UNIVERSITY OF LIVERPOOL

MKIB 351: Global Strategic Management

Lecture 4 - The AAA Global Strategy Framework – Part 2

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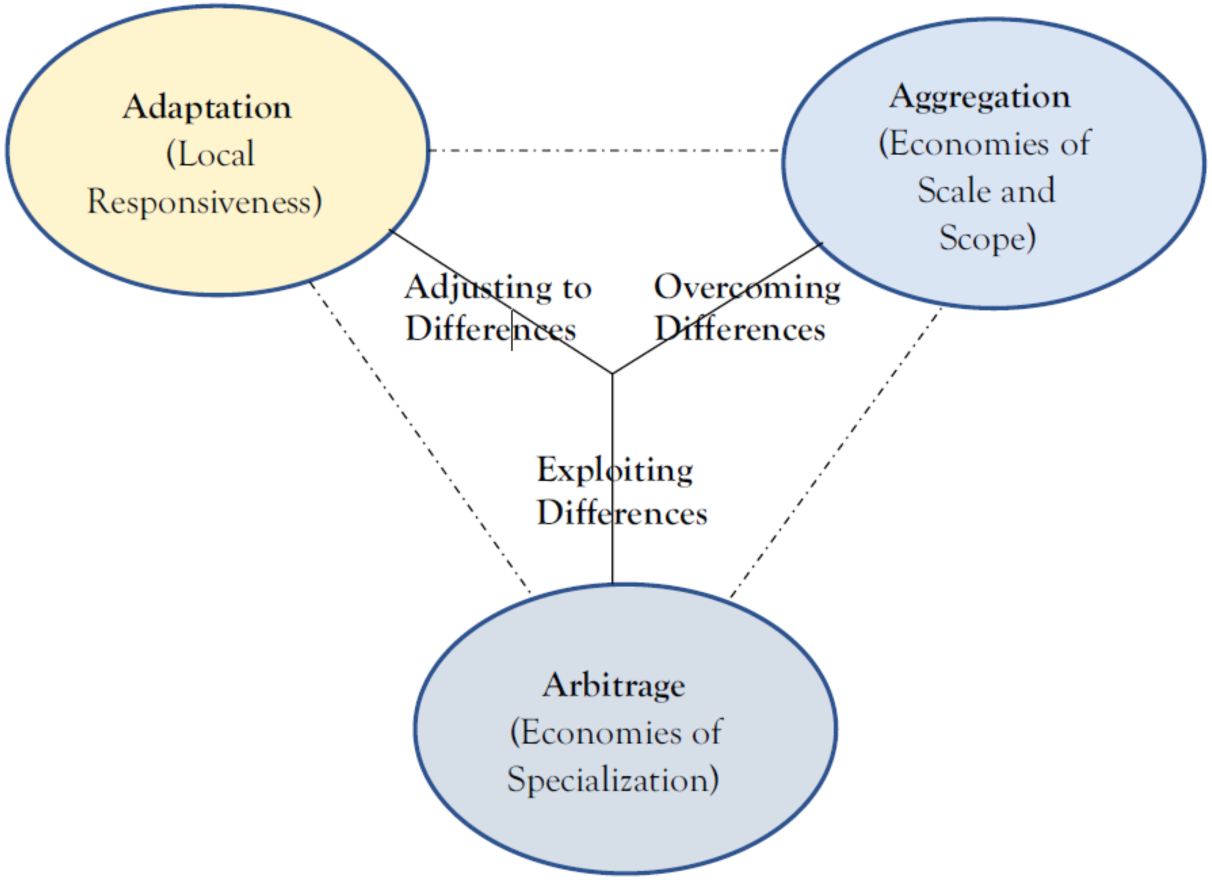
Agenda

- The AAA Global Strategy Framework
  - Arbitrage
    - Analysing Arbitrage
    - Managing Arbitrage
  - Differences across the AAA strategies
  - Which A Strategy Should a Company Use?
  - Levels of global strategy
  - Drawbacks and Lessons in Applying the AAA Framework
- Globalization of Companies
  - The Uppsala model
  - The Network model
  - Born Global
- International Strategies

The AAA Global Strategy Framework

- ''Essentially, international management is management of distance'' (Zaheer et al., 2012: 19).
- The three generic approaches to developing a global competitive advantage (Ghemawat, 2018):
  - **Adaptation** strategies seek to increase revenues and market share by tailoring one or more components of a company's business model to suit local requirements or preferences.
  - **Aggregation** strategies focus on achieving economies of scale or scope by creating regional or global efficiencies.
  - **Arbitrage** is about exploiting economic or other differences between national or regional markets, usually by locating separate parts of the supply chain in different places.



From Ghemawat (2018)

Arbitrage

- By definition, a firm is most familiar with its domestic institutional environment.
  - But this does not necessarily mean that the home institutional environment is most favourable for all kinds of activities.
- Arbitrage is a way of exploiting differences
  - Treats differences across borders as *opportunities*, not as *constraints*.
- Arbitrage is the original cross-border strategy.
  - Selling goods that produce in one country to others with much higher prices.
    - E.g., spices from India to Europe
  - Very few companies can afford to ignore arbitrage opportunities.
- There are multiple possible bases of arbitrage:
  - Economic
  - Geographic
  - Institutional (Informal institutions – culture; Formal institutions – Law, regulations)
- Arbitrage strategies may raise ethical issues
  - E.g., law arbitrage

Economic arbitrage

- Incudes:
  - Cost of labour
  - Cost of capital
  - Industry specific inputs (knowledge or commentary products)
- Labour Arbitrage
  - Exploitation of cheap labour
    - E.g., Manufacturing in developing countries
  - Finding specialised skilled human capital
    - E.g., R&D activities in Silicon Valley
- Cost of capital
  - Companies (at least in the United States) earn returns within two or three percentage points of their cost of capital, so such differences are consequential, especially in capital-intensive industries.
- Industry specific inputs
  - more industry specific inputs such as knowledge, the availability of complementary products, and technologies or infrastructure

Geographic arbitrage

- Firms leverage geographic differences
- The oldest reason for trade
    - continues to be important in the primary sectors (agriculture, fishing, forestry, and mining)
    - E.g., air transportation has created a global flower market where flowers from favourable growing regions can be auctioned year-round in Aalsmeer, the Netherlands, and flown to customers worldwide while still fresh.
- Creating arbitrage opportunities by slicing the value chain more finely across geographies
- Taking advantages of landscape characteristic (e.g., island)
    - E.g., Cable & Wireless (C&W) takes advantage of residual distance by serving thirty-three relatively small markets around the world—many of them islands
    - Services such as Skype arbitrage the difference between distance-sensitive, administered pricing of long-distance calls, and the distance-invariant costs of Internet protocol (IP) telephony.
- Increases scope for economic arbitrage

Institutional arbitrage

- Cultural arbitrage
  - Take advantage of differences in culture
  - "country-of-origin" advantages - Favourable effects related to country or place of origin.
    - E.g., The overseas image of French culture e.g. French perfumes, wines, and foods.
  - New opportunities for cultural arbitrage are appearing all the time.
    - The natural advantages of particular countries or places of origin is reinforced by the push of the European Union to tighten rules for geographical designations on food products such as "Cyprus halloumi" and "Parma ham"
  - Selling products or services to diaspora based on "back-home" appeal.
- Other example of cultural arbitrage:
  - U.S. startups in South Korea arbitrage the cultural norms surrounding attitudes towards hiring women in management or leadership positions, hiring local female talent that are overlooked by domestic Korean ventures—generating more diverse and creative teams that eventually translates into commercial advantages (Wei & Hoskinson, 2014).

