

Chapter 11 – Globalisation Strategy

Introduction

Global strategy is an organisations strategic guide to globalisation. A global strategy may be appropriate in industries where firms are faced with strong pressures for cost reduction but with weak pressures for local responsiveness in terms of demand for products and services. Global strategies require firm to tightly coordinate their product and pricing strategies across international markets and locations, and therefore firms that pursue a global strategy are typically highly centralised and at the same time bring in cultural diversity and creativity as well as best practices.

Characteristics of global industry

- Firms compete in all world markets of that product in order to survive
- Firms competitive advantage depends on economies of scale and economies of scope gained across markets
- Global markets are international markets where products are largely standardised

Types of global industries

- Multi-domestic industries – firms compete in each national market independently of other national markets
- Global industries – same firms compete with each other everywhere

Global Strategy

A global strategy involves some of the following key aspects-

- Competing everywhere
- Appreciating that success demand global presence
- Standardised product
- Centralised control
- Integration and coordination of activities across border
- Effective when difference between countries are small and competition is global

Multi-domestic strategy

A multi domestic strategy involves-

- Products tailored to individual countries
- Decentralisation of decision making
- Decentralisation of local sourcing
- Responding to local needs

Drivers that determine the extent and nature of globalisation in an industry

- **Market drivers** – Degree of homogeneity of customer needs, global distribution networks, transferable marketing
- **Cost drivers** – economies of scale, transportation costs, product development costs, economies of scope
- **Government drivers**- Trade policies, FDI policies, compatible technical standards and privatisation
- **Competitive drivers** – Greater the strength of competitive drivers

Dimensions of global strategy

- Global company views world as a single market
- Organisation would create a synergy by serving multiple markets but formulate unique competitive strategy for each specific market
- Developing a global business outlook and vision
- Forging global alliances to complete the value chain

Stage of globalisation

In the journey to globalisation, the organisation goes through multiple stages as under-

- Forges tie ups with local dealers and distributor
- Takes over marketing and distribution activities
- Begins carrying out own manufacturing
- Start full-fledged operations in markets
- Company serves local customers and genuinely moves towards global mode of operation

Enablers of Globalisation

- **Business climate** – climate need to be conducive to facilitate the entry of global companies to set up business operations
- **Infrastructure**- state of the art infrastructure
- **Government support** – minimal government interference
- **Resources** – Important factors that decide the ability of the firm to grow globally
- **Competitive advantage** – competitive advantage of a company is key factor that determines the success of the company's global business
- **Competition** – helps to improve the company's competitive positioning
- **Integration of world economy** – low trade barriers
- **Resistance to change** – Socio-economic factors, cultural factors etc
- **Country's image** – stringent government policies, jurisdiction

Corporate level growth strategy

The growth strategy in the international markets will include some of the following aspects-

- Exports
- FDI
- Joint ventures
- Mergers and acquisitions
- Strategic alliances
- Franchising
- Licensing

Globalising Culture

Adopting of global strategy requires a significant level of cultural change. The changes may involve structural changes, re-orientation of tasks, technological changes inter alia.

Mistakes in pursuing globalisation strategy

- Chasing hot markets and following herd mentality
- Mis-judging of risks
- Cloning business approach
- Over-estimation availability of infrastructure and personnel
- Being insensitive to culture and

- Intolerance to ambiguity and uncertainty

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