE MONTEIRO



ONLINE  
RESOURCES

**GLOBAL**

Fifth  
Edition

**STRATEGIC**

**MANAGEMENT**

B L O O M S B U R Y

'A must-read for students and managers who want to understand and act upon the challenges that 'borderless' firms and their leaders face in a world revolutionized by disruptive change of all types, with a renewed emphasis on corporate governance and environmental and social sustainability.'

– [Africa Ariño](#), IESE Business School, Spain

'This book provides a fantastic base to develop critical thinking skills around the topics of global strategic management and globalization. It offers clear explanations of important frameworks coupled with real world examples and data which students can use to understand and analyze firms, industries and countries.'

– [Heather Berry](#), George Washington University, USA

'The uncertainty in today's business world is greater than ever with climate change, geopolitical fragmentation and the aftershocks of the pandemic making decision-making harder than ever. This textbook provides a route map through this uncertainty with lots of fresh case studies and bang up-to-date explanations of what is happening today. It provides both practical advice and theoretical insights for students of business at every level.'

– [Julian Birkinshaw](#), London Business School, UK

'I highly recommend this book on global business strategy. Including numerous real life case studies, a summary of the relevant literature and useful pedagogical tools, it is the perfect companion for both students and instructors. It analyses the environmental, social and governance issues international businesses face and covers contemporary important developments, such as cryptocurrencies. Congratulations to the authors on a very well-researched and comprehensive text!'

– [Lourdes S. Casanova](#), Cornell University, USA

'This book is perfect for undergraduate and graduate students interested in global strategy. It offers complete coverage of the foundation knowledge needed to understand how companies navigate and thrive in the current global landscape. The latest theoretical insights are explained in a rigorous and practically relevant way and are supported by a wide range of up-to-date activities and examples that bring these topics to life.'

– [Ilya Cuypers](#), Singapore Management University, Singapore

'Lasserre and Monteiro's textbook on global strategic management is essential reading for all students of corporate management. I recommend it to both business executives and students alike for learning both the conceptual foundations of global strategy and examining the practical applications of these concepts.'

– [Soumitra Dutta](#), University of Oxford, UK

'*Global Strategic Management* is an invaluable textbook for students studying globalization, seamlessly blending theory and practice. The international case studies and examples are particularly useful, encouraging students to engage in the complex issues facing globalizations.'

– [Ehsan Khajeh](#), Coventry University, UK

'Lasserre and Monteiro's book provides a comprehensive analysis of how companies operate in the global arena, beginning with a rich analysis of the global environment, followed by a discussion of corporate and competitive global strategies, and concluding with a pragmatic application of those concepts to functional areas of the organization. The text is didactic and accompanied by a set of interesting and informative cases. It is an invaluable resources for students of global strategy.'

– [Sergio Lazzarini](#), **Insper Learning Institution, Brazil**

'Lasserre and Monteiro provide a solid overview of the strategies of globally operating multinationals and the evolving global business environment. The book excels at providing tools for managers and is rich in contemporary data and case examples originating from a wide variety of industries and national contexts.'

– [Klaus Meyer](#), **Ivey Business School, Canada**

'This latest edition of *Global Strategic Management* continues to be the best choice for business students looking to develop a deeper understanding of global business. It contains numerous practical cases and explains concepts from literature in a way that allows for their immediate application. I strongly recommend it to readers and instructors alike.'

– [Michael Mol](#), **Copenhagen Business School, Denmark**

'This book offers comprehensive treatment of contemporary global strategy, including coverage of born globals, emerging markets and open innovation, topics on which Monteiro is a leading authority. By highlighting the Sustainable Development Goals and the need for a post-Covid-19 'green recovery', the text equips business leaders of the future for the Decade of Action and beyond.'

– [Shameen Prashantham](#), **China Europe International Business School, China**

'Lasserre and Monteiro's new version of *Global Strategic Management* is the best global strategy book on the market. It covers both western and emerging market contexts with a wide range of theories, models and cases, and highlights emerging issues including sustainability, digitalisation and national competitiveness. Organised in three key sections – context, strategy and management – it's easy-to-follow, pedagogical approach ensures *Global Strategic Management* is ideal for undergraduates and postgraduate students alike.'

– [Mohammad B. Rana](#), **Aalborg University, Denmark**

'This textbook combines academic rigor with practical relevance, addressing fundamental concepts as well as current and future trends in globalization. It provides a truly multi-faceted global perspective with 33 case studies from more than 20 countries, as well as an even larger number of practical examples.'

– [Karlheinz Schwuchow](#), **Hochschule Bremen University of Applied Sciences, Germany**

FIFTH EDITION

# Global Strategic Management

Philippe Lasserre and  
Felipe Monteiro

BLOOMSBURY ACADEMIC  
LONDON • NEW YORK • OXFORD • NEW DELHI • SYDNEY

BLOOMSBURY ACADEMIC  
Bloomsbury Publishing Plc  
50 Bedford Square, London, WC1B 3DP, UK  
1385 Broadway, New York, NY 10018, USA  
29 Earlsfort Terrace, Dublin 2, Ireland

BLOOMSBURY, BLOOMSBURY ACADEMIC and the Diana logo are trademarks of  
Bloomsbury Publishing Plc

First published in Great Britain 2002  
This edition published 2023

Copyright © Philippe Lasserre, Felipe Monteiro 2023

Philippe Lasserre and Felipe Monteiro have asserted their right under the Copyright,  
Designs and Patents Act, 1988, to be identified as Authors of this work.

For legal purposes the Acknowledgements on p. xxxviii constitute an extension  
of this copyright page.

All rights reserved. No part of this publication may be reproduced or transmitted  
in any form or by any means, electronic or mechanical, including photocopying,  
recording, or any information storage or retrieval system, without prior  
permission in writing from the publishers.

Bloomsbury Publishing Plc does not have any control over, or responsibility for, any  
third-party websites referred to or in this book. All internet addresses given in this  
book were correct at the time of going to press. The author and publisher regret any  
inconvenience caused if addresses have changed or sites have ceased  
to exist, but can accept no responsibility for any such changes.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data

Names: Lasserre, Philippe, author. | Monteiro, Felipe, author.

Title: Global strategic management / Philippe Lasserre, Felipe Monteiro.

Description: 5 edition. | New York, NY : Bloomsbury Academic, 2022. |

Revised edition. | Includes bibliographical references and index.

Identifiers: LCCN 2022002004 (print) | LCCN 2022002005 (ebook) |

ISBN 9781350932968 (paperback) | ISBN 9781350932951 (hardback) |

ISBN 9781350932975 (epub) | ISBN 9781350932982 (pdf) | ISBN 9781350932999

Subjects: LCSH: International business enterprises—Management. |

Strategic planning. | Globalization—Economic aspects.

Classification: LCC HD62.4 .L37 2022 (print) |

LCC HD62.4 (ebook) | DDC 658.4/012—dc23/eng/20220120

LC record available at <https://lccn.loc.gov/2022002004>

LC ebook record available at <https://lccn.loc.gov/2022002005>

ISBN: HB: 978-1-3509-3295-1

PB: 978-1-3509-3296-8

ePDF: 978-1-3509-3298-2

eBook: 978-1-3509-3297-5

Typeset by Integra Software Services Pvt. Ltd.

To find out more about our authors and books visit [www.bloomsbury.com](http://www.bloomsbury.com) and  
sign up for our newsletters.

Philippe Lasserre:

Pour mes enfants Virginie, Benoit, Marion, mes petits-enfants Abigail, Noé, Hélió,  
mon arrière-petite-fille Brianna, ma compagne Aline et à la mémoire de Michelle

*Oh! combien de marins, combien de capitaines  
Qui sont partis joyeux pour des courses lointaines ...*

Victor Hugo, *Oceano Nox* (1840)

Felipe Monteiro:

Para minha esposa Mariana, meus filhos Bernardo e Clara,  
minha mãe Carmen e em memória do meu pai Luiz Felipe

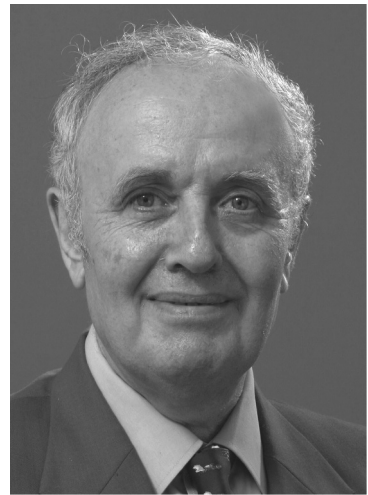
*Navegar é preciso; viver não é preciso*

Fernando Pessoa



# About the Authors

**Philippe Lasserre** is Emeritus Professor of Strategy and Asian Business at INSEAD. He obtained his Master's degree from ESSEC (Paris) and his PhD from the University of Texas at Austin. Since 1975 he has been involved in teaching, researching and consulting in strategic management and international business. He is the author of various articles on strategy, international business, business in Asia and joint ventures and he has co-authored *Strategies for Asia Pacific* (Palgrave Macmillan: 1995, 1999, 2006) and *Strategy and Management in Asia Pacific* (McGraw-Hill: 1999), as well as *Global Strategic Management* (Palgrave Macmillan: 2002, 2007, 2012, 2018). He participated in the development of the Euro-Asia Centre of INSEAD and the INSEAD Asian campus in Singapore in the early 2000s. He has been a visiting professor in various universities in Singapore, at the China European Business School in Beijing and Shanghai, at the University of Texas in Dallas, at Curtin University in Perth, at Thunderbird University in Glendale, Arizona and at the Université de Geneve. He currently lives in France.



**Felipe Monteiro** is Senior Affiliate Professor of Strategy and the Academic Director of the Global Talent Competitiveness Index (GTCI) at INSEAD. He is also a Senior Fellow of the Mack Institute for Innovation Management at The Wharton School, University of Pennsylvania. He obtained his Ph.D. in Strategic and International Management from the London Business School. He has taught at the London School of Economics (LSE) and worked as a Senior Researcher at the Harvard Business School's Latin American Research Center. His research focuses on global open innovation and the role of boundary spanners in multinational corporations, and he has received important awards from the Academy of Management, the Academy of International Business and the Strategic Management Society. He has also received the INSEAD Deans' Commendation for Excellence in MBA Teaching on multiple occasions, along with Wharton's 'Goes Above and Beyond the Call of Duty' Teaching Award. He is a prolific and award-winning case writer, and consults and gives talks for companies and governments worldwide. He currently lives in France.