Institutional arbitrage

- Legal and other institutional, and political differences from country to country open up another set of strategic arbitrage opportunities.
- Firms may explore differences in:
  - Tax regulations (tax haven)
  - Financial regulations (Reporting standards)
  - Employment Regulations (Collective arguments, easy of firing employees, etc.)
  - IP protection regulations
  - Environmental rules
- Firms tend to be cautious of discussing such considerations because the administrative grey areas that underpin them might be eliminated.
- Usually Legal but not always ethical.
  - E.g., relocation of manufacturing to exploit lax environmental regulations.
- Political power may be used at home or abroad

Analysing Arbitrage

- Arbitrage strategies can affect the market share of a firm by:
  - Open up new business
    - E.g., year-round fresh fruit
  - Increase capacity
    - E.g., international talent base
  - Securing market access
    - E.g., improve relationship with key decision makers (like governments)
- Arbitrage strategies can decrease costs if:
  - Consider trends in cost pressures (plan ahead, maybe go earlier than otherwise)
  - Consider future productivity gains (likely higher in less developed countries)
  - Build a full picture of fixed/variable costs rather than focus on a single element (e.g., labour or capital)
  - Consider value-to-bulk ratio, short supply chains and availability of required inputs and skills
  - Consider exchange rates
  - Consider productivity differentials

Analysing Arbitrage

- Arbitrage strategies can impact the wellness to pay.
  - Cultural arbitrage *often* involves raising willingness-to-pay based on country-of-origin effects
  - While economic arbitrage often reduces willingness-to-pay as well as costs, there are important exceptions to this rule.
    - Software services seem to be one such exception.
      - E.g., Indian firms—such as TCS —actually offer both higher quality and lower costs for software maintenance, in particular, than some of their better-known Western counterparts.
  - Not treating price as a proxy for quality or willingness-to-pay in the long run.
    - Communicate benefits to buyers
  - Harder when customization is required, demand is dynamic, local presence or service requirements are high, and purchasing decision makers are public rather than private
- Arbitrage strategies may improve industry attractiveness or one's own bargaining power within it.
  - Splitting activities (e.g., R&D)
    - Pay attention to time zone challenges
    - Internal linkages may be used to mitigate institutional failures (e.g., IP in China)
  - External environment can be influenced through strategy or political power

Analysing Arbitrage

- Arbitrage strategies are subject to an extensive array of risks, both market and nonmarket.
  - Hazards in cross borders supply chains:
    - exposure to unknown and potentially less reliable suppliers
    - exposure to exchange-rate fluctuations
    - infrastructure and other bottlenecks at borders
    - compounding of risks if supply chains sliced across many countries
  - Political sensitivity
    - Be discreet and ethical: emphasize viability and growth as objectives; not (just) cost reductions; be cautious about capitalizing on health, safety, and environmental standards that are looser than at home.
    - Lobbying, working with natural allies, including companies who are otherwise competitors, investing in job creation, and so forth—for expanding your freedom of action.
- Arbitrage strategies can have either positive or negative implications on generating knowledge—and other resources and capabilities.
  - May bolster long-run capabilities, even if the sort-run impact is negative because of wellness to pay effects, setup costs, and the internal disarray associated with very rapid expansion
  - May deplete home-county talent pipeline without significant changes in hiring and promotion policy (also consider talent pipeline abroad – growth opportunities are motivating)

Managing Arbitrage

- High competition may lead firms to undertaking arbitrage opportunities even if they are not offering sustaining competitive advantage
  - E.g. Wal-Mart
- Building a sustainable competitive advantage through arbitrage requires a commitment to building firm-specific capabilities.
  - Not all commitments are possible at any one organization at any given point in time
  - Firms may have to make trade-offs between arbitrage and the other elements of their strategy.
- Even companies that do engage in arbitrage often have a great deal of headroom to improve how they do so.
- Arbitrage decisions cannot be made independently of decisions about other elements of a company's strategy.
  - *What extent is it possible to mix and match across the AAA strategies of adaptation, aggregation and arbitrage*?

Differences across the AAA strategies

Characteristics	Adaptation	Aggregation	Arbitrage
***Competitive advantage:* why globalize at all?**	To achieve local relevance through national focus (while exploiting some scale)	To achieve scale and scope economies through international standardization	To achieve absolute economies through international specialization
***Coordination:* how to organize across borders?**	By country; emphasis on adjustments to achieve a local face within borders	By business, region, or customer; emphasis on horizontal relationships for cross-border economies of scale	By function; emphasis on vertical relationships, including across organizational boundaries
***Configuration:* where to locate overseas?**	Limit the effect of international distances (e.g. geographic, institutional, economic) by concentrating on foreign countries that are similar to the home base		To exploit some elements of distance by operating in a more diverse set of countries

From Ghemawat (2018)

Differences across the AAA strategies

Characteristics	Adaptation	Aggregation	Arbitrage
***Controls:* what to watch out for?**	Excessive variety or complexity (i.e., too much localization)	Excessive standardization or emphasis on scale (i.e., too much standardization)	Narrowing spreads
***Change blockers:* whom to watch out for internally?**	Entrenched country heads	Powerful business unit or region heads	Key functions or vertical interfaces
***Corporate diplomacy:* which external issues might arise?**	Relatively discreet and robust, given emphasis on development of a local face	Appearance of, and backlash against, homogenization or hegemony (especially for U.S. companies)	The exploitation or displacement of suppliers, channels or intermediaries; potentially most prone to political disruption

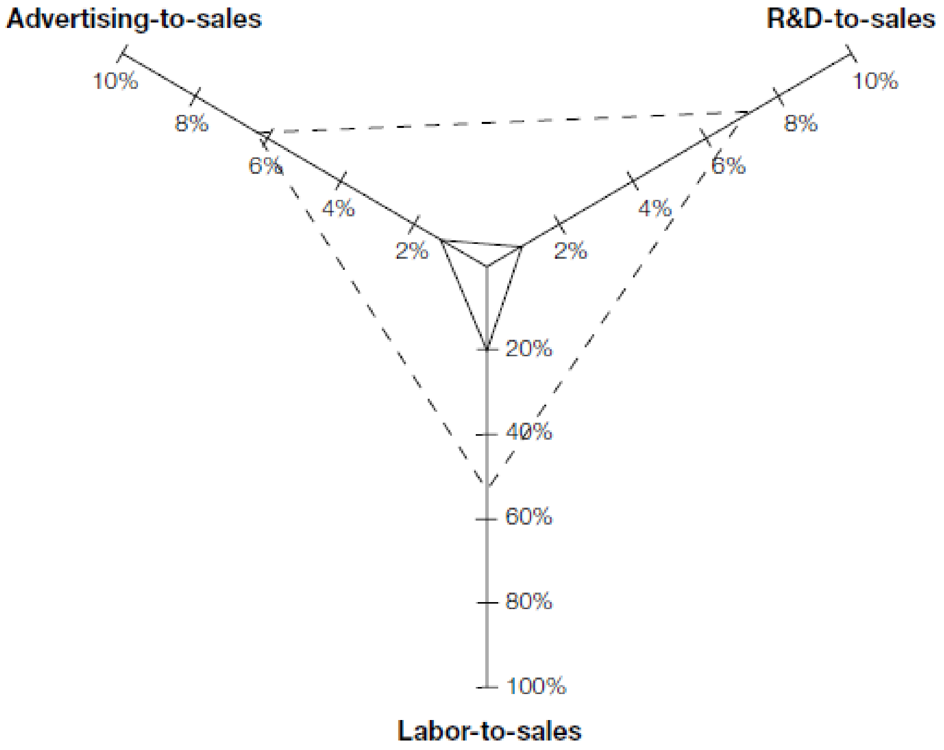
From Ghemawat (2018)

Which *A* Strategy Should a Company Use?

- The emphasis on clarity about which one of the three strategies will be the basis of cross-border advantage is *not* meant to imply obliviousness to the remaining strategies.
  - All border-crossing companies need to at least think through all three strategies.
- A company's financial statements can be a useful guide to signalling which of the *A* strategies will give emphasis.
  - The percentage of sales spent on advertising indicates how important adaptation is likely to be
    - Consumer goods manufacturers with large marketing budgets use adaptation strategies to improve their market share abroad.
    - Firms that rely heavily on branding and do a lot of advertising, such as food companies, often need to engage in considerable adaptation to local markets.
  - The percentage spent on R&D is a proxy for the importance of aggregation
    - Firms that engage heavily in R&D and have high levels of fixed costs, such as pharmaceutical companies, should consider centralizing and locating their laboratories in talent-rich, cost-effective locations worldwide.
  - The percentage spent on labour helps gauge the importance of arbitrage
    - For firms whose operations are labour-intensive such as apparel manufacturers, arbitrage will be of particular interest because labour costs can vary greatly from country to country.

Which *A* Strategy Should a Company Use?

