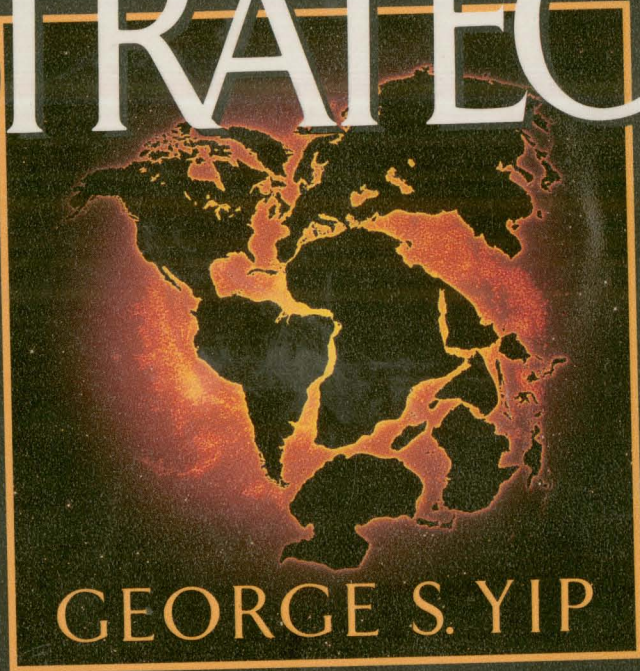


TOTAL GLOBAL STRATEGY



GEORGE S. YIP

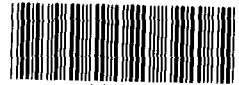
Managing for Worldwide
Competitive Advantage

TOTAL GLOBAL STRATEGY

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PREFACE

This book argues that most multinational companies lack an adequate global strategy. These firms may have learned how to operate in foreign countries by adapting their core business strategy to international environments. But the rapid changes creating more open world markets are rendering that approach inadequate and increasingly obsolete. Companies now need a total global strategy that includes a globalization component. Such a globalization strategy seeks to manage multinational businesses on an integrated, worldwide basis, not as a loosely knit federation of subsidiaries. But the extent of integration needed varies by industry and company situation. A central theme of this book is that almost all industries have global potential in some aspects and not others. So this book provides a systematic framework for evaluating which elements of strategy to globalize and by how much. I do not advocate any one solution, but instead a methodology for arriving at the right solution for a particular company or business. Perhaps most important, this book provides a practical guide on *how* to implement a globalization strategy in order to achieve a successful, total global strategy.

WHO SHOULD READ THIS BOOK

I have written this book for several types of managers (and aspiring managers) as well as for those who teach and research about global strategy.

Worldwide Business Managers

This book is addressed first to the manager responsible for the performance of a worldwide business. This responsibility may not be direct, and there may not be a single executive with worldwide responsibility. One of the topics of this book is how to organize that responsibility. Addressed to the worldwide business head, this book is also relevant for those to whom he or she reports and for those who report to or work with him or her.

Corporate Managers

The corporate-level executive will find this book helpful in dealing with the business-level executives who run worldwide businesses, and in understanding what corporate/management can expect and should provide. But because of its focus on businesses this book does not address corporate-level global issues such as raising financing on a global scale or setting corporate objectives in relation to global societal considerations. The book touches on, but does not emphasize, the role of the corporate chief executive in global strategy.¹

National Managers

The manager in a single country will find this book helpful in better understanding the role of his or her business in the global strategy of the worldwide business. In some ways, this is a book that a national manager will not want to read, but should. The book concerns the new trend that is curtailing the autonomy of national managers. These managers will find that the reduction in autonomy will be greater and more painful without an understanding of its global strategic imperatives. (This book does not cover how to develop a business in a foreign country or how to be a manager of a foreign subsidiary. Many other books exist on those topics.²)

Managers in Domestic Companies or Businesses

Today very few industries are free from foreign competition or the threat of it. Even where competitors are not foreign, they are often subsidiaries of multinational companies, and their local strategies can be affected by their parents' global strategies. So managers of purely domestic companies or businesses will find it worthwhile to understand the global forces and competitive developments that may come to affect their own prospects.