# Brief contents

<b>Part I Global contexts</b>	<b>1</b>
<b>1</b> Globalization of markets and competition	<b>3</b>
<b>2</b> The emerging global environment	<b>38</b>
<b>3</b> Globalization, societies and cultures	<b>71</b>
<b>4</b> Globalization, sustainable development and social responsibility	<b>112</b>
<b>Part II Global strategies</b>	<b>173</b>
<b>5</b> Designing a global strategy	<b>175</b>
<b>6</b> Assessing countries' attractiveness	<b>226</b>
<b>7</b> Entry strategies	<b>257</b>
<b>8</b> Global mergers, acquisitions and strategic alliances	<b>284</b>
<b>Part III Managing globally</b>	<b>351</b>
<b>9</b> Global marketing	<b>353</b>
<b>10</b> Global operations and digital networks	<b>381</b>
<b>11</b> Global innovation	<b>424</b>
<b>12</b> Global financial management	<b>453</b>
<b>13</b> Global human resource management	<b>482</b>
<b>14</b> Designing a global organization	<b>522</b>
<b>Part IV Conclusions</b>	<b>559</b>
<b>15</b> Current and future trends in globalization	<b>561</b>
<b>16</b> Global strategic management in action: Haier – the building of a global champion, 1984–2020	<b>594</b>
Glossary	<b>607</b>
Index of subjects	<b>624</b>
Index of names	<b>628</b>
Index of organizations and companies	<b>637</b>



# Long contents

About the authors	vii
Figures	xxi
Tables	xxvii
Mini-cases and examples	xxxix
Tour of the book	xxxv
Companion website	xxxvii
Acknowledgements	xxxviii

<b>Introduction to the fifth edition</b>	xxxix
--	-------

## **Part I Global contexts** 1

<b>1 Globalization of markets and competition</b>	<b>3</b>
Introduction	3
The phenomenon of globalization	4
Globalization from a macro perspective	8
What are the factors that push for globalization?	8
What are the factors that work against globalization? The localization push	13
Globalization at the level of the firm	17
The global/multi-local mapping	25
Summary and key points	32
Learning assignments	33
Key words	33
Web resources	34
Notes	34
References and further reading	34

<b>2</b>	<b>The emerging global environment</b>	<b>38</b>
	Introduction	38
	Emerging countries and their development	40
	Emerging countries and their institutional and business environments	47
	Importance of business conglomerates	51
	Significant presence of 'bottom-of-the-pyramid' market segments	52
	Emerging countries and global firms	53
	Summary and key points	65
	Learning assignments	67
	Key words	67
	Web resources	67
	Notes	67
	References and further reading	68
<b>3</b>	<b>Globalization, societies and cultures</b>	<b>71</b>
	Introduction	71
	The different facets of culture	72
	National cultural differences	73
	Economic cultures and business systems	83
	The impact of cultures on global management	87
	Summary and key points	104
	Learning assignments	107
	Key words	108
	Web resources	108
	Notes	108
	References and further reading	109
<b>4</b>	<b>Globalization, sustainable development and social responsibility</b>	<b>112</b>
	Introduction	112
	Sustainable development	113
	Globalization and environmental issues	118
	Globalization and societal issues	126
	Global corporations' ethics and corporate social responsibility	141
	Global companies and business ethics	143

Social responsibility and global firms: an ongoing challenge	148
Summary and key points	158
Learning assignments	162
Key words	163
Web resources	163
Notes	163
References and further reading	166
<b>Part II Global strategies</b>	<b>173</b>
<b>5 Designing a global strategy</b>	<b>175</b>
Introduction	175
A company business strategy	176
Framework for a global strategy	180
Global strategies and the multi-business firm	203
Global strategies and the small and medium-sized enterprise (SME)	203
Born global	208
Born global and born digital	209
Summary and key points	217
Learning assignments	220
Key words	221
Web resources	222
Notes	222
References and further reading	223
<b>6 Assessing countries' attractiveness</b>	<b>226</b>
Introduction	226
Why is a country attractive?	227
Market, resources and industry opportunities	228
Assessing market opportunities	229
Plotting trends	231
Assessing resource opportunities	234
Competitive context	238
Socioeconomic, political and cultural distance	242

Country risk analysis	244
Putting it all together	246
Summary and key points	251
Learning assignments	253
Key words	253
Web resources	253
Notes	254
References and further reading	254
<b>7 Entry strategies</b>	<b>257</b>
Introduction	257
Why enter? Defining strategic objectives for a country presence	259
When to enter? First mover, follower, or acquirer?	261
The pace of entry	262
Entry modes: How to enter?	263
Comparing entry modes	270
Choosing an entry mode	270
Entry strategies in the digital space	271
Summary and key points	276
Learning assignments	280
Key words	280
Web resources	281
Notes	281
References and further reading	281
<b>8 Global mergers, acquisitions and strategic alliances</b>	<b>284</b>
Introduction	284
Global mergers and acquisitions	285
Cross-border acquisitions performance	289
The process of mergers and acquisitions	290
Pre-acquisition	291
Strategic fit	293
Capabilities fit	294
Cultural fit	294
Organizational fit	295
Integration framework	300

Integrating the companies: the transition phase	302
Integrating the companies: the consolidation phase	305
Global alliances and joint ventures	307
Partner analysis	313
Negotiation and design	317
Implementation	323
Global multilateral alliances	326
Global industrial ecosystems	331
Joint ventures for local market entry	333
Joint venture decay and failure	336
Summary and key points	343
Learning assignments	345
Key words	346
Web resources	346
Notes	347
References and further reading	347
<b>Part III Managing globally</b>	<b>351</b>
<b>9 Global marketing</b>	<b>353</b>
Introduction	353
Customer behavior, convergence and global segmentation	354
Product standardization	355
Global branding	356
Advantages of global branding	358
Disadvantages of global branding	359
Building a global brand	361
Advertising	362
Online global advertising	363
Global pricing	364
Global account management	365
Global solution selling	367
Global sales and distribution	369
Global marketing positioning	370
Fair trade marketing	370



Global marketing and its limits	371
Summary and key points	374
Learning assignments	378
Key words	378
Web resources	378
Notes	379
References and further reading	379
<b>10 Global operations and digital networks</b>	<b>381</b>
Introduction	381
The globalization of value chains: offshore production and outsourcing	382
Selecting operational sites	383
Global manufacturing networks	385
Global sourcing	388
Global logistics	392
The global management of infrastructure projects	395
The internet and global operations	397
Summary and key points	413
Learning assignments	420
Key words	421
Web resources	421
Notes	421
References and further reading	422
<b>11 Global innovation</b>	<b>424</b>
Introduction	424
The international product life cycle model	424
Global R&D networks	426
Globalization of R&D: benefits and constraints	428
Management of global R&D networks	430
The Global Innovation Index	431
Systems	432
International transfer of technology	434
Global knowledge management	435
Global Open Innovation	438

Summary and key points	446
Learning assignments	449
Key words	449
Web resources	449
Notes	450
References and further reading	450
<b>12 Global financial management</b>	<b>453</b>
Introduction	453
Currency risk	454
Strategic exposure	455
Transaction exposure	456
Hedging techniques	456
Non-hedging techniques	458
Translation exposure	458
Project finance	458
Project valuation	459
Project financing	461
Global capital structure	462
Crosslisting	464
International bond market	465
Benefits of raising debt globally	466
Concerns with raising debt globally	466
International bond market credit ratings	466
Development finance	467
Sovereign funds	468
Targeted financing	468
Cryptocurrencies	469
Trade finance	471
Documentary credit	471
Export credit agencies	472
Countertrade	473
Global financial management and taxation	473
Summary and key points	474
Learning assignments	477

Key words	478
Web resources	478
Notes	478
References and further reading	479
<b>13 Global human resource management</b>	<b>482</b>
Introduction	482
Assignment of personnel: the global human resource wheel	484
Expatriate management	485
Virtual assignments vs relocation	496
Destination challenges	497
International remote work appeals to many	499
Localization	499
The Global Talent Competitiveness Index	500
Skills development	506
Individual skills	507
Developing skills through job rotation and training	509
Working from anywhere (WFA)	509
Summary and key points	513
Learning assignments	517
Key words	517
Web resources	518
Notes	518
References and further reading	519
<b>14 Designing a global organization</b>	<b>522</b>
Introduction	522
The merry-go-round organizational challenge	523
The international division model	525
The global functional model	526
The geographical models	529
The multi-business global product division models	532
The matrix models	534
Alternative structural models	540
Regional headquarters in global management	545
Summary and key points	553

Learning assignments	554
Key Words	554
Web resources	555
Notes	555
References and further reading	555
<b>Part IV Conclusions</b>	<b>559</b>
<b>15 Current and future trends in globalization</b>	<b>561</b>
Introduction	561
Global challenges	562
Geopolitics and globalization	564
Demography and migration	564
Asymmetric development	566
Regional blocs	568
Sustainable development	570
Technological developments	572
Global risks	574
Ethnic, religious and cultural friction	575
The future of global corporations	581
Summary and key points	584
Learning assignments	587
Key words	587
Web resources	587
Notes	588
References and further reading	589
<b>16 Global strategic management in action: Haier – the building of a global champion, 1984–2020</b>	<b>594</b>
Introduction	594
Phases 1 and 2: building the brand and diversification (1984–1998)	595
The competitive battlefield of China in the 1990s	596
Phases 3 and 4: internationalization and global brand strategy (1998–2012)	598
Phase 5: global integrated network (2012–2019) – consolidating global leadership	601

Phase 6: ecosystem strategy (2019–)	603
Learning assignments	605
Notes	605
References and further reading	606
Glossary	607
Index of subjects	624
Index of names	628
Index of organizations and companies	637

# Figures

<b>0.1</b>	Structure of the book	xlii
<b>1.1</b>	DHL Global Connectedness Index	5
<b>1.2</b>	Tariff reductions and international trade	9
<b>1.3</b>	Globalization push factors	12
<b>1.4</b>	Localization push factors	15
<b>1.5</b>	A multinational competitive configuration – Otis Elevators in the 1960s	18
<b>1.6</b>	A global competitive configuration – Otis today	19
<b>1.7</b>	The three steps in globalization	20
<b>1.8</b>	World trade evolution since 1870	22
<b>1.9</b>	Migration Chart	22
<b>1.10</b>	DHL Global Trade Barometer from 2013 to 2019	23
<b>1.11</b>	Global-local mapping: different industries have different competitive requirements	26
<b>1.12</b>	Global-local mapping: different segments have different competitive requirements – example of banking	26
<b>1.13</b>	Total cost of drug development (average US\$ m)	27
<b>1.14</b>	Pattern of pharmaceutical R&D	28
<b>1.15</b>	An example of global M&A in the pharmaceutical industry: a German, American and French group	28
<b>1.16</b>	US pharmaceutical distribution channel	30
<b>2.1</b>	Globalization indicators, 2000–2020 (base 100 = 2000)	39
<b>2.2</b>	Globalization growth indicators, 2000–2019	40
<b>2.3</b>	GDP growth rates: emerging countries versus the world (1990–2019)	42
<b>2.4</b>	Shares of middle class, 2015–2020	43
<b>2.5</b>	Capital formation, 2001–2019	44
<b>2.6</b>	Foreign trade and investment, 2001–2019	45
<b>2.7</b>	Rule of law and control of corruption indicators (2019)	48
<b>2.8</b>	Government effectiveness and regulatory quality indicators, 2020	48

<b>2.9</b>	Selected ease of doing business scores, 2020 (From 0=Not Easy, 100=Easy)	51
<b>2.10</b>	The three segments in emerging markets	53
<b>2.11</b>	Advantages and disadvantages of offshoring and outsourcing in emerging countries	55
<b>2.12</b>	The strategic development of emerging market champions	56
<b>2.13</b>	Number of emerging market multinationals on Fortune Global 500	58
<b>3.1</b>	The architecture of business systems	83
<b>3.2</b>	Framework for negotiation with reference to international contracts	89
<b>3.3</b>	Negotiation Process Source: authors' own construction adapted from Fisher, Ury and Patton	90
<b>3.4</b>	Negotiation attributes and cultural differences	93
<b>4.1</b>	Sustainable development and the global firm	113
<b>4.2</b>	Temperatures worldwide: earth surface (land and oceans)	119
<b>4.3</b>	Total world GHG emissions	121
<b>4.4</b>	Variation in spot prices for CO <sub>2</sub>	122
<b>4.5</b>	Ecological investment components	125
<b>4.6</b>	Corruption and development	129
<b>4.7</b>	Example of tax evasion	140
<b>4.8</b>	The global ethical web	142
<b>5.1</b>	The purpose of strategy	178
<b>5.2</b>	Global development of Samsung Electronics	180
<b>5.3</b>	Global strategy framework	181
<b>5.4</b>	A mapping of several global companies using the TNI index	184
<b>5.5</b>	Mapping of global ambition	185
<b>5.6</b>	Comparative mapping of global ambition: comparison of Walmart (retailing), Michelin (tyres), Airbus (aircraft), Nestlé (food)	186
<b>5.7</b>	The evolution of Whirlpool's globalization (measured by GRI)	187
<b>5.8</b>	The three dimensions of the value proposition	189
<b>5.9</b>	Example of customers' value curve	189
<b>5.10</b>	Generic value chain	191
<b>5.11</b>	Typical globalization of the value chain	192
<b>5.12</b>	A generic global distribution of activities in the value chain	193
<b>5.13</b>	Sources of competitive advantage	196
<b>5.14</b>	The Transfer, Adapt, Create model applied to the globalization of mass retailing	199
<b>5.15</b>	Global/multi-local mapping and global structures	202