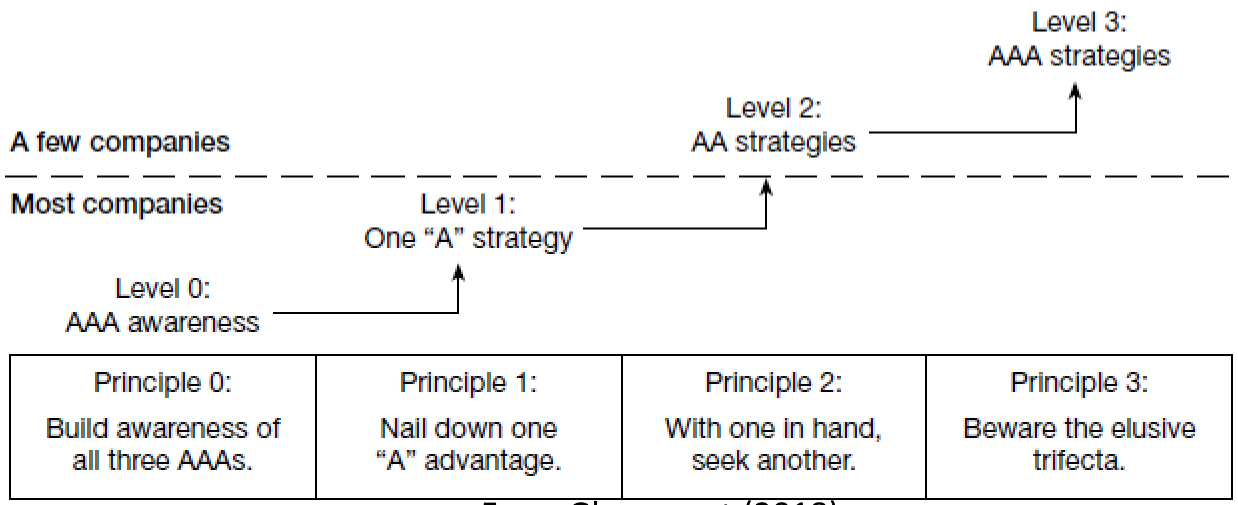
- Helps to plot firms on calibrated version of the AAA triangle:
  - If an industry or a company scores above the median along a particular dimension of intensity—delineated by the solid line in the figure—the corresponding strategy merits some attention.
  - If it scores close to or past the dashed line, which delineates the 90th percentile, the corresponding strategy may be risky to ignore.
- Which A strategy a company emphasizes also depends on its globalization history.
  - Companies that start their globalization on the supply side of their business model, that is, seeking to lower cost or access new knowledge, typically focus on aggregation and arbitrage to create global value.
  - Firms that start their globalization by exporting are immediately faced with adaptation challenges.



From Ghemawat (2018)

Levels of global strategy

- Most companies start by focusing on just one A at any given time.
  - However, the increased competition has forced companies to pursue two or even all three of the As
- Focusing on more than one A presents special challenges because there are inherent tensions between all three strategies.



From Ghemawat (2018)

  - the pursuit of *AA* strategies or even an *AAA* approach requires considerable organizational and managerial flexibility.
- IBM's example of employing AA strategies (Adaptation and Aggregation)
  - IBM company uses adaptation to enter the various international markets it operates in.
    - IBM enters international markets by launching a mini IBM in the foreign country targeted that guides the adaptation strategy to match its customers' local needs and preferences.
  - Once established, IBM begins to look regionally for aggregation opportunities through economies of scale and scope.

Levels of global strategy

- TCS's (Tata Consultancy Services- based in India) example of employing AA strategies (Aggregation and Arbitrage)
  - The company uses an arbitrage strategy by exporting software service export to countries where labour costs are high.
  - Supplements this strategy with an aggregation component by developing a new global delivery structure based on three types of software development centres:
    - Global centres in India cater to large accounts
    - Regional centres based in Hungary and Brazil specialize in language and cultural aspects of software support
    - U.S. centres support (based Phoenix and Boston)
- Success in pursing all three strategies simultaneously with great effectiveness is very rare.
  - Companies that have successfully adopted a combination of all three As typically spent years in trial-and-error mode.
    - P&G started its global expansion with an adaptation–arbitrage strategy.
      - The company focused extensively on locational R&D and creating autonomous mini P&G branches in each location. Meanwhile, it outsourced a certain part of the production process to cheaper locations.
    - Later, when localization strategy started to create too much redundancy across regions, P&G added aggregation
      - by adopting a matrix organization structure to focus on exploiting synergies across regional business units and product lines

Drawbacks and Lessons in Applying the AAA Framework

- Focusing on one or two of the As
  - Companies or business units or divisions usually have to focus on one or at most two A’s to build competitive advantage.
  - Attempts to implement all three strategies at the same time, while it is possible it may also:
    - Stretch a firm’s managerial bandwidth
    - Force a company to operate with multiple corporate cultures
    - Can create opportunities for competitors to undercut a company’s overall competitiveness
- Making sure the new elements of a strategy are a good fit organizationally.
  - If a strategy introduces new elements, companies should pay particular attention to how well they work with other things the organization is doing.
- Employing multiple integration mechanisms.
  - The pursuit of more than one of the As requires creativity and breadth in thinking about integration mechanisms.

Drawbacks and Lessons in Applying the AAA Framework

- Thinking about externalising integration
  - IBM example showed that externalization is a key part of an ambitious global strategy. Externalization can take several forms such as:
    1. joint ventures in advanced semiconductor research, development, and manufacturing
    2. links to and support of Linux and other efforts at open innovation
    3. outsourcing of hardware to contract manufacturers and services to business partners
    4. IBM’s relationship with Lenovo in personal computers.

- *Knowing when not to integrate.*
  - Some integration is usually good, but more integration is not always better.

Globalization of Companies

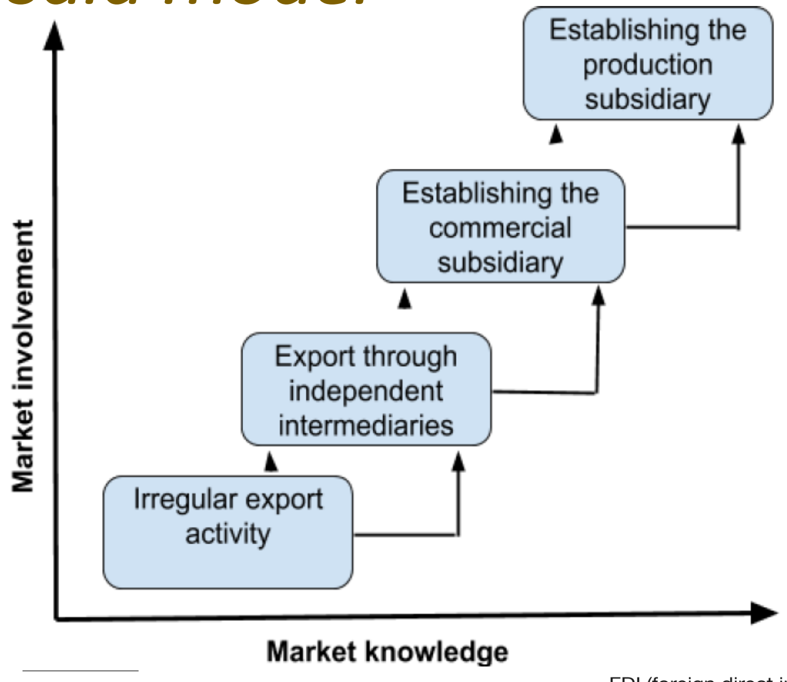
- Different theoretical frameworks that describe the process of companies going global:
  - **The Uppsala model**
    - Incremental approach to internationalisation.
    - Initially developed by scholars at Uppsala University in Sweden in 1970s
  - **The Network model**
    - Based on Uppsala model
    - Process of internationalisation through a network perspective.
  - **Born Global**
    - Models firms that from their start gain competitive advantage from the use of resources and the sale of outputs in multiple countries
    - Operate in the 'borderless marketplace'
    - Also called International New Ventures

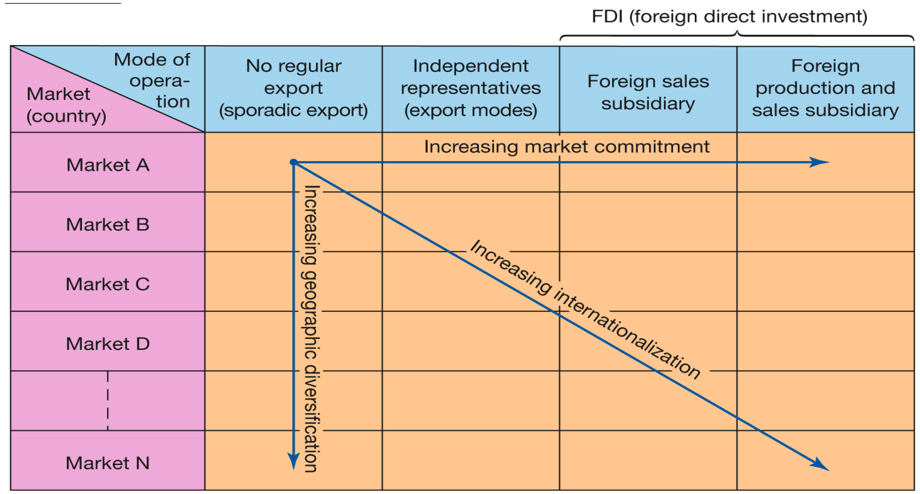
Globalization of Companies - The Uppsala model