Suppliers to Multinational Companies

Because a major theme of this book concerns where multinational companies should locate their activities and where they should source their supplies, this book is also highly relevant to managers of their

suppliers. Multinational suppliers to multinational companies need to learn how to deal with the new breed of "global customers." And purely local suppliers need to understand the new global strategy also. A local supplier to a local subsidiary of a multinational company can find its business dry up quickly when the customer's parent company switches to a global sourcing strategy.

Educators of Future Managers

While this book is not intended as a textbook, educators should find useful its systematic integration of many ideas on global strategy. The explicit framework of this book readily lends itself to both classroom exposition and support of case discussions. *Total Global Strategy* can be assigned as a supplementary text in courses on international management or as the prime text in conjunction with the type of casebooks that are beginning to be written on the topic of global strategic management.³

Researchers

The framework presented in this book might be characterized as taking a *contingent and continuum* approach to global strategy. The contingent approach of this book builds on the pioneering work of Michael E. Porter on the role of industry conditions.⁴ The main ways in which this book differs from Porter's work is that, first, I spell out in detail the interaction between industry globalization drivers and the appropriate global strategy response and, second, I devote great attention to the implementation of global strategy, an issue largely unexplored by Porter and others. This book also differs from the excellent work of Kenichi Ohmae by providing a more systematic framework to the analysis of global strategy. Compared with the insightful works of Christopher A. Bartlett and Sumantra Ghoshal⁵ and C. K. Prahalad and Yves L. Doz,⁶ I place much more stress on business-level as opposed to corporate-level global strategy.

RESEARCH, CONSULTING, AND TEACHING BASE OF THIS BOOK

This book is based on extensive research, consulting, and teach-

ing about global strategy, mostly concentrated over the last five years, as well as on my broader business experience of having worked for ten years in a variety of multinational companies and their service providers.

From 1989 to 1991 I conducted studies of the use of global strategy by American, European, and Japanese companies, sponsored by the Marketing Science Institute.⁷ These studies involved my personally visiting the head offices of 23 of the world's largest multinational companies and interviewing over fifty senior executives at these companies about the global strategies of over thirty of their worldwide businesses. In total I studied 18 worldwide businesses belonging to U.S. companies (including Armstrong World Industries, Bausch & Lomb, Citicorp, Chrysler, Colgate-Palmolive, Eastman Kodak, E. I. du Pont de Nemours, Honeywell, IBM and McDonnell Douglas); six worldwide businesses belonging to European companies (including Beecham, Nestlé, Royal Dutch/Shell, Thomas Cook, and Volkswagen), and seven worldwide businesses belonging to major Japanese multinational companies. The interviews covered each of the elements in my framework: industry globalization drivers, global strategy levers, and global organization. So the interviews provided minicase histories of how different businesses rated globalization forces in their industries, how they responded to these forces in terms of the use of global strategy, and how they were organized and managed in regards to being able to implement global strategy. I have included findings from these studies throughout the book, although for reasons of confidentiality, I have not identified individual companies. I have already reported the results of the study on the American companies in a Marketing Science Institute report.⁸

I was also able to test most of the concepts and measures in this book in working with member companies of the Profit Impact of Market Strategy (PIMS) Program from 1987 to 1989. This effort involved extensive, in-depth data collection and analysis, working with a large team of senior executives in each of four worldwide and two Europewide businesses. In each case I was involved with the business for about six months. This work was in the context of a pilot study for setting up a PIMS global strategy program. Working with the Strategic Planning Institute (SPI), I developed a global strategy questionnaire from my frameworks. This questionnaire was structured to collect matching information from the six to eight largest

country-subsidiaries in a given multinational business, as well as information about the worldwide business, its markets, and its competitors. Because this was a pilot study and because of a desire to preserve confidentiality, I have not reported any data from these studies. But the insights I learned are used in many parts of this book.

I have consulted to over a dozen major multinational companies in the United States and Europe on issues of global strategy and global organization during the last five years. This consulting experience has greatly helped me to develop and test my ideas. I have also used the frameworks and ideas in this book in several executive education programs both in individual companies (in the United States, Mexico, Europe, and the Pacific Rim) and in programs offered by Georgetown and UCLA. Last, I have tested the concepts with nine sections of three classes of MBA students at Georgetown University.

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