<b>5.16</b>	Essilor's business process	214
<b>5.17</b>	Perspective on Essilor's market development (figures as of 2014)	214
<b>6.1</b>	The foreign market entry decision	226
<b>6.2</b>	General investment framework	227
<b>6.3</b>	Framework for assessment of a country's market, resources and industry attractiveness	229
<b>6.4</b>	Relationship between GDP per capita and mobile subscriptions per 100 people, 2019 (R = 0.85)	230
<b>6.5</b>	Relationship between GDP per capita and the production of cement, 2019 (R = 0.36)	230
<b>6.6</b>	The 'middle-class effect'	232
<b>6.7</b>	Illustration of the middle-class effect in Indonesia between 2002 and 2019	232
<b>6.8</b>	Market segmentations	233
<b>6.9</b>	Natural resource per capita	235
<b>6.10</b>	Pay and productivity and skills of current workforce	236
<b>6.11</b>	Summary of the CAGE Distance Framework model	243
<b>6.12</b>	Framework for country risk analysis	244
<b>6.13</b>	Variability of economic growth, Hungary versus Czech Republic, 2000–2019	245
<b>6.14</b>	Political and economic risks in selected countries	246
<b>6.15</b>	Foreign direct investment and country risks, 2000–2019	247
<b>7.1</b>	Entry modes	263
<b>7.2</b>	Factors influencing entry modes	264
<b>7.3</b>	Mapping of entry mode choices	272
<b>8.1</b>	Number and value of global mergers and acquisitions from 1985 to 2020	287
<b>8.2</b>	The process of mergers and acquisitions	290
<b>8.3</b>	Fit analysis in mergers and acquisitions	293
<b>8.4</b>	Framework for capabilities analysis in mergers and acquisitions	294
<b>8.5</b>	Cash-flow-based valuation for M&As	298
<b>8.6</b>	A model of a step-by-step integration framework	300
<b>8.7</b>	Contingent integration modes	301
<b>8.8</b>	Various types of alliance in a global context	308
<b>8.9</b>	Framework for the analysis of strategic alliances	310
<b>8.10</b>	Economic value potential for each partner in an alliance	312
<b>8.11</b>	Partner's fit analysis in strategic alliances	314
<b>8.12</b>	Assessing the strategic fit based on the criticality of the alliance for partners	315



<b>8.13</b>	Strategic fit against partners' strategic agendas	316
<b>8.14</b>	Organizational designs in alliances	317
<b>8.15</b>	Typical items in a joint venture agreement	319
<b>8.16</b>	Management skills needed in alliances	321
<b>8.17</b>	The death valley spiral	323
<b>8.18</b>	Types of alliance constellations	326
<b>8.19</b>	Nestlé Alliances Portfolio	327
<b>8.20</b>	Arqus European Universities alliances	328
<b>8.21</b>	Alliance partners in GAVI	330
<b>8.22</b>	Lead firm ecosystem: a simplified view of Apple iPhone ecosystem	331
<b>8.23</b>	Simplified example of a value proposition ecosystem: long-distance travel ecosystem	332
<b>8.24</b>	Example of a technology-centred ecosystem: electrical vehicle ecosystem	332
<b>8.25</b>	Organization of the cross-company teams and global alliance committee in the Renault–Nissan Alliance	338
<b>8.26</b>	The Nissan Revival Plan and the cross-functional teams	339
<b>8.27</b>	New organization of the Renault–Nissan Alliance	340
<b>8.28</b>	Renault's alliances and global acquisition network	340
<b>9.1</b>	Western versus Asian hierarchy of needs	355
<b>9.2</b>	Customer segmentation	355
<b>9.3</b>	Global product standardization types	356
<b>9.4</b>	Global brand positioning	359
<b>9.5</b>	Principle of global account management	365
<b>9.6</b>	A financial global account management network servicing a leading European manufacturer	367
<b>9.7</b>	Global solution selling: an international bid for a power plant in China	368
<b>9.8</b>	Sales and distribution	369
<b>10.1</b>	The global operations network	381
<b>10.2</b>	Forms of offshoring	383
<b>10.3</b>	Different models of internationalization of services	387
<b>10.4</b>	Different global sourcing designs	389
<b>10.5</b>	Reverse auction process	391
<b>10.6</b>	Bidding profile for reverse auction	391
<b>10.7</b>	Apple supply chain	393

<b>10.8</b>	Amazon's global logistics	394
<b>10.9</b>	Airbus logistics	394
<b>10.10</b>	Players in an international infrastructure project	396
<b>10.11</b>	Global use of the internet, April 2020	398
<b>10.12</b>	Players in the internet space	400
<b>10.13</b>	Reach vs richness trade-off	403
<b>10.14</b>	Traditional supply chain model	408
<b>10.15</b>	Integrated supply chain ecosystem	408
<b>10.16</b>	Ericsson global sites and centres	412
<b>11.1</b>	The international product life cycle	425
<b>11.2</b>	Nestlé's global R&D architecture	427
<b>11.3</b>	Evolution over time of global R&D activities	429
<b>11.4</b>	Global Innovation Index (GII) Framework	431
<b>11.5</b>	Knowledge creation, sharing and 'melding' in global firms	439
<b>12.1</b>	Key issues in global financial management	454
<b>12.2</b>	Variation of major currencies against the euro, 2000 to 2021, yearly average	454
<b>12.3</b>	Bitcoin price (January–May 2021)	470
<b>12.4</b>	Documentary credit in international trade	472
<b>13.1</b>	Global human resource issues	483
<b>13.2</b>	The global human resource wheel	485
<b>13.3</b>	Human resource wheels	486
<b>13.4</b>	The expatriate challenges	487
<b>13.5</b>	Expatriates' acculturation: the 'four Fs'	488
<b>13.6</b>	The primary ingredients of individual managerial behaviour required for success in expatriate assignments in Asia	490
<b>13.7</b>	Selected indices of cost of living excluding rent	492
<b>13.8</b>	Expatriate tenure	494
<b>13.9</b>	Human resources practices supporting expatriation	495
<b>13.10</b>	Percentage of respondents who would work remotely for an employer with no physical presence in their country	499
<b>13.11</b>	The Global Talent Competitiveness Index (GTCI) model	501
<b>13.12</b>	Hiring and firing practices	506
<b>13.13</b>	Global leadership capabilities	508

<b>13.14</b>	Global management development in a global oil company	509
<b>14.1</b>	The evolution of global organizational models	526
<b>14.2</b>	The global functional organizational design	527
<b>14.3</b>	Geographical organizational models	529
<b>14.4</b>	The multi-business global product division organizational model	533
<b>14.5</b>	Matrix organizational simplified models	535
<b>14.6</b>	The Olam three-dimensional organization matrix	537
<b>14.7</b>	Convergence of global organizational designs	542
<b>14.8</b>	New business models for a new global landscape	544
<b>14.9</b>	Profiles of regional headquarters in global firms	546
<b>14.10</b>	Organizational structure of regional headquarters	547
<b>14.11</b>	Siemens' new company structure on 1 January 2008	549
<b>14.12</b>	Siemens' company structure in 2020	550
<b>14.13</b>	ACER's organizational model	551
<b>15.1</b>	Global challenges and the global corporation	562
<b>15.2</b>	The global income gap, ratio of GDP per capita in OECD countries to low-income countries, 1990–2019	567
<b>15.3</b>	Projected changes in temperature according to different projected levels of greenhouse gas emissions	571
<b>15.4</b>	Energy demand and gas emission projections according to two scenarios	571
<b>15.5</b>	A new organizational model	581
<b>16.1</b>	Evolution of market share in China in major appliances (2014–2019)	597
<b>16.2</b>	The competitive battlefield in China, 1990s to 2010	598
<b>16.3</b>	Schematic representation of <i>Rendanheyi 2.0</i> as applied to water purifiers	602
<b>16.4</b>	Haier's inverted pyramid organizational structure	603

# Tables

<b>1.1</b>	Globalization data	4
<b>1.2</b>	The societal benefits of globalization	16
<b>1.3</b>	Major global acquisitions and mergers from 1999 to 2020	29
<b>1.4</b>	Manufacturing and R&D facilities outside country of origin	29
<b>1.5</b>	Major producers of generics	30
<b>1.6</b>	Pharmaceutical market historical data and forecasts, US\$ bn (global 2019–2025)	31
<b>2.1</b>	Estimated evolution of middle-class populations in China, India and Indonesia (millions)	43
<b>2.2</b>	Evolution from agriculture to industry and services	46
<b>2.3</b>	Possible institutional voids in emerging countries	49
<b>2.4</b>	Ease of doing business indices	50
<b>2.5</b>	Differences between traditional middle-class strategies and bottom-of-the-pyramid strategies	53
<b>2.6</b>	Differences in internationalization patterns between traditional multinational companies and emerging markets multinationals	57
<b>2.7</b>	Comparison of revenues growth rate between 2011 and 2016 between BCG Global Challengers in various industries and traditional multinational companies	58
<b>2.8</b>	Selected examples of global challengers from emerging countries	59
<b>2.9</b>	Charoen Pockphand: diversification and globalization	62
<b>3.1</b>	Hofstede values orientation (selected countries)	76
<b>3.2</b>	Trompenaars' six value orientations	77
<b>3.3</b>	The eight dimensions of Meyer's culture map	78
<b>3.4</b>	Country clusters for regions covered in the GLOBE project and the salient cultural and leadership characteristics they present	81
<b>3.5</b>	Assessing a business system	84
<b>3.6</b>	Differences in business systems	86
<b>3.7</b>	Monocultural vs multicultural teams	88
<b>3.8</b>	Impact of culture on negotiating behaviour: a comparison of American and Japanese responses	93

<b>3.9</b>	Chinese business negotiation style	96
<b>3.10</b>	Business practice differences	97
<b>3.11</b>	Brazilian indicators	102
<b>4.1</b>	Sustainable development issues	114
<b>4.2</b>	Total world GHG emissions including land-use change and forestry (billion tons equivalent CO <sub>2</sub> )	119
<b>4.3</b>	Depletion of natural resources	122
<b>4.4</b>	Corruption indices including rankings	127
<b>4.5</b>	Five corruption cases from 'clean' countries	132
<b>4.6</b>	A checklist of anti-corruption measures	133
<b>4.7</b>	The ten principles of the UN Global Compact	146
<b>5.1</b>	Business, corporate and global strategy	177
<b>5.2</b>	Distribution of the world market by regions in selected industries, 2019 (as a percentage of US\$ value)	183
<b>5.3</b>	Distribution of markets and revenues in tyres, 2019 (%)	184
<b>5.4</b>	Global positioning alternatives	190
<b>5.5</b>	Capabilities leading to competitive advantage	194
<b>5.6</b>	Sources of competitive advantage of global companies	196
<b>5.7</b>	Building global sustainable advantage	197
<b>5.8</b>	Organizational designs for global strategies	200
<b>5.9</b>	SMEs' economic weight measured by contribution to employment and value added in selected countries in Europe, North and South America, Asia Pacific	204
<b>5.10</b>	Typology of international SMEs	205
<b>5.11</b>	Obstacles to internationalization as perceived by SMEs	207
<b>5.12</b>	Differences between born global and traditional global firms	209
<b>5.13</b>	Examples of three major born global firms	210
<b>5.14</b>	HSBC distribution of revenues, employment and customers	212
<b>6.1</b>	Macro indicators used in international market assessments	231
<b>6.2</b>	Characteristics of demand according to country life cycle clusters	234
<b>6.3</b>	Quality of infrastructures	237
<b>6.4</b>	Porter's industry analysis as applied to international business entry	238
<b>6.5</b>	Major types of incentive for foreign investments	241
<b>6.6</b>	Cluster characteristics, Asia Pacific	249
<b>6.7</b>	Country profiles	250