- The firm regards foreign markets as risky due to the fact that they involve a number of differences that are unknown or uncertain to the non-native firm.
    - Generally, firms are risk-averse.
- Asserts that internationalisation is a slow incremental process
    - This allows them to develop firm's knowledge of the host market at a gradual pace.
- Firms incrementally increase their commitment to foreign markets by gradually acquiring knowledge about foreign markets and operations through experience (i.e., empirical knowledge)
    - Building up market knowledge is also a gradual process, shaped by experience, and what is known as *learning-by-doing*.
- The initial selection of foreign market is determined by similarity in institutions
    - "Neighbouring" countries does not only mean neighbouring in terms of geographical location, but also in terms of perceived similarities between the host and home country in a number of factors, including, religion, education, culture, language, industry development and political systems.

Globalization of Companies - The Uppsala model

- The four stages of the Uppsala model:
  1. Irregular export activity – sporadic export
     - develop a solid domestic market base.
  2. Export through independent intermediaries (agents)
     - Firm enters the early phase of engagement of resources and gathers information on different factors that have an impact on sales effectiveness on a particular foreign market.
     - Market is determined by minimizing institutional distance
  3. establishing a subsidiary (branch) of sales department
     - Firm is considerably more interested in gaining knowledge on a determinant of sales and an essential level of commitment of their resources on a given market
  4. establishing a subsidiary (branch) of production department
     - This stage requires a comparatively highest level of knowledge on the expansion market and is associated with highest level of commitment of firm's resources abroad





From Hollensen (2020)

Globalization of Companies - The Uppsala model – Critiques

- Too deterministic and linear
- Does not take into account interdependencies
- Not valid for all types of industries (e.g., service industry)
- Firms today jump stages – entering distant/psychic distant markets earlier due to the homogeneousation of markets (which reduces psychic distance)– internationalisation is faster
- Jump sequential approach and go straight for FDI due to experience gained in other markets
- Is it relevant in highly International and/or Global firms and industries?
- Knowledge is more abundant today so the slow incremental experiential collection of knowledge is no longer required
- Number of people experience in foreign business has increased

Globalization of Companies - The Network model

- Firms, nowadays, choose not to operate on a market truly independently, but rather establish a network of relations with entities from their sector, forming a network of connections.
- The network is established through different types of bonds
  - E.g., personal, legal, economical, or technical
- The relationships are flexible which make network model suitable in environment with regularly changing conditions.
- In Network model the market is seen as a system of social and industrial relationships among customers, suppliers, competitors, families and friends within a given boundary with the purpose of creating the opportunity and motivation for internationalisation.
  - Therefore, the decisions that are usually taken by firms strongly depends on:
    - The relationships between the various parties and individual firms
    - The resources that are control by domestic and international firms

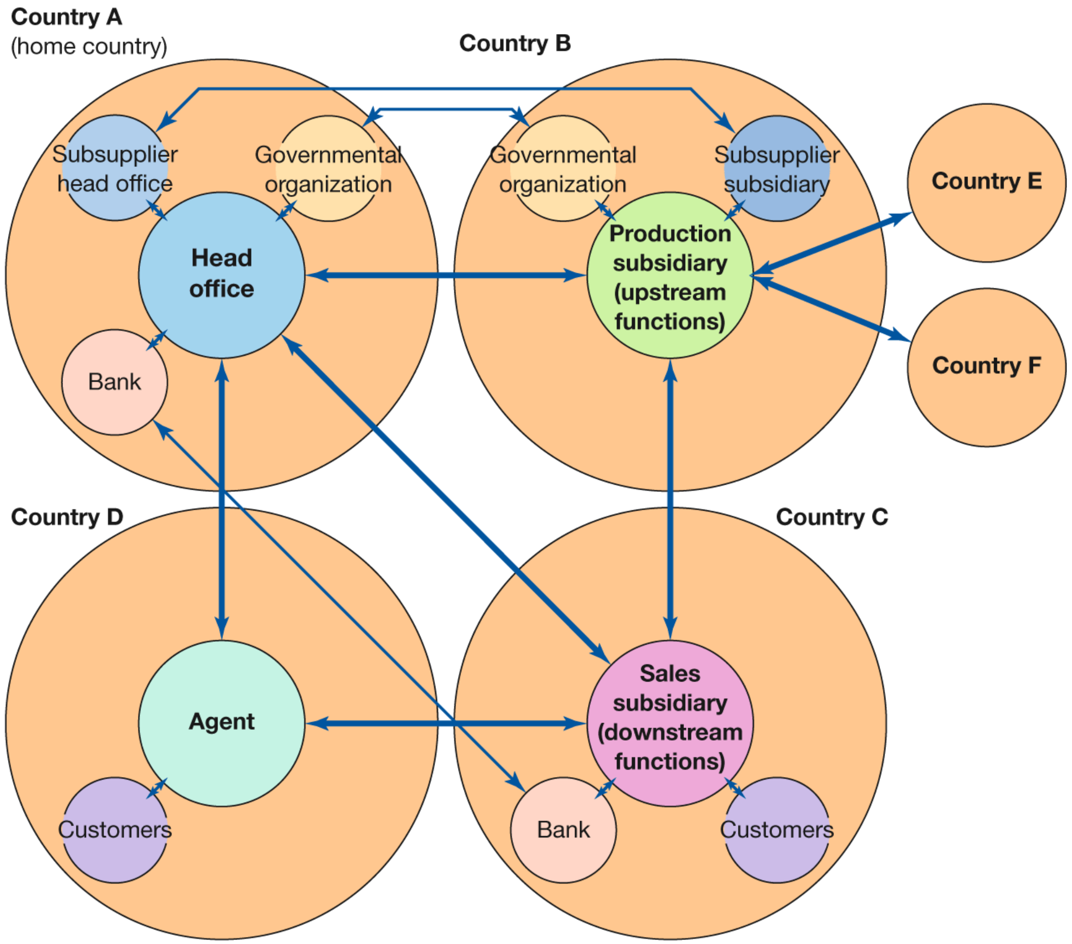
Globalization of Companies - The Network model

- Developing networks of business relationships in other countries through
  - Extension, i.e. ,investments in networks that are new to the firm
  - Penetration i.e., developing positions and increasing resource commitments in networks in which the firm already has positions.
  - Integration i.e., co-ordination of different national networks.

- The key features of the network model are:
  - Focuses on firm behaviour in the context of inter-organizational and interpersonal relationships.
  - The ‘glue’ that bonds the relationships together between the actors is based on technical, economic, legal and above all personal ties.
  - The long-term relationships between business actors and the background in which the organization operates have the illustrative significance in the description of the internationalization of firms.
  - A firm does not act alone in relation to other actors in a market.
  - A firm is reliant on other firms’ resources surrounded by the same network; an example is the customer and supplier relationships.

