

Contents

Contributors, xv

1. Comparative Advantage and Competitive Advantage: An Introduction, 1
Tamir Agmon and Richard Drobnick

Part I Globalization: Should You Do It?

2. How Small Firms Can Achieve Competitive Advantage in an Interdependent World, 9
Yair Aharoni

What are the principal conditions necessary for successful global operations of small firms? First, identify a product and a market in a non-global industry, one in which more than a small number of giant firms can operate, and one that does not require economies of scale. Then, dominate a niche. This chapter includes several examples of successful global strategies of small and medium-sized firms in different industries and analyzes the necessary entry strategies.

Part II Changing Your Mind-Set, Changing Your Strategy

3. What It