7.1	Entry strategy objectives	260
7.2	Advantages and disadvantages of being a first mover	262
7.3	Advantages and disadvantages of country-based joint venture partnerships	267
7.4	Comparing various entry modes	271
7.5	Three models of entry	272
8.1	Value creation in M&As	292
8.2	Failures in the integration process	299
8.3	Main strategic objectives pursued in various types of alliance	311
8.4	Value creation and distribution	313
8.5	Receptivity in learning	326
8.6	Types of local partner for market entry joint ventures	333
9.1	Customer needs and value curves	354
9.2	Top five leading global brands comparison between 2020 and 2000	357
9.3	Examples of corporations using global and local brands	357
9.4	Top ten relevant brands	362
9.5	Major global advertising agencies, 2019	362
9.6	Capabilities required for global solution selling	369
9.7	Various global marketing positions	370
10.1	Criteria for facilities location	384
10.2	Ferdow's classification of globally set-up factories	386
10.3	Phases in international infrastructure projects	396
10.4	Digital platforms	400
10.5	Effects of the internet on globalization	404
10.6	The evolution of Industry 4.0	407
10.7	Comparison of supply chains	409
10.8	Organizational requirements for e-business	410
11.1	R&D capabilities, 2000 and 2018	425
11.2	Top ten R&D spenders as % of GDP	426
11.3	Total R&D spend US\$PPP (purchasing power parity)	426
11.4	Performance evaluation criteria	430
11.5	Global Innovation Index top 20 countries	432
11.6	Classification of technology	434
11.7	Opportunities and constraints for knowledge management in global companies	436
11.8	Tools and approaches used for knowledge management in the metanational corporation	437

<b>11.9</b>	Intellectual property rights and their infringement	442
<b>11.10</b>	Protection of intellectual property rights	443
<b>11.11</b>	Scout locations	444
<b>12.1</b>	Classification of risk linked to infrastructure assets	459
<b>12.2</b>	Financial risk mitigants and incentives for infrastructure finance	460
<b>12.3</b>	Correlation coefficients of monthly returns for selected stock markets, 1 January 2016 to 1 March 2021	463
<b>12.4</b>	Regional distribution of domestic and foreign listed companies for various stock exchanges, 2021	464
<b>12.5</b>	Types of international bond	466
<b>12.6</b>	List of the main multinational DFIs	467
<b>12.7</b>	The main bilateral DFIs	467
<b>12.8</b>	Top ten largest sovereign wealth fund rankings by total assets	468
<b>13.1</b>	The changing nature of international staffing	486
<b>13.2</b>	Eight global trends for global mobility 2021	498
<b>13.3</b>	Top twenty countries	501
<b>14.1</b>	Characteristics of global functional organizational design	527
<b>14.2</b>	Characteristics of geographical organizational models	530
<b>14.3</b>	Characteristics of the multi-business global product division organizational model	533
<b>14.4</b>	Characteristics of matrix organizational models	535
<b>15.1</b>	World population, 2015 to 2100	565
<b>15.2</b>	Pros and cons of migration	566
<b>15.3</b>	Global and regional inequalities	567
<b>15.4</b>	Regional trade agreements	568
<b>15.5</b>	Selected global risks 2021	575
<b>15.6</b>	Simplified list of the 15 Global Challenges identified by The Millennium Project	578
<b>15.7</b>	The Millennium Project Global Challenges	579
<b>15.8</b>	Management of new roles for the individualized corporation	582
<b>15.9</b>	Data relating to Pulau Vicente	584
<b>16.1</b>	Haier's six strategic stages	594
<b>16.2</b>	Head-to-head comparison of Haier Smart Home and Midea groups	597
<b>16.3</b>	Haier vs. global competitors, 2018–2021	599
<b>16.4</b>	Haier's key international industrial investments	600

# Mini-cases and examples

Mini-cases				
Chapter	MC #	MC title	Area covered	Page number
1 Globalization of Markets and Competition	1.1	Pharmaceutical Industry: a global and local Industry	Global	27
2 The Emerging Global Environment	2.1	Stefanini and the Global Digital Revolution	Brazil, Global	60
2 The Emerging Global Environment	2.2	Charoen Pokphand (CP)	Thailand/ SE and East Asia	62
2 The Emerging Global Environment	2.3	BYD (Build Your Dreams)	China	64
3 Globalization, Societies and Culture	3.1	Working across cultures: the engineering consultants' clashes	Indonesia/ various	98
3 Globalization, Societies and Culture	3.2	Brazil	Brazil	100
4 Globalization, Sustainable Development and Global Responsibility	4.1	Shell and Cosan	Brazil	123
4 Globalization, Sustainable Development and Global Responsibility	4.2	Jack Cumberland	SE Asia	131
4 Globalization, Sustainable Development and Global Responsibility	4.3	Operation Car Wash	Brazil, Latin America	151
4 Globalization, Sustainable Development and Global Responsibility	4.4	Enel	Italy, Global	154
4 Globalization, Sustainable Development and Global Responsibility	4.5	Etisalat's philanthropic activities	UAE	156
4 Globalization, Sustainable Development and Global Responsibility	4.6	Light Up The World (LUTW)	Canada/ Peru	157
5 Designing a Global Strategy	5.1	HSBC: the world's local bank	China, Hong Kong, UK	211
5 Designing a Global Strategy	5.2	Essilor: a global player	France, Global	213
5 Designing a Global Strategy	5.3	Quinta do Vallado	Portugal, Global	215
6 Assessing Countries' Attractiveness	6.1	TAG Heuer	Switzerland, US	240



Mini-cases				
Chapter	MC #	MC title	Area covered	Page number
6 Assessing Countries' Attractiveness	6.2	Izmir Industrial Electric: Exercise	Turkey (Fictional)	249
7 Entry Strategies	7.1	Schneider Electric and the power backup market in India	India	273
7 Entry Strategies	7.2	Entry and development of Transsion in Africa	SE China/ Africa	274
8 Global Mergers, Acquisitions and Strategic Alliances	8.1	The long road of global mergers in the telecoms equipment industry	Global	306
8 Global Mergers, Acquisitions and Strategic Alliances	8.2	General Motors' global alliances: a Sisyphean task	US/Global	341
9 Global Marketing	9.1	waterdrop®	Austria, Global	372
9 Global Marketing	9.2	Halo Top – using digital marketing to disrupt the global ice cream giants	US/Various	373
10 Global Operations and Digital Networks	10.1	The globalization of the sharing economy: Airbnb, Uber and BlaBlaCar	US/France/ Global	410
10 Global Operations and Digital Networks	10.2	Ericsson global value chain	Sweden, Global	412
11 Global Innovation	11.1	FC Barcelona, Barça Innovation Hub (BIH)	Spain, Global	441
11 Global Innovation	11.2	Global giants' R&D networks – Siemens and BASF	Germany, Global	445
12 Global Financial Management	12.1	Cleanwater in Vietnam	Australia/ Vietnam	474
13 Global Human Resource Management	13.1	Global managers – Pedro Aguilar	Argentina/ US	511
13 Global Human Resource Management	13.2	Global managers – Joseph Laval	France- Thailand	512
14 Designing a Global Organisation	14.1	Siemens Vision 2020+	Various	549
14 Designing a Global Organisation	14.2	ACER's global organizational evolution	Taiwan/ Global	551
15 Current and future trends in globalization	15.1	Threat of a pandemic	Asia (Fictional)	583

Examples				
Chapter	Example #	Example title	Region	Page number
1 Globalization of Markets and Competition	1.1	Otis Elevators	EU/UK/US	18
2 The Emerging Global Environment	2.1	The multi-segment approach in emerging countries	Germany/ China/Brazil/ India	54
4 Globalization, Sustainable Development and Global Responsibility	4.1	An introduction to issues of corporate social responsibility – Shell in Nigeria	Nigeria	114
4 Globalization, Sustainable Development and Global Responsibility	4.2	Child labour and the global firm: Sialkot and Reebok	Pakistan/UK	136
5 Designing a Global Strategy	5.1	Samsung Electronics	South Korea	179
5 Designing a Global Strategy	5.2	Whirlpool	US	186
5 Designing a Global Strategy	5.3	Yellow Tail: a blue ocean strategy in action in the global market space	Australia	195
5 Designing a Global Strategy	5.4	Gemplus: from Marseille to the world	France	210
5 Designing a Global Strategy	5.5	Sunna Design: a born global start-up	France	210
5 Designing a Global Strategy	5.6	Cochlear: an Australian born global high-tech company	Australia	211
7 Entry Strategies	7.1	IKEA's market-seeking entry strategy in India	Sweden/ Various	258
7 Entry Strategies	7.2	Cargill's market- and resource-seeking entry strategies	US	259
8 Global Mergers, Acquisitions and Strategic Alliances	8.1	Getinge's growth via international acquisitions	Sweden	285
8 Global Mergers, Acquisitions and Strategic Alliances	8.2	An ongoing global alliance: the Renault–Nissan Alliance	France/ Japan	338
9 Global Marketing	9.1	Global/local branding – L'Oréal in China	France/ China	360
10 Global Operations and Digital Networks	10.1	Li & Fung's 'virtual factory' concept	China	389
10 Global Operations and Digital Networks	10.2	E-procurement and reverse auctions	Global	390
10 Global Operations and Digital Networks	10.3	Apple's vs Amazon's global supply chains	US/Global	392
10 Global Operations and Digital Networks	10.4	Enron in India: the Dabhol Power Plant <sup>9</sup>	US/India	397

Examples				
Chapter	Example #	Example title	Region	Page number
10 Global Operations and Digital Networks	10.5	Yahoo! and anti-racist legislation in France	France, US	404
11 Global Innovation	11.1	Nestlé – a global network	Switzerland	427
11 Global Innovation	11.2	Global virtual lab at Merck Sharp and Dohme (MSD)	US	443
13 Global Human Resource Management	13.1	Appointing a divisional manager in France	Switzerland/ France	483
13 Global Human Resource Management	13.2	ABB's localization programme in China in the late 1990s	Sweden/ Switzerland/ China	504
14 Designing a Global Organisation	14.1	Evolution of two global organizations: Unilever and Procter & Gamble	UK/ Netherlands/ US	523
14 Designing a Global Organisation	14.2	Global functional organizational design at Apple	US	528
14 Designing a Global Organisation	14.3	Geographical organizations – Zee Entertainment and ISS	India	531
14 Designing a Global Organisation	14.4	Philips	The Netherlands/ Global	534
14 Designing a Global Organisation	14.5	Matrix organizations – Olam and BASF	Nigeria/ Germany	536
14 Designing a Global Organisation	14.6	Strategy and organizational structure: IBM from the 1990s to the 2020s	US	542
14 Designing a Global Organisation	14.7	Example of a digitally enabled structure: GitLab	Ukraine/ Global	544
15 Current and Future Trends in GSM	15.1	The Millennium Project	US/Global	578
15 Current and Future Trends in GSM	15.2	The 'Future Possibilities Report'	UAE/United Nations	580

# Tour of the book

## Chapter 1

### Globalization of markets and competition

By the end of the chapter you should be able to:

- Define globalization from a macro environment perspective
- Identify the forces pushing towards globalization and the forces pushing for localization
- Define what globalization means for firms
- Identify the various steps of globalization for firms
- Make a distinction between multinational and global firms
- Spell out the benefits and pitfalls of globalization
- Analyse the recent trend of deglobalization
- Discuss the consequences of the Covid-19 pandemic on globalization
- Position an industry or a business on the global/multi-local mapping



1 **Chapter introductions and learning objectives** | provide a guide to the material in each chapter and allow progress to be checked.