Globalization of Companies - The Network model

- An example of international network



From Hollensen (2020)

Globalization of Companies - The Network model

- When considering the network model of internationalisation, both the individual company (its own assets) and the network which it belongs to (market assets) must be consider.
  - Therefore firms can be divided into four groups:

		Degree of market (network) internationalisation	
		low	high
Degree of company internationalisation	low	early starter	late starter
	high	lonely international	international among others

From Hollensen (2020)

Globalization of Companies - The Network model

- The early Starter
  - Competitors, customers, suppliers and other firms in the market don't have important international relationships
    - Firm cannot use network participants' experience and cannot obtain information from them.
  - Main limitation is lack of resources
- The Lonely International
  - Firm has experience of relationships with others in foreign markets
    - The firm, through knowledge and experience, may both control and stimulate the internationalisation activities of its competitors
- The late starter
  - The less internationalised firm can be pulled out of the domestic market by its customers & suppliers
  - Disadvantageous position all of the competitors have the knowledge the "late starter" lacks.
- The International Among Others
  - In the network - can link over to other networks

Globalization of Companies - The Network model – Critiques

- Limited strength for understanding the pattern of internationalization, not offering very precise conclusions, including too many variables (Björkman and Forsgren 2000)

- Concentrating on larger and/or manufacturing companies: it rarely describes how small and medium-sized firms use networks in their internationalization

- Does not address how firms shift positions in the typology: for example, how an early starter becomes an international among others (Chetty and Blankenburg Holm 2000)

- Often neglects several external factors and actors: for example, relationships with competitors, intense domestic competition, unwanted orders and government export promotion programs leading to or quickening internationalization

Globalization of Companies

- Comparison of Uppsala model and network approach:

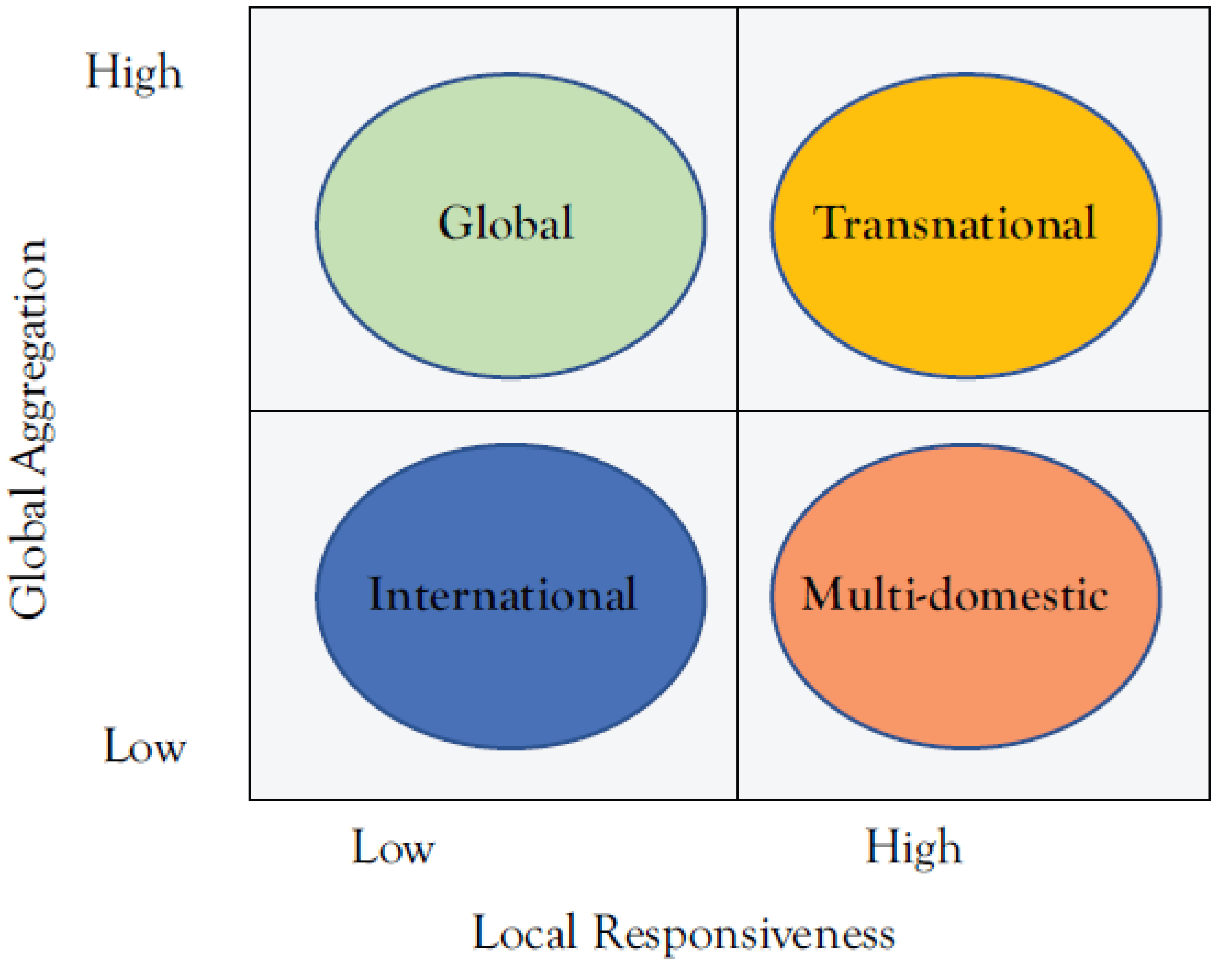
Characteristics	**Uppsala model**	**Network** model
Cycle of model	cause and effect	continuous interaction, long-term cooperation
Kinds of knowledge	objective knowledge, experience-based knowledge	experience of cooperation within the network of relations
Barriers	Institutional distance	legal obligations, interdependence
Activity	completely autonomous	having regard to environment
Type of learning process	cumulative nature, progressive, advancement is based on company's individual experience	membership of created network of interaction

Globalization of Companies – Born global

- Experience globalization from birth
  - Firm typically starts to export less than two years after the foundation of the firm.
- They see the world as one market
  - Limited adaptation
- Current research suggests that born global are unique in many ways. When compared to other start-ups, Born global:
  - tend to have higher employment and job growth rates.
  - serve a wider global market than domestic start-ups.
  - have much more aggressive learning strategies as a result of becoming global much faster than others
- Although mainly a characteristic of high-tech sectors born global have been identified in a variety of sectors.
- Examples of Born global:
  - Airbnb
  - Uber
  - Amazon

International Strategies

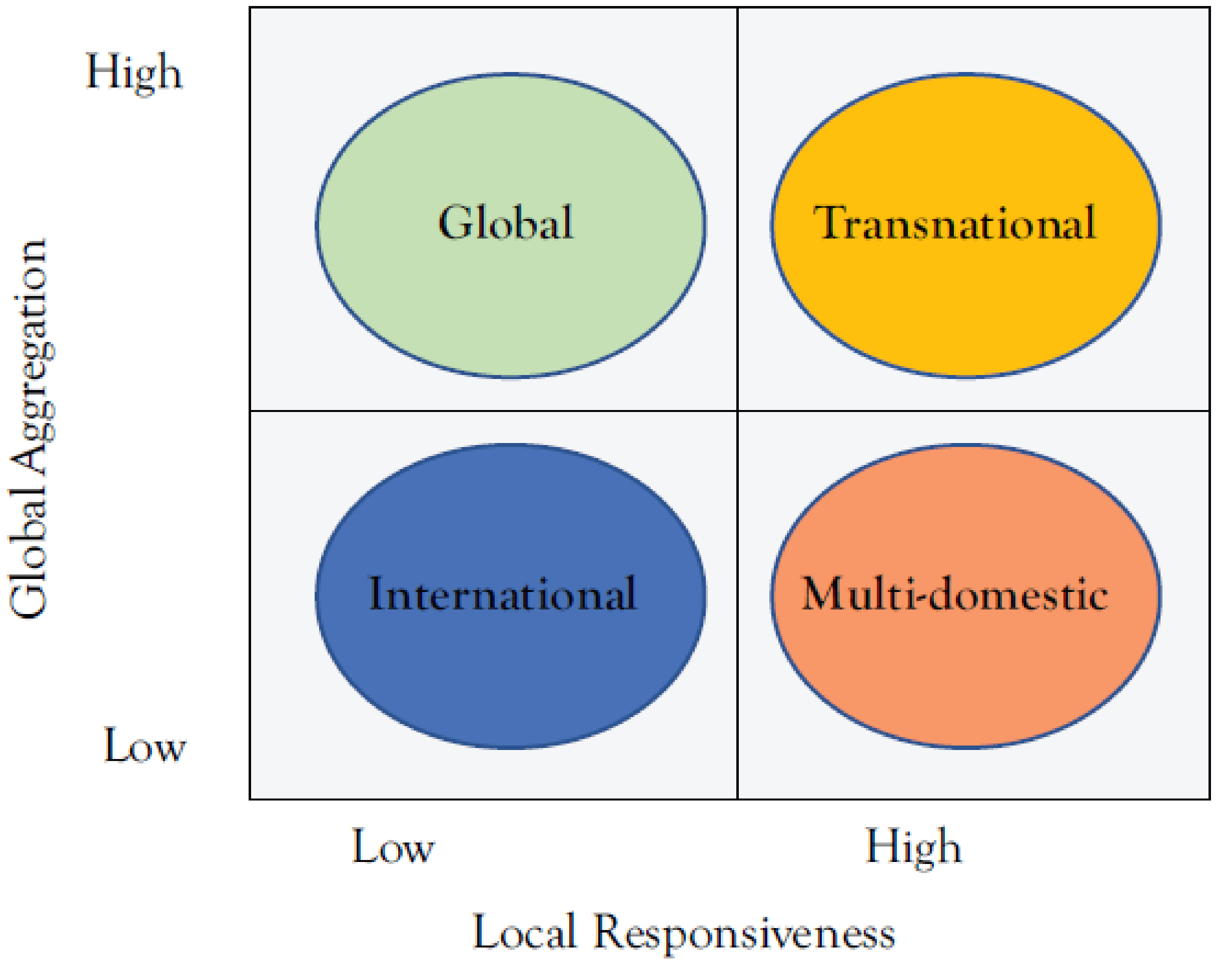
- Bartlett and Ghoshal matrix
  - Framework to distinguish between four types of international strategies/companies
  - It characterizes firms based on two criteria: *global integration* and *local responsiveness*
  - Firms that are highly globally integrated seek to reduce costs as much as possible by creating economies of scale
  - Firms that are locally responsive seek to adapt products and services to specific local needs.
  - Although these strategic options appear to be mutually exclusive, some firms are trying to be both globally integrated and locally responsive.