2 **Mini-cases** | help students to apply key concepts in global strategy to the real world of business. They are largely based on a diverse range of 'transnational' companies which operate across the world.

#### MINI-CASE 1.1

##### Pharmaceutical industry: a global and local industry

The discovery and crafting of drugs dates back to antiquity, however, small scale production began in the late eighteenth century. This was followed in the mid-nineteenth century by mass production and the founding of firms including Merck, Squibb, Upjohn, Pfizer and Eli Lilly in the USA; Sandoz, Hoffman LaRoche in Switzerland; Bayer, Hoechst in Germany; Beecham, Wellcome in the UK; and Clin-Byla in France. At the beginning of the twentieth

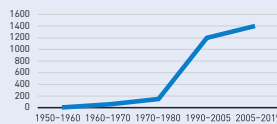


Figure 1.13 Total cost of drug development (average US\$ m)  
Source: Author's calculation from Wouters, McKee and Luytens (2020).

3 **Inserts** | provide additional information that expands upon and contextualizes key information.

#### Insert 1.1 Theories of globalization

##### Macro theories: free trade and globalization

The *theory of comparative advantage*, proposed in the early nineteenth century, stated that under free trade, nations will maximize wealth if they export the goods for which they have a relative advantage (Ricardo 1967). The idea is that countries should concentrate on the production of those goods and services at which they are most efficient and export them, whilst buying in other products from abroad. The total global production of goods and services will then be higher than when separate countries try to produce everything themselves. As a theoretical example, imagine two similar industrial parks, one in Malaysia and the other based in the Philippines, both with 10,000 workers, and both producing electrical products. Both sites employ 5,000 workers (half their total effort) to produce computer

Table 1.1 Globalization data

	US \$bn Current Price					Average Growth rate
	1990	2000	2010	2019	2020	
World GDP (US \$bn)	22800	33700	66200	87600	84700	5.10%
Gross Capital formation	5880	8150	16200	23000	na	5.20%
Trade (Export of goods and Services)	4300	7940	22900	24800	22600	6.90%
Foreign Direct Investments (Inward Stock)	2196	7377	19899	36377	41354	11%
Foreign Direct Investments (Inflows)	205	1356	1393	1530	999	10%
Cross Border Mergers and Acquisitions (Value)	98	960	347	423	379	18%
Sales of Foreign Affiliates	7615	17000	32960	33200*	na	8.43%
Royalties and Licences fees	31	75	191	427*	na	9.80%
Employment of Foreign Affiliates (Thousand)	30860	54000	62900	85500	na	5.40%
Daily Foreign Exchange Transactions (US \$bn)	539	1240	3972	6592	na	9%

Source: Authors' own, based on data from World Bank, World Development Indicators: <https://databank.worldbank.org/source/world-development-indicators>; UNCTAD: <https://unctad.org/statistics>; BIS (Bank of International Settlements): <https://www.bis.org/statistics/px19.htm?m=6%7C381%7C677>

4 **Figures and tables** | are used extensively to illustrate the theory.

**EXAMPLE 1.1 Otis Elevators**

Otis Elevator Company started in 1853 in New York and was soon selling elevators in Canada and Europe as well. In the 1960s it had many plants, service operations and sales offices all over Europe, where the company grew organically as well as by acquisition. Each subsidiary fought for a share of local markets. Competitors were either local national companies or subsidiaries of rival multinational companies. The Otis subsidiaries managed all the activities of the value chain (marketing, design, production, installation and service). For instance, the French subsidiary designed elevators for the French market, manufactured them in French factories, sold them with French sales forces and maintained them with a French after-sales organization – the

**5 In-chapter examples |** are scattered throughout the text to reinforce how the theory is put into practice. Longer examples are highlighted and exemplify global strategy at work.

**Summary and key points**

- 1 Globalization is the process by which people, products, information and money can move freely across borders
  - a Four factors are pushing globalization:
    - Political: liberalization of trade and investment reduces trade barriers
    - Technological: technology reduces the cost of coordination and increases economies of scale
    - Social: convergence of customer choices encourages standardization and global branding
    - Competitive: emergence of new competitors induces integration companies to compete on all fronts with strong coordination

**6 Summary and key points |** provide an abbreviated version of the main concepts and theories. They are useful for revision and checking understanding of the key points.

**Learning assignments**

- 1 Among the enterprises that you know, can you identify one that qualifies as a global company? Why?
- 2 In Figure 1.9, why are saving accounts positioned low on global approach and high on local approach while investment banking is high on global approach and low on local approach?
- 3 In Figure 1.8, food retail is positioned as a local business, with a very low globalization score. However, in the press, companies like Tesco, Walmart or Carrefour are described as 'global retailers'. Explain this discrepancy.
- 4 What are the social factors that have pushed for globalization, and which have been pushing against it?

**7 Learning assignments |** test understanding of the chapter and encourage further thought.

**8 Key words |** appear at the end of each chapter and can be used as checklists for revision.

**Key words**

- Arbitrage benefits
- Comparative advantage
- Global companies
- Global industries
- Global/multi-local mapping
- Globalization
- International product life cycle
- Multinational companies

**9 Web resources |** are included for students who want to delve a little further.

**Web Resources**

INSEAD:  
<http://knowledge.insead.edu/>  
*Businessweek* magazine:  
<https://www.bloombergenews.com/businessweek>  
*McKinsey Quarterly*:  
<http://www.mckinseyquarterly.com/>  
 UNCTAD:  
<http://unctad.org/en/Pages/Home.aspx>

Boston Consulting Group:  
<https://www.bcgperspectives.com/>  
 Provides information about the WTO:  
<http://www.wto.org/>  
 Provides statistics and papers from the IMF:  
<http://www.imf.org/>  
<https://www.globaltradealert.org/>

**References and further reading****Books and articles**

Altman, S. and Bastian, P. (2020) *DHL Global Connectedness Index*. <https://www.dhl.com/content/dam/dhl/global/dhl-spotlight/documents/pdf/spotlight-g04-global-connectedness-index-2020.pdf> (accessed 1 February 2022).  
 Baker, M. and Hart, S. (1999) *Product Strategy and Management* (London: Prentice-Hall).  
 Bank for International Settlements (2014) 84th Annual

Dunning, J. (1993) *Multinational Enterprises and the Global Economy* (Wokingham: Addison-Wesley).  
 Dunning, J. H. (2001) 'The Eclectic (OLI) Paradigm of International Production: Past, Present and Future', *International Journal of the Economics of Business*, 8 (2): 17–190.  
 Evenett, Simon J. (2019) 'Protectionism, State Discrimination and International Business Since the Onset of the Global Financial Crisis',

**10 References and further reading |** identify key texts for further research and include books and journal articles.

# Companion website

Visit the companion website at [bloomsbury.pub/global-strategic-management-5e](https://bloomsbury.pub/global-strategic-management-5e) for a range of teaching and learning resources including:

## Global Strategic Management

5th Edition  
by Philippe Lasserre and Felipe Monteiro

Home  
Instructor Resources  
Student Resources

Seamlessly blending academic rigour and practicality, this textbook provides an introduction to global business strategy. Assuming a born global perspective, *Global Strategic Management* is supported by ample pedagogical features, including numerous case studies and examples featuring both established multinationals and unknown SMEs from across the globe.

The book takes an applied approach to global business strategy, emphasising functional parts of international business (managing marketing, operations, HR and finance). New to this fifth edition is increased material on sustainability and corporate social responsibility, including discussion of climate change, NGOs and sustainable development goals. Subjects such as the impact of technology, cryptocurrency and global strategy in the digital space are discussed in more detail.



## For instructors:

- Microsoft® PowerPoint presentations for each chapter
- Answers to mini-case questions
- Answers to learning assignments
- A testbank of multiple choice and essay questions
- Videos illustrating issues covered in the chapters of the book

## For students:

- Multiple choice questions for revision
- Appendices

# Acknowledgements

The authors would like to give particular recognition to Anne Marie Carrick for her collaboration in the preparation, documentation and editing of the book.

We would also like to thank our colleagues at INSEAD who gave us useful advice, as well as their blessing, to use some of their work in this new edition: David Dubois, Horacio Falcão, Wesley Koo, Michael Lee, Joerg Niessing, Yadav Prashant, Phanish Puranam and Anna Szerb.

We would also like to thank our colleagues at INSEAD who gave their support for the previous editions: Henri Claude de Bettignies, Amitava Chattopadhyay, Gabriel Hawawini, Philip Parker, Jose Santos, Hellmut Schütte, Jasjit Singh, Claude Viallet (†) and Michael Witt.

Many thanks also to all our colleagues in the INSEAD Strategy area for their continuous support while we were writing this book. In particular, our gratitude goes to Michael Bikard, Laurence Capron, Yves Doz, Javier Gimeno, Ilze Kivleniece, Chengyi Lin, Subi Rangan, Andrew Shipilov, Ithai Stern and Peter Zemsky. Having them around—even during Covid times—has been a major source of inspiration for us. Our thanks also goes to our faculty assistants namely Elodie Poulain and Typhanie Vasseur.

Thanks also to Mary Boldrini from the INSEAD Library who helped us to retrieve useful data and Andrew Lee who helped with additional research. We are also grateful to the research department of INSEAD who provided some financial support and to the INSEAD Case Publishing team, Isabel Assureira, Carine Dao Panam, Claire Derouin, Hazel Hamelin, Emilie Lescahier Traquet and Larisa Shikhova. We would also like to thank the global leaders who generously gave us their time and opened the doors of their organizations for us to write about their challenges and accomplishments. In particular, we would like to thank Joao Alvares Ribeiro, Jean-Claude Biver, Ernesto Ciorra, Celso Ferrer, Yannick Fierling, Jean-Marc Frangos, Mariano Gomide, Paulo Kakinoff, Joao Roquette Ribeiro, Vincent Rotger, Zhang Ruimin, Javier Sobrino, Francesco Starace, Shubao Sun, Marco Stefanini, Fabio Tentori and Geraldo Thomaz.

Our gratitude also goes to our collaborators in other projects, which inspired a number of the ideas and examples presented in this book. Our special thanks go to Tulio Alburquerque, Tina Ambos, Niklas Arvidsson, Sergio Averbach, Jose Miguel Benavente, Julian Birkinshaw, Daniel Blake, Claudio Conti, John Davies, Benoit Decreton, Denise Dunlap, Lisa Friedman, Sumantra Ghoshal (†), Gustavo Herrero, Susan Hill, Katia Kachan, Suzana Kertesz, Thomas Klueter, Bruno Lanvin, Sergio Lazzarini, Luiz Mesquita, Michael Mol, Caterina Moschieri, Aldo Musacchio, Nikita Pillai, Marta Pimentel, Gabriel Rozman, Jose Santos, Don Sull, Betania Tanure, Katherine Tatarinov and Ivanka Visjnic.

Christian Ritter, Elizabeth Holmes, Sophie Harrington and Isabelle Cheng from Bloomsbury and Deborah Maloney from Integra gave us their competence and patience in editing the text. Our final wholehearted thanks goes to our families and friends for all their support and love.

# Introduction to the fifth edition

The fifth edition of this book was prepared from 2020 to mid 2022, a time in which the Covid-19 pandemic severely impacted economic, social and health conditions. More than 500 million people were infected with the Coronavirus and more than 6.3 million people have died as of June 2022. In early 2022 Russia invaded Ukraine affecting global trade and investments and disrupting global supplies.

Those events have triggered large-scale government support for businesses and industries and the recovery presents a unique occasion to rethink and reset priorities when rebuilding, focusing efforts on the sustainability, resilience and inclusiveness aspects of governments' policies and businesses' strategies and actions.

During this unprecedented time, businesses adapted rapidly to both changes in consumers' behaviours and a shift to remote working, rapidly deploying digital systems to accommodate these changes. The general consensus is that the move to digital, hybrid ways of working and work from everywhere trends are likely to persist even after the pandemic subsides.

Covid-19 has brought globalization front and centre of the debate, highlighting interconnectedness (the virus went global in a few weeks) and deglobalization (the difficulties in international cooperation and the re-emergence of nationalisms in the provision of vaccines, medical supplies, protective masks, etc.). The pandemic and the Ukrainian war have also highlighted the interdependence of global production and supply chains, as well as the risks and fragilities that they are exposed to, forcing multinationals to revise their localization and procurement strategies to gain resilience in the current uncertain environment.

Furthermore, a resurgence of several forms of nationalism in Russia, Turkey, China, Central Europe and the USA have given a new momentum to protectionism. The European Union itself, one of the most ambitious international integrative organizations, showed some signs of both disillusion and dissolution, with Brexit being the most notorious example. Even the emerging world is experiencing some economic slowdown. As a response to the Russian invasion of Ukraine in early 2022, Western democracies, lead by the US, UK and EU, imposed a series of economic and financial sanctions against Russia that affected global trade and finances in energy, food and disrupted global supply chains. In spite of uncertain signs, many corporations from all over the world have shown a willingness to pursue their quest for global markets. OECD (Organisation for Economic Co-operation and Development) firms are still looking at emerging economies in order to capture the consumption appetite of their expanding middle classes. New champions from emerging countries are progressively planting investments outside their boundaries and developing an appetite for acquiring companies in the industrial world.

On the technological front, the recent period has seen confirmation that the world has fully entered into a digital era that permeates nearly all segments of human activities: health, industrial production, entertainment, communication research and development and more.



This new edition considers that globalization is still an ongoing, fundamental economic phenomenon, but tries to take into consideration the above-mentioned geopolitical, technological and climatic trends. The objectives of this edition are to help students and managers to understand the forces that drive globalization and to put together all aspects of global strategic management to provide firms with the relevant skills to support their global ambitions. It is still about global firms and global management. Its objective remains to help graduate and undergraduate students to understand the main issues that companies and their managers confront when they 'go global' or 'manage globally', and how to cope with them. Data and narratives have been updated in light of the aforementioned new developments, and several case examples added. At the end of each chapter there are now one or two Mini-cases that students may discuss in class.

The book has been designed as a support for specialized courses on strategic management for global firms or courses on international business, and is equivalent to a series of course notes to be read in preparation for a class or afterwards. Students will normally be assigned a case study for each of the topics covered in the book. It can also be used as a reference guide for managers and executives.

There are a number of excellent textbooks on international business already available.<sup>1</sup> How does this book compare?

First, the focus of the book is on business firms and their employees. It has eliminated from the text the macroeconomic and political factors that traditional international business textbooks cover, such as international trade and investment flows, the problems of economic development in emerging countries, analysis of international and regional institutions (such as the World Trade Organization (WTO), the United Nations (UN), the World Bank and other development banks, the European Union (EU), the North American Free Trade Agreement (NAFTA), the Association of Southeast Asian Nations (ASEAN)), as well as geopolitical analysis of diplomacy and defence. It is assumed that students who are interested in those topics will read specialized books or attend courses taught by economists or political scientists.

Second, the book takes the view that the traditional international business paradigm, based on the study of investments in 'foreign' countries by 'home'-country firms, is no longer sufficient for studying global firms. International and multinational firms controlling a vast array of 'foreign subsidiaries' have been in existence for a long time but, since the 1970s, the concept of 'global' firms has progressively imposed itself at the nexus of borderless strategic thinking. Global firms have increasingly shed their original nationality to manage a network of firms in an integrated and coordinated way out of 'centres' that are no longer necessarily located in their country of origin. Those firms 'without borders' make up the vanguard of the modern industrial architecture. More and more 'born global' companies and small and middle-sized firms have improved their global presence.

Some chapters have been strengthened to deal with the new reality of multinational corporations as they put environmental, social and corporate governance (ESG) at the front and centre of their strategies and operations.

New sections have been added to emphasize the role of digital technologies, which have revolutionized consumer behaviours, impacted core business models and blurred borders between industries and sectors. In the case of multinational corporations, these disruptive digital tools have also enabled

productive and innovative networks, supply chain management and marketing of products and services at a distance. The chapter on global alliances has been augmented with references to global ecosystems.

This edition, like the previous ones, is inspired largely by theoretical and empirical work. Obviously, classical issues such as entry strategies or expatriate management will not be forgotten, but the overall tone of the book looks at how, ultimately, international or multinational firms become global and are managed globally.

Third, the book aims to describe and analyse the key strategic and managerial challenges for firms, but does not pretend to be exhaustive or encyclopaedic. Many theoretical developments have been deliberately omitted: transaction costs theory, locational theory and agency theory, for instance. We have also avoided the temptation to provide long lists of publications. Instead, we have concentrated solely on the most relevant literature in each discussion. A more extensive list of references and further reading is available at the end of each chapter.

Several Examples and Mini-cases have been inserted in the chapters in order to illustrate the points made in the text. In addition, a number of online appendices can be found on the companion website, which provide further information on cryptocurrency, global/local mapping, country profiles, government support programs, globalization indices, country comparisons, cash flow adjustment, different types of risk, organizational design and scenario construction. These can be accessed and downloaded via the companion website, at **[bloomsbury.pub/global-strategic-management-5e](http://bloomsbury.pub/global-strategic-management-5e)**.

Finally, the book owes a considerable debt to the work done by professors or ex-professors at INSEAD Business School, and has favoured their works rather than those of others. This has been a deliberate choice, given the long-standing involvement of the authors in the intellectual life of this institution.

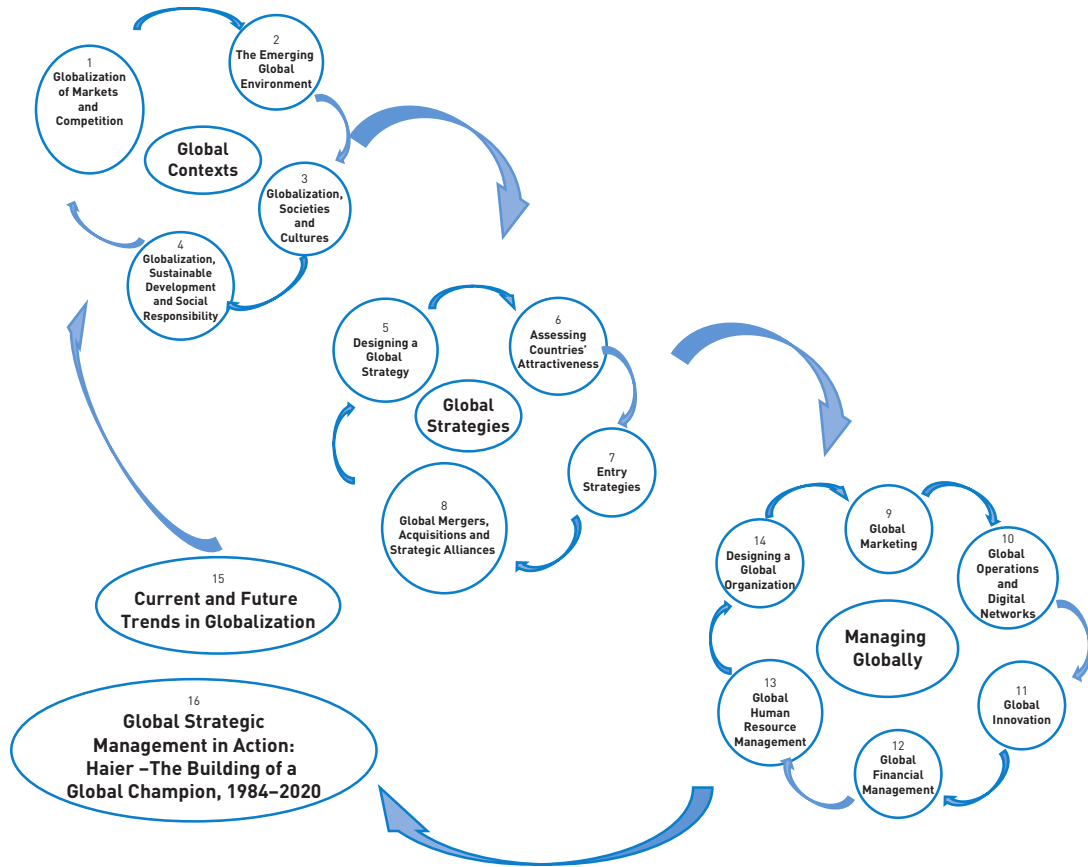
## The structure of the book

As Figure 0.1 shows, the bulk of the book is organized into three parts of unequal length according to the classical strategic framework of Environment, Strategy, Implementation: which in this case translates to Global Contexts, Global Strategies and Managing Globally. The Current and Future Trends in Globalization and the long case study on Global Strategic Management in Action (Chapter 16) tie up the arguments presented in that structure.

## How can this book be used?

This book can be used in three ways:

- 1 As a stand-alone textbook for a course based on lectures and exercises. At the end of each chapter there are questions that can serve as learning assignments to prepare for such lectures, or to follow them.
- 2 As background reading for a course based on case studies. To that end Appendix I.1 (see companion website) lists potential cases that can be used to support each chapter of the book. Those cases



**Figure 0.1** Structure of the book

are available from the most important case platforms, such as INSEAD Publishing, Harvard Business School Publishing and The Case Center. There are also some excellent casebooks available.<sup>2</sup>

- 3** As a reference book, particularly in executive programmes or for individual readers who wish to get acquainted with global strategic management without being burdened by too much theory and background reading.

## Notes

1 Inkpen and Ramaswamy (2006); Tallman (2009); Peng (2021).

2 De la Torre, Doz and Devinney (2001); Bartlett and Ghoshal (2002).

## References and further reading

### Recent (since 2015)

- Hill, C. W. L. and Hult, G. T. M. (2021) *International Business: Competing in the Global Marketplace*, 13th edn (New York: McGraw-Hill).
- Peng, M. (2021) *Global Strategy*, 5th edn (Boston, MA: Cengage Learning).
- Schlege, B. and Winer, R. (2020) *The Routledge Companion to Strategic Marketing* (Milton, Oxford: Routledge).
- Berck, J. and Demarzo, P. (2020) *Corporate Finance* (London: Pearson Education).
- Wehrich, H., Cannice, M. and Koontz, H. (2020) *Management: A Global, Innovative, and Entrepreneurial Perspective*, 15th edn (New York, NY: McGraw-Hill).
- Geringer, M., McNett, J., Minor, S. and Ball, D. (2020) *International Business* (New York, NY: McGraw-Hill).
- Hawawini, G. and Viallet, C. (2019) *Finance for Executives: Managing for Value Creation*, 6th edn (Mason, OH: South-Western Cengage Learning).
- Wild, J. and Wild, K. (2019) *International Business: The Challenges of Globalization*, 9th edn (London: Pearson).
- van Tulder, R., Verbeke, A. and Piscitello, L. (2019) *International Business in the Information and Digital Age* (Bingley, UK: Emerald Publishing).
- Eun, C. and Resnick, B. (2017) *International Financial Management*, 7th edn (New York, NY: McGraw-Hill).
- Jensen, K. R. (2017) *Leading Global Innovation: Facilitating Multicultural Collaboration and International Market Success* (London: Palgrave).
- Pucik, V., Evans, P. A. L., Björkman, I. and Morris, S. S. (2017) *The Global Challenge: International Human Resource Management*, 3rd edn (Chicago, IL: Chicago Business Press).
- Tell, F., Berggren, C., Brusoni, S. and van de Ven, A. (2017) *Managing Knowledge Integration Across Boundaries* (Oxford: Oxford University Press).
- Lehmacher, W. (2017) *The Global Supply Chain: Technology, Transformation and Circular Economy* (Wiesbaden: Springer International).