From de Kluyver and Pearce Ii (2021)

International Strategies

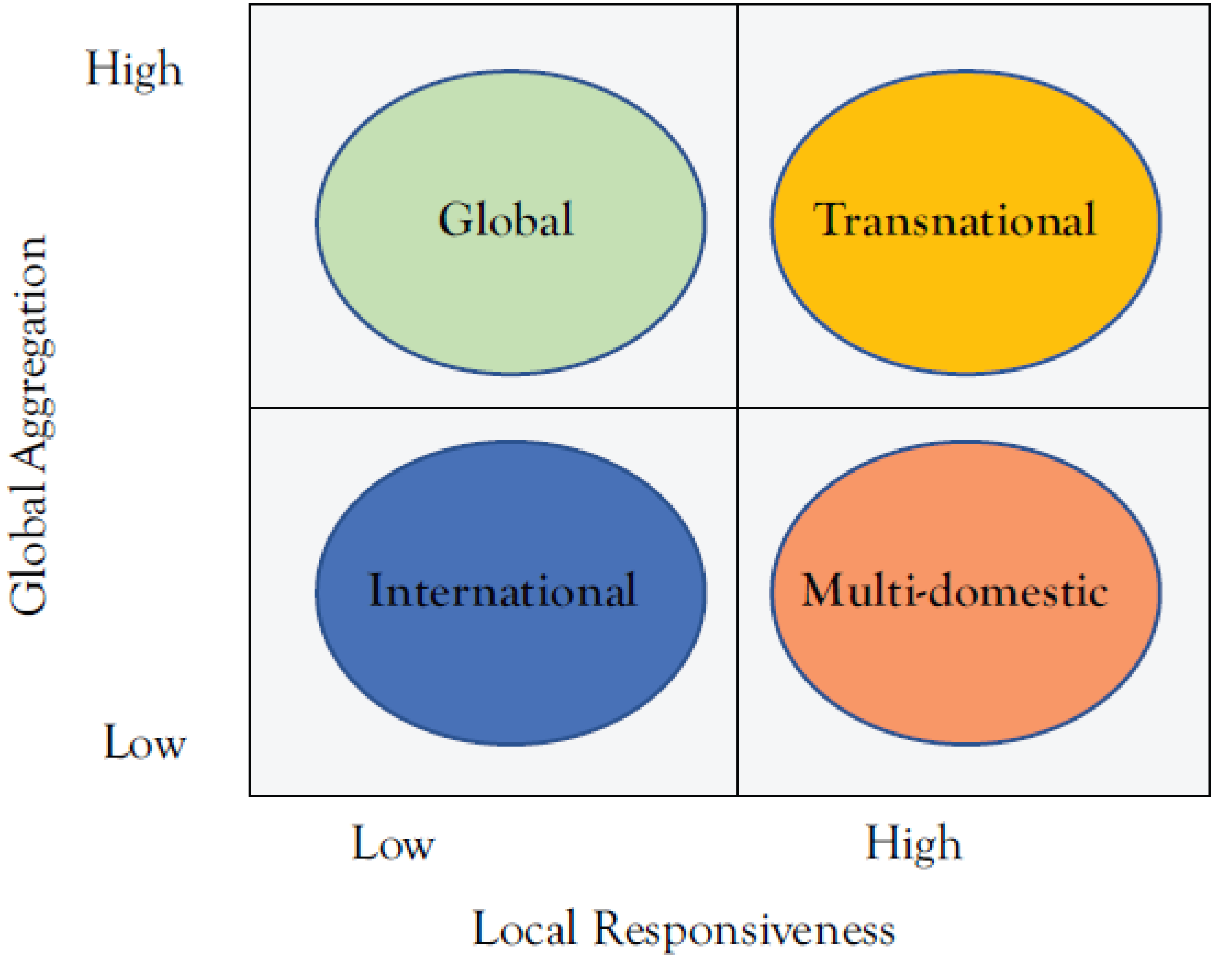
- International strategy
  - First step companies take when beginning to conduct business abroad
  - Company sells the same products in both domestic and foreign markets
  - Leveraging home-based core competencies
  - International companies typically operate with a low degree of integration and local responsiveness
  - In the short term, this organizational form may be viable when the need for localization and local responsiveness is very low. The potential for aggregation economies is also low.
  - The strategy is often used successfully by companies with relatively large domestic markets and with strong reputations and brand names



From de Kluyver and Pearce Ii (2021)

International Strategies

- Multidomestic strategy
  - For a firm to adopt this strategy must:
    1. establish its presence in one or more foreign markets.
    2. it must and tailor its products or services to the local customer base.
  - Usually keep their company headquarters in their country of origin.
  - The pure multidomestic organizational structure ranks high on local adaptation and low on global aggregation.
  - Strategy results in less knowledge sharing for the corporation as a whole
  - Strategy is costly and inefficient because it requires the duplication of key business functions across multiple countries



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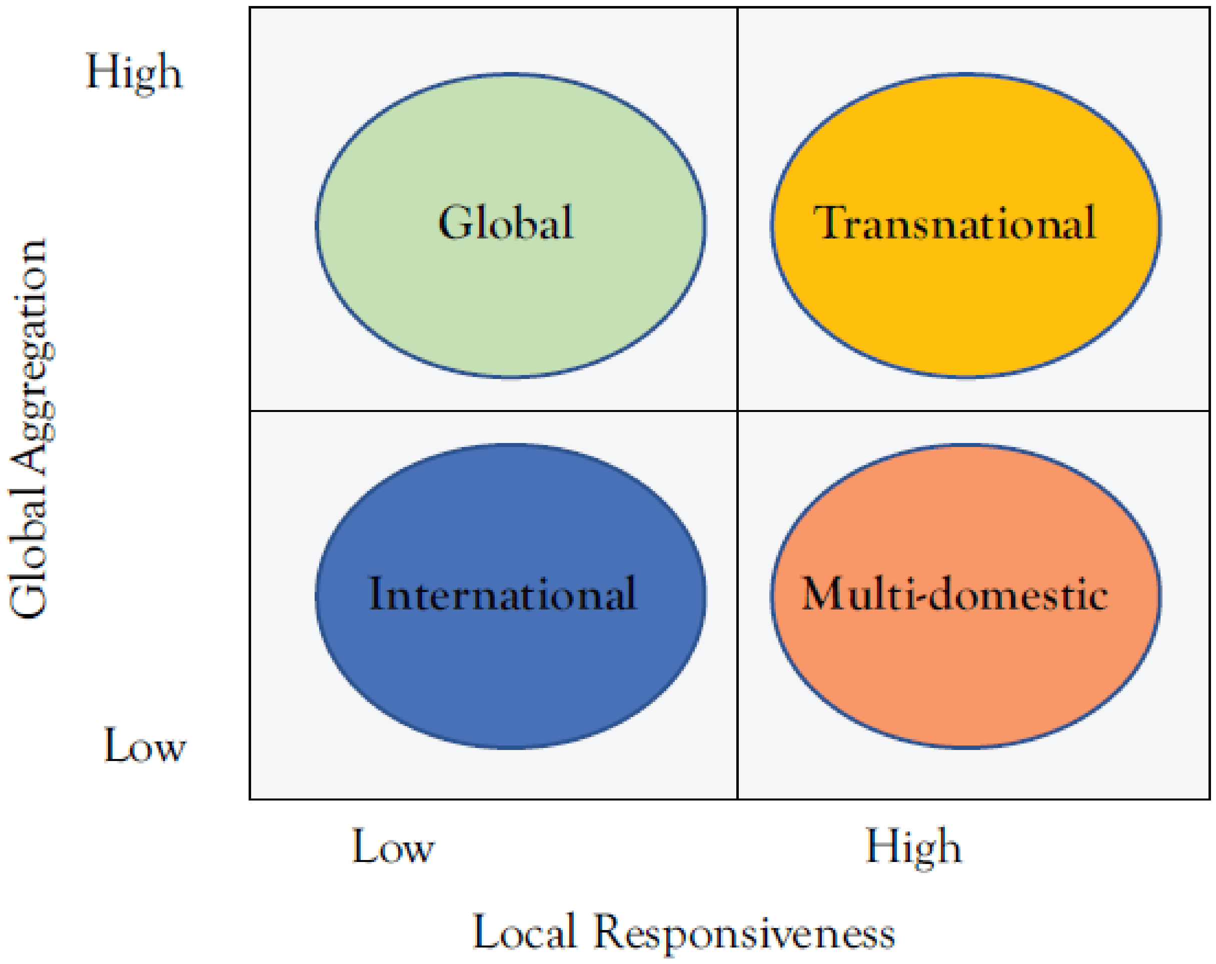
International Strategies