- Westland, C. (2016) *Global Innovation Management*, 2nd edn (London: Palgrave).

### Before 2015

- Johansen, J., Farooq, S. and Cheng, Y. (2014) *International Operations Networks* (London: Springer-Verlag).
- Kotler, P. and Kotler, M. (2014) *Winning Global Markets: How Businesses Invest and Prosper in the World's High-Growth Cities* (Hoboken, NJ: Wiley).
- Hayton, J. (ed.) (2012) *Global Human Resource Management Casebook* (New York, NY: Routledge).
- Yip, G. and Hult, G. T. M. (2012) *Total Global Strategy*, 3rd edn (Harlow: Pearson Education).
- Bartlett, C. and Beamish, P. W. (2011) *Transnational Management: Text, Cases and Readings in Cross-Border Management*, 6th edn (New York, NY: McGraw-Hill).
- Hitt, M. A., Ireland, R. D. and Hoskisson, R. E. (2011) *Strategic Management: Competitiveness and Globalization: Concepts and Cases*, 9th edn (Mason, OH: Thomson South-Western).
- Tallman, S. (2009) *Global Strategy: Global Dimensions of Strategy* (Chichester: Wiley).
- Dunning, J. H. and Lundan, S. M. (2008) *Multinational Enterprises and the Global Economy*, 2nd edn (Cheltenham: Edward Elgar).
- Inkpen, A. and Ramaswamy, K. (2006) *Global Strategy: Creating and Sustaining Advantage Across Borders* (Oxford: Oxford University Press).
- Ariño, A., Ghemawat, P. and Ricart, J. E. (2004) *Creating Value Through International Strategy* (Basingstoke: Palgrave Macmillan).
- Bartlett, C. A. and Ghoshal, S. (2002) *Managing Across Borders: The Transnational Solution*, 2nd edn (Boston, MA: Harvard Business School).
- De la Torre, J., Doz, Y. L. and Devinney, T. (2001) *Managing the Global Corporation: Case Studies in Strategy and Management*, 2nd edn (New York, NY: McGraw-Hill).

Doz, Y. L., Santos, J. and Williamson, P. J. (2001) *From Global to Metanational: How Companies Win in the Knowledge Economy* (Boston, MA: Harvard Business School).

Bartlett, C. A., Doz, Y. L. and Hedlund, G. (1990) *Managing the Global Firm* (London: Routledge).

Prahalad, C. K. and Doz, Y. L. (1987) *The Multinational Mission: Balancing Local Demands and Global Vision* (New York, NY: Simon & Schuster).

## Journals

*Academy of Management Journal*:

<https://aom.org/research/journals/journal>

*California Management Review*: <https://cmr.berkeley.edu/>

*Global Strategy Journal*:

<https://onlinelibrary.wiley.com/journal/20425805>

*Harvard Business Review*: <https://hbr.org/>

*Journal of International Business Policy*:

<https://link.springer.com/journal/42214/volumes-and-issues>

*Journal of International Business Studies*: <http://www.springer.com/business+%26+management/journal/41267>

*Journal of Management Studies*:

<https://onlinelibrary.wiley.com/journal/14676486>

*Journal of World Business*:

<https://www.journals.elsevier.com/journal-of-world-business>

*Long Range Planning*: <https://www.journals.elsevier.com/long-range-planning>

*MIT Sloan Management Review*: <http://sloanreview.mit.edu>

*The International Journal of Human Resource*

*Management*: <http://www.tandfonline.com/toc/rijh20/current>

*The International Journal of Logistics Management*:

<http://www.emeraldinsight.com/journal/ijlm>

*Thunderbird International Business Review*:

[http://onlinelibrary.wiley.com/journal/10.1002/\(ISSN\)1520-6874](http://onlinelibrary.wiley.com/journal/10.1002/(ISSN)1520-6874)

# Part I

## Global contexts

**Chapter 1 Globalization of markets and competition** | Chapter 1 defines what 'globalization' means, first from a geopolitical and economical point of view and second for business enterprises. It looks at the many political, technological, social and economic factors that have driven globalization as well as the ones restraining it. It describes how companies have over time moved from being national to international, then to multinational and finally becoming global firms. It ends by proposing a mapping of industries and firms according to the extent to which they are exposed to globalization or localization drivers.

**Chapter 2 The emerging global environment** | Chapter 2 underlines the growing importance of emerging countries, their companies and their markets in the world since the 1980s. It describes the main characteristics of emerging countries, their development paths and their attractiveness as markets and as offshore operational bases, as well as their competitiveness and the role of their global champions. Strategies for doing business in emerging countries will also be discussed.

**Chapter 3 Globalization, societies and cultures** | Chapter 3 discusses how in different parts of the world societies still differ in terms of the ways economic activities are structured, coordinated and managed, and how cultures influence the behaviour of people and organizations. It begins with a presentation of different streams of research showing international differences in business cultures and economic organizations. Various cross-cultural studies will be presented, followed by a discussion of the impact of cultural differences on management, cross-cultural teams, negotiations and business practices. The last part of the chapter deals specifically with international negotiations.

**Chapter 4 Globalization, sustainable development and social responsibility** | This chapter addresses some of the issues that global companies face concerning environmental and ethical challenges. Particular emphasis is put on the kind of ethical dilemma global firms and managers have to confront in their worldwide operations – issues such as corruption, tax evasion, environmental protection, human rights, labour laws and gender equality.



# Chapter 1

## Globalization of markets and competition

By the end of the chapter you should be able to:



- Define globalization from a macro environment perspective
- Identify the forces pushing towards globalization and the forces pushing for localization
- Define what globalization means for firms
- Identify the various steps of globalization for firms
- Make a distinction between multinational and global firms
- Spell out the benefits and pitfalls of globalization
- Analyse the recent trend of deglobalization
- Discuss the consequences of the Covid-19 pandemic on globalization
- Position an industry or a business on the global/multi-local mapping

### Introduction

Chapter 1 defines what 'globalization' means: firstly from a geopolitical and economic point of view, and secondly for business enterprises. It looks at the many political, technological, social and economic factors that have driven globalization, as well as those restraining it. It describes how many companies have evolved, over time, from 'national' to 'international', then 'multinational' and finally 'global'. Using an example, the chapter looks at how a *multinational* company having foreign subsidiaries can become *global* by extending its operations worldwide and adopting a competitive configuration through strong coordination and integration of its international activities across borders. Both the benefits and constraints of globalization are described. Some factors still push towards a local approach to management, on a country-by-country basis, and the elements inducing this localization are analysed.

Finally, the global/multi-local mapping matrix is presented as a tool to position industries, companies and businesses according to the relative importance they place on global versus local approaches. The chapter ends by introducing some of the societal issues associated with globalization.



## The phenomenon of globalization

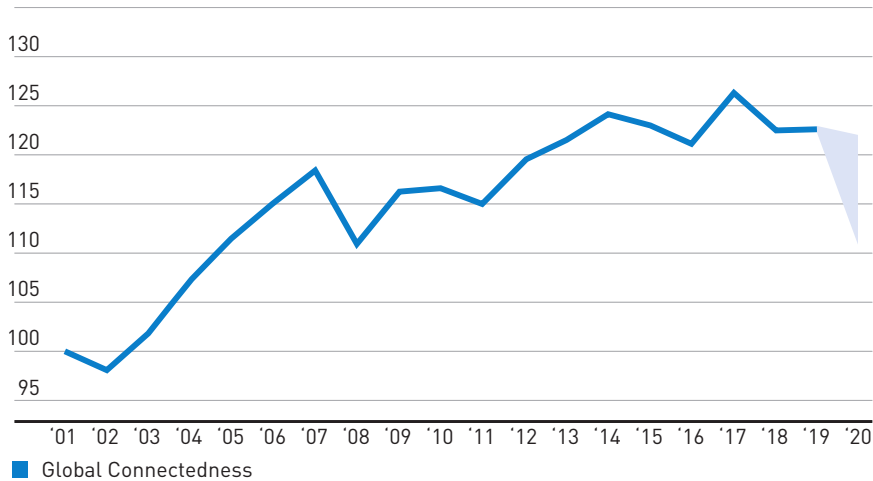
Since the 1960s, international trade, investment and migration have all grown much faster than the world economy. Firms have multiplied their presence outside their country of origin, employing more and more people and selling and buying technology internationally (see Table 1.1 and Figure 1.1). More products are sold in similar stores, with similar features carrying a common brand across the globe. Factories that were prosperous in the Western world have been closed and transferred to lower-cost countries. English is now considered the *lingua franca* for major business transactions. Events happening in one location are visible in real time everywhere thanks to the internet and social networks. This is what is commonly referred to as the process of ‘globalization’.

**Table 1.1** Globalization data

	US\$ bn Current Price					Average
	1990	2000	2010	2019	2020	Growth Rate 1990–2019
World GDP (US \$bn)	22800	33700	66200	87600	84700	5.10%
Gross Capital Formation	5880	8150	16200	23000	na	5.20%
Trade (Export of Goods and Services)	4300	7940	22900	24800	22600	6.90%
Foreign Direct Investments (Inward Stock)	2196	7377	19899	36377	41354	11%
Foreign Direct Investments (Inflows)	205	1356	1393	1530	999	10%
Cross Border Mergers and Acquisitions (Value)	98	960	347	423	379	18%
Sales of Foreign Affiliates	7615	17000	32960	33200*	na	8.43%
Royalties and Licence fees	31	75	191	427*	na	9.80%
Employment of Foreign Affiliates (Thousand)	30860	54000	62900	85500	na	5.40%
Daily Foreign Exchange Transactions (US \$bn)	539	1240	3972	6592	na	9%

**Source:** Authors' own, based on data from World Bank, World Development Indicators: <https://databank.worldbank.org/source/world-development-indicators>; UNCTAD: <https://unctad.org/statistics>; BIS (Bank of International Settlements): <https://www.bis.org/statistics/rpfx19.htm?m=6%7C381%7C677>.

In today's business world, managers, politicians, journalists and academics commonly refer to concepts such as ‘globalization’, ‘global industries’, ‘global competition’, ‘global strategies’ and so on. While those terms are widely used, their exact meaning is often not well understood. For some people, globalization is considered to be the intrusion of foreigners into local communities. Its effect is viewed as a destruction of the social fabric within nations. For others, it means freedom of movement, entrepreneurship, an exchange of cultures and harmonization. As far as the corporate world is concerned, some are certain it means ‘to expand the company's presence abroad’; for others, it means ‘standardizing a product and selling it to the world’; for others still, it denotes an approach to management in which decision making is centralized at corporate headquarters. There are many reasons for this confusion. One relates to the fact that the phenomenon of globalization



**Figure 1.1** DHL Global Connectedness Index

**Source:** The Global Connectedness Index is a combination of measures concerning the global movement of trade, capital, information and people, <https://www.dhl.com/content/dam/dhl/global/dhl-spotlight/documents/pdf/spotlight-g04-global-connectedness-index-2020.pdf>.

describes macroeconomic and political change, while for the business world it denotes a strategic and managerial issue. While the concept of globalization is relatively new, the phenomenon is not. There have been periods in history when the world was without borders, and citizens, products and money could move freely. Theories have been developed to explain and advocate free trade and globalization from the macro point of view, and to explain the process of globalization from the business point of view (see Insert 1.1). As far as the business world is concerned, before the 1970s the most frequently used terminology, when referring to integrated operating across the world, was 'international', 'multinational' or occasionally 'transnational'. Even if we ignore the East India Company, which started in the early seventeenth century, modern corporations such as Unilever, Nestlé and Procter & Gamble were operating all over the world by the end of the nineteenth century. They are known as multinational companies, but nobody would have called them global fifty years ago. The global concept appeared in the early 1970s and progressively invaded boardrooms, classrooms and business literature. What is the exact meaning of globalization? What forces generated it? And what are the consequences for firms?