- Global strategy
  - Companies following a global strategy seek to leverage economies of scale to boost their revenue
  - Global companies tend to maintain a central office or headquarters in their country of origin while also establishing operations worldwide.
  - Even when they try to keep essential aspects of their products and services intact, companies using a global strategy typically have to make some practical small-scale adjustments to penetrate international markets.
    - E.g., Microsoft, for example, offers the same software programs around the world but adjusts the programs to match local languages.



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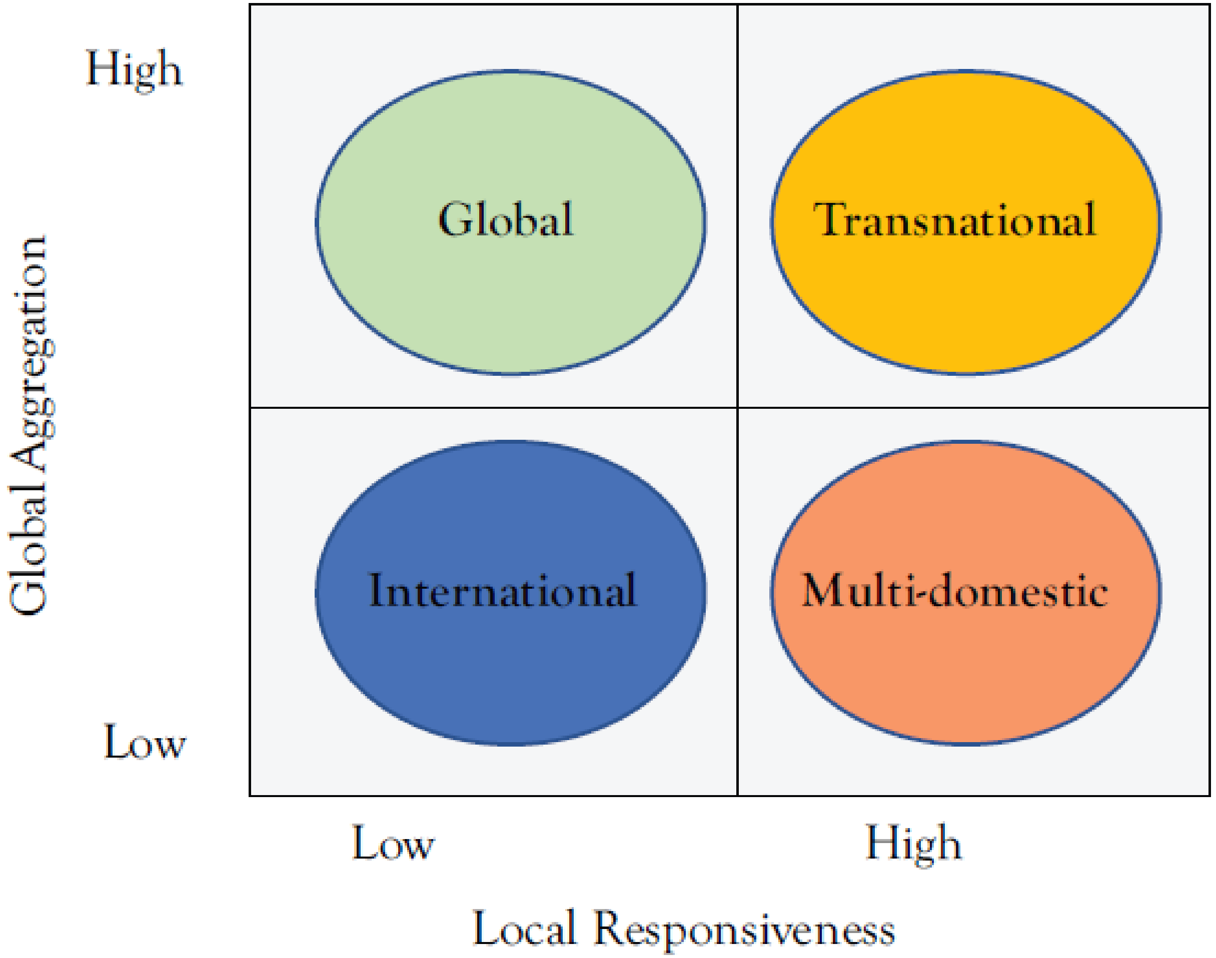
International Strategies

- Transnational strategy
  - A transnational business strategy can be seen as a combination of global and multidomestic strategies
  - Transnational company keeps its headquarters and core technologies in its country of origin, but also considers allows establishing full-scale operations in foreign markets.
  - A transnational company aims to maximize local responsiveness but also to gain benefits from global integration.
  - A transnational company's biggest challenge is identifying the best management tactics for achieving positive economies of scale and increased efficiency.



From de Kluyver and Pearce Ii (2021)

International Strategies – Examples

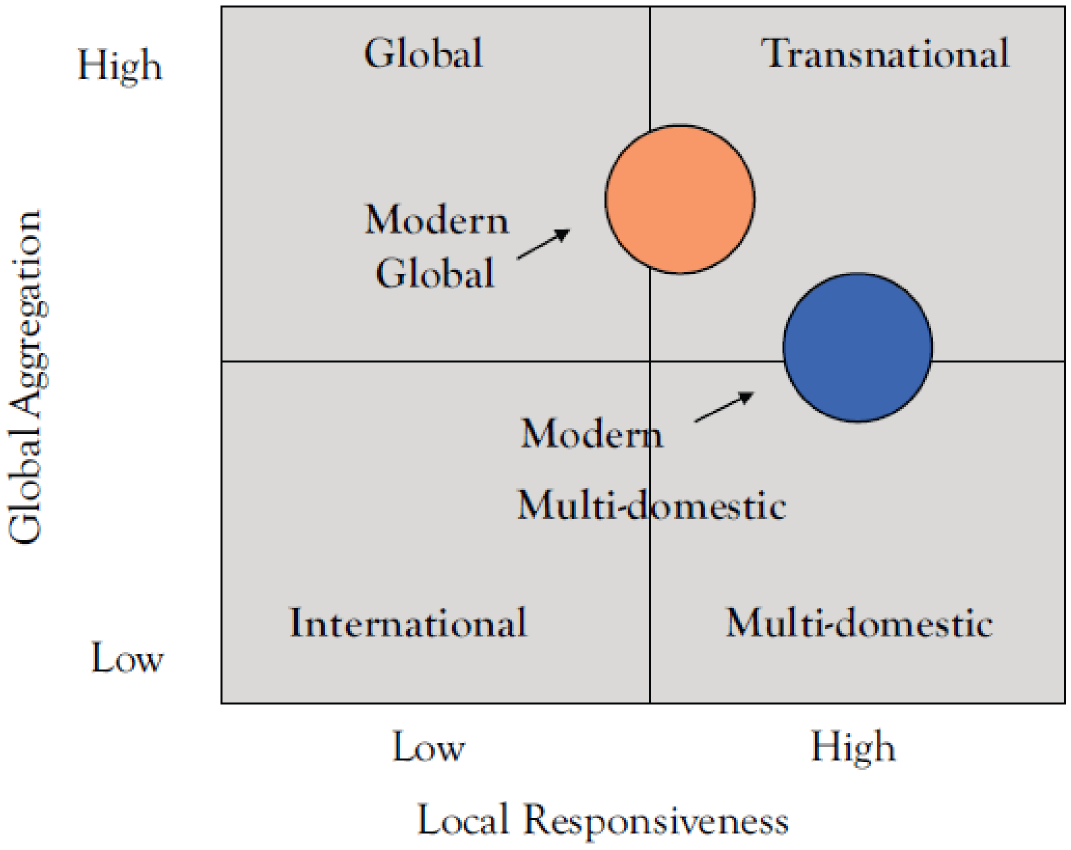
- International strategy
  - Rolex
  - Harley Davidson
- Multidomestic strategy
  - Unilever
  - Bridgestone
- Global strategy
  - Apple
  - Intel
  - IKEA
- Transnational strategy
  - McDonald’s
  - KFC

International strategies

	Benefits	Risks
International strategy	• leveraging core competencies • economies of scale • low cost implementation	• no or limited local responsiveness • highly affected by exchange-rate fluctuations
Multidomestic strategy	• highest-possible local responsiveness • increased differentiation • reduced exchange-rate exposure.	• high cost of implementation • little or no economies of scale • little or no learning across different regions
Global strategy	• economic Arbitrage • economies of scale and standardization.	• no local responsiveness • little or no product differentiation • race to the bottom as wages increase
Transnational strategy	• attempts to combine benefits of localization and standardization strategies simultaneously by creating a global matrix structure • economies of scale, location, experience, and learning	• global matrix structure is costly and difficult to implement, leading to high failure rate • some exchange-rate exposure

International Strategies - Extended

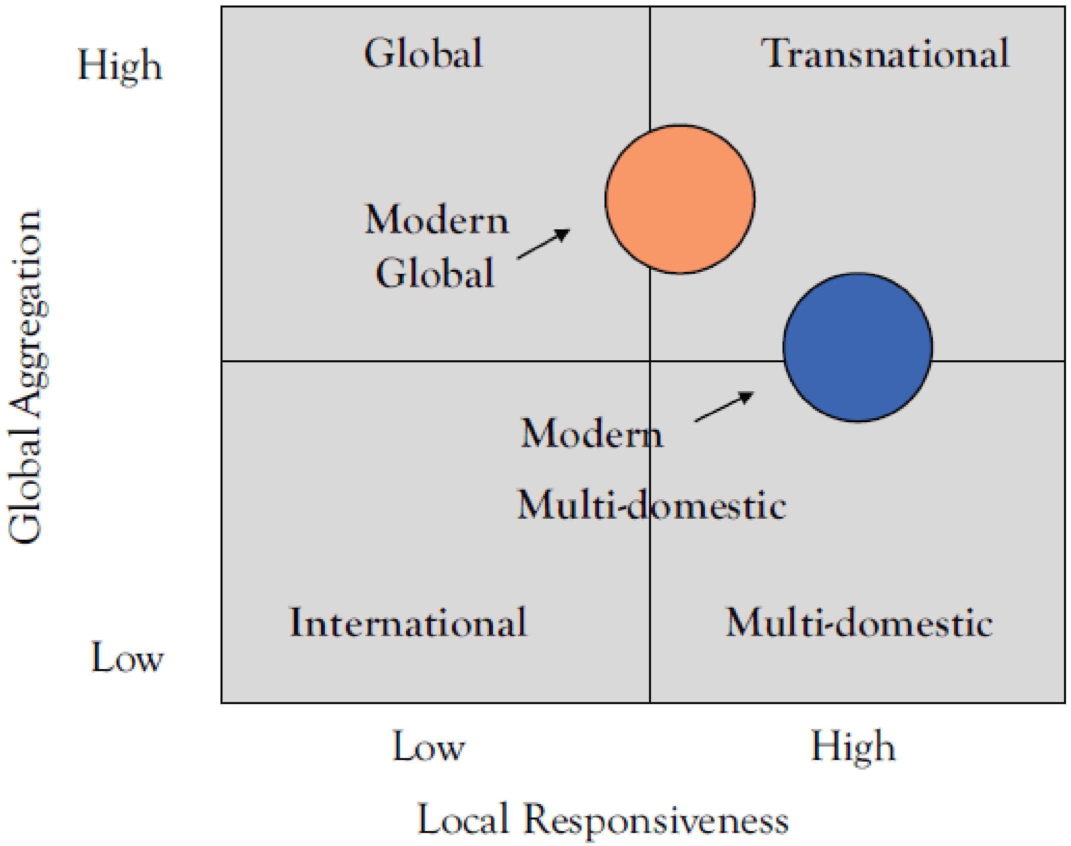
- Many companies have adopted hybrid strategies that are more easily managed than the transnational model but still target the simultaneous pursuit of global integration and local responsiveness.
- Modern multidomestic strategy
  - An updated version of the multidomestic strategy
  - Focus on operational decentralization, local adaptation, product differentiation, and local responsiveness.
  - Subsidiaries have significant autonomy and are responsible for local responsiveness.
  - Headquarters have a significant role to global integration by developing global corporate and competitive strategies.
    - global integration by developing global corporate and competitive strategies.
  - An example of a modern multidomestic company is Nestlé



From de Kluyver and Pearce Ii (2021)

International Strategies - Extended

- Modern global strategy
  - An updated version of the global strategy
  - Headquarters is focused on creating a high level of global integration
    - pursuing low-cost sourcing options, opportunities for global scale and scope, product standardization, and global technology sharing.
  - Gives a significant role in decision making to the country's subsidiaries, especially to provide local responsiveness.
  - Modern global corporations may disperse R&D, manufacture and production, and marketing around the globe.
    - helps ensure flexibility in the face of changing factor costs for labour, raw materials, exchange rates, and hiring talent worldwide
  - An example of a modern global company is P&G

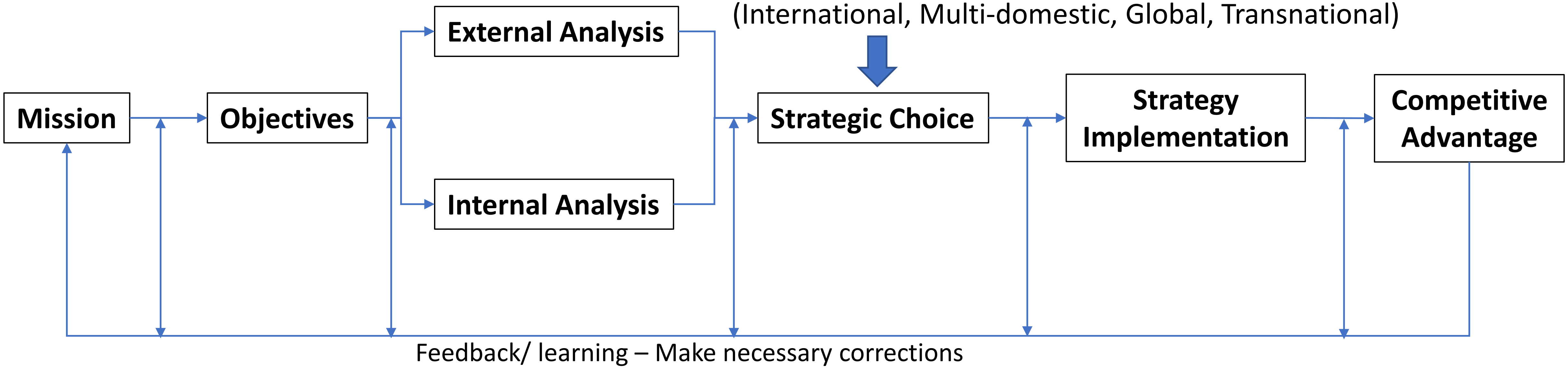


From de Kluyver and Pearce Ii (2021)

Strategic management process

Given that a firm is equipped with a mission, objectives, and completed external and internal analyses, a firm is ready to formulate strategy for gaining competitive advantage.

What global strategy (AAA framework)
How (method) of going global (Internationalization theories: e.g. Uppsala, Network, Born Global)
Resulting firm types depending on International Strategies (International, Multi-domestic, Global, Transnational)



From Barney and Hesterly (2006)

MKIB 351: Global Strategic Management

Thank You!