There is no single, well-established definition of globalization. Here we will posit as a working definition: 'The process by which people, products, information and money can move freely across borders'. As a consequence, markets may tend to converge, providing opportunities for the standardization of products, for production centres to be (re)located to more economical places, and for R&D labs to be distributed across countries. As we will see, this implies a more centralized management of firms. Before examining the many aspects of corporate life impacted by the phenomenon of globalization, we will first look at the macroeconomic, technological and political factors that have generated such a global environment, and then look at how firms have changed their operations to take advantage of the new opportunities this environment offers.

## Insert 1.1 Theories of globalization

### Macro theories: free trade and globalization

The *theory of comparative advantage*, proposed in the early nineteenth century, stated that under free trade, nations will maximize wealth if they export the goods for which they have a relative advantage (Ricardo 1967). The idea is that countries should concentrate on the production of those goods and services at which they are most efficient and export them, whilst buying in other products from abroad. The total global production of goods and services will then be higher than when separate countries try to produce everything themselves. As a theoretical example, imagine two similar industrial parks, one in Malaysia and the other based in the Philippines, both with 10,000 workers, and both producing electrical products. Both sites employ 5,000 workers (half their total effort) to produce computer motherboards and 5,000 workers to make videogame consoles. The Malaysian operation is able to produce 10 million motherboards per year and the Philippines 8 million, while the Malaysians produce 200,000 consoles to the Philippines' 250,000. Malaysia has, therefore, demonstrated a comparative advantage over the Philippines for motherboards and Philippines has a comparative advantage over Malaysia for consoles. The total global output in the current situation will be 18 million motherboards and 450,000 consoles per year. For better results, Malaysia should concentrate on producing motherboards and trading them, while the Philippines should focus its efforts on consoles. In this situation the global output rises to 20 million motherboards and 500,000 consoles, marking an 11 per cent increase in both motherboards and consoles.

*World-system theories* suggest that globalization is the product of nationalistic, capitalistic, colonial and international expansion (Wallerstein 1974, 2000; Robinson 2004). For instance, from the sixteenth century the colonial expansion of Spain, Portugal, the Netherlands, Britain and France created a global market for a certain number of commodities. Later, the USA and Japan became colonial imperialistic global powers. In other words, since the appearance of modern shipping vessels and navigation systems, truly global trade has become possible.

*Marxism* views globalization as the result of the tendency of the return on capital to decrease, forcing capitalists to find new territories to exploit. Lenin argued that the ultimate stage of capitalism was imperialism (Marx and Engels 1848; Lenin 1917). The argument is that the profits of firms tend to decrease because of intense competition. Firms react by merging and looking for markets outside their national boundaries, creating global oligopolies, for example Holcim Group, Apple and Samsung.

*Network society theories* see globalization as the result of the vested interests of a transnational capitalistic class (managers, politicians, bureaucrats, bankers), as well as of supranational organizations such as the WTO, UN and EU (Castells 1996; Sklair 2000). Advances in telecommunications and the rise of the internet have made it possible for business to be conducted globally, both in terms of financial transactions and internationally connected production systems.

*Technological cultural theories* propose that information technologies have led to a convergence of culture (Robertson 1992; Ritzer 1993). Very similar in essence to McLuhan's 'Global Village' concept,<sup>1</sup>

these theories state that thanks to technology, people in different countries increasingly tend to share a common culture and consumer choices, making global product design and production possible and desirable.

The *World 3.0* theory, developed by Professor Pankaj Ghemawat,<sup>2</sup> holds that humanity has followed four stages of social, political and economic organization and trade. The first stage (World 0.0) refers to the prehistoric period in which societies were organized into thousands of tribes surviving by hunting and gathering, and where human interactions were limited to those between the members of tribes, with practically no external trade. The second stage (World 1.0) refers to the formation of political entities in the forms of cities or empires (China, Sumer, Aztec), governing several thousands to millions of peoples (mainly farmers) under a political power structure (an empire or kingdom). Mostly economically self-sufficient, these states introduced some international transactions, but limited exchange mechanisms (such as trade via the Silk Road). World 2.0 started in the seventeenth century with the colonial expansion of European powers and the creation of nation states. The first multinationals, such as the British East India Company, extended their reach as far as Asia. During the nineteenth century, thanks to transportation and communication innovations, multinational firms from Europe, America and Japan developed. After a decline between the two world wars, global development exploded and saw the formation of the modern business juggernauts such as Nestlé, General Electric and Siemens that we see today. The driving force of World 2.0 in the postwar years was a progressive deregulation and integration of markets. World 3.0 is predicted to evolve, following the global financial crisis of 2008, as a world that is characterized by a high level of market integration but also a high level of government regulation, in what has been called *semiglobalization*.

### Micro theories: corporate globalization

*Transaction cost theories* posit that multinational firms result from the economic benefits of internalizing costs of transaction rather than relying on contracts to regulate contact with international economic agents (Buckley and Casson 1976).

*Resource-based theories* suggest that firms take advantage of their proprietary assets (technology, capital) to expand their presence in international markets (Barney 1991).

*Resource seeking theories* explain the global expansion of firms by their desire to obtain resources they don't have (Dunning 1993).

*The Eclectic (OLI) theory of International production* asserts that internationalization of firms is determined by three sets of forces: the ownership of a competitive advantage (O), the location of an attractive external country where to invest (L) and the benefits of internalizing the operations (I) (Dunning 2001).

*The Uppsala model of Internationalization* (Johnson and Vahine 1977) proposes that the process of internationalization is a process of gradual resources commitments based on the knowledge about foreign markets possessed by a firm and the perceived risks and opportunities.

## Globalization from a macro perspective

Historically the world has experienced various periods of intense trade across continents and free movement of people and capital (see Insert 1.2), in particular during the nineteenth century after the Napoleonic wars. After a decrease due to the two world wars of the twentieth century, several factors generated the emergence of the new economic environment that we call 'global'.<sup>3</sup> During the 1950s and the 1960s the convergence of several political, technological, social and competitive factors began to shape this new environment.<sup>4</sup>

### Insert 1.2 History of globalization

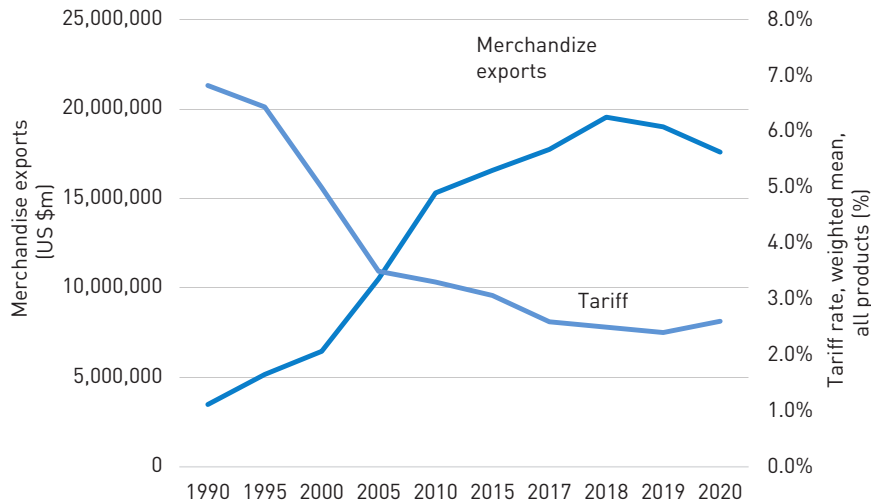
In a book published in 2020, Jeffrey Sachs, from Columbia University, states that 'Humanity has always been globalized, since the dispersal of modern humans from Africa some seventy thousand years ago'.<sup>5</sup> He identifies seven distinct periods (ages) of globalization determined by the interplay of three major sets of factors: Geography, Institutions and Technology, and Know-how. The seven ages are:

- 1** Paleolithic (70,000–10,000 BCE): When the migration from the African nest of Homo sapiens reached sites along the Middle East coastal areas.
- 2** Neolithic (10,000–3000 BCE): Further global expansion in this period is linked with the development of agriculture progressively replacing hunting and allowed the settlement of population in the temperate zones of Europe and the Middle and Far East.
- 3** Equestrian (3000–1000 BCE): Fostered by the progressive domestication of animals (goat, camel, sheep, cattle, horses). The horse allowed the transport of goods on long distances and permitted the migrations and trade to northern Europe, India and China.
- 4** Classical (1000 BCE–1500 CE): Fostered by the creation of empires motivated by political and/or religious motives. Mongols, Roman, Assyrian, Persian, Greek, Arab, Ottoman empires are examples of such cultural, economic global developments.
- 5** Ocean (1500–1800 CE): The development of trans-oceanic sailing vessels initiated the Spanish and Portuguese implantation in America and Asia followed by British, Dutch and French explorers, creating the first global capitalism and colonialism illustrated by the advent of global trading houses.
- 6** Industrial (1800–2000 CE): The steam engine was the initiator of industrialization in Britain in the nineteenth century, which cumulated with the technological development of communication, transport and the expansion of the multinational firms.
- 7** Digital (twenty-first century): The global connectivity of the internet and artificial intelligence offers multiple possibilities for designing new global transactions reinforcing the world.

## What are the factors that push for globalization?

### Political factors: liberalization of trade and investments

The main political factor has been the stabilization of postwar peace in Organisation for Economic Cooperation and Development (OECD) countries, which allowed the development of free trade among nations. Two main organizations have been the source of trade liberalization – the General



**Figure 1.2** Tariff reductions and international trade

**Source:** Authors' creation using data from various World Bank Indicators.

Agreement on Tariffs and Trade (GATT) (replaced by the World Trade Organization (WTO) in 1995) and the European Union – to which one may add the progressive opening of emerging nations to foreign investments.

The GATT, founded in 1946 by twenty-three nations, initiated a series of negotiations, called 'rounds', aimed at reducing tariff concessions to encourage the liberalization of trade. The Kennedy Round in the mid-1960s, the Tokyo Round in the early 1970s, the Uruguay Round in late 1980s and the Doha Round in 2001 created an environment that fostered international trade, as shown in Figure 1.2.

The European Economic Community (EEC), later subsumed by the European Union (EU), was established on 25 March 1957 by the Treaty of Rome, which was signed by Belgium, France, Italy, Germany, Luxembourg and the Netherlands. The aim was to create a common market, and economic and political integration among the six member states. As a result, goods, people and financial flows could move freely across countries. During the 1970s, the EEC was enlarged with the entry of the UK, Ireland and Denmark, followed by Spain, Portugal and Greece in the 1980s, Sweden, Austria and Finland in the 1990s, and Poland, Lithuania, Latvia, Czech Republic, Slovakia, Slovenia, Malta, Hungary, Estonia, Cyprus, Romania, Bulgaria and Croatia in the early 2000s. In 1993, a single market which eliminated most legal and bureaucratic barriers was established among the member states. In 1999, a single currency, the euro, was adopted by nineteen countries, and passport-free travelling without any border controls was allowed between twenty-six countries as part of the Schengen Agreement signed in 1985. Companies could integrate their operations across Europe to take advantage of a market of 500 million customers and gain economies of scale by specializing and concentrating their operations. In 2020 the UK Left the European Union.

In addition, from 1948 to 2020 the number of preferential trade agreements (PTA) and regional trade agreements (RTA) notified to the GATT/WTO increased from practically none to around 600 in 2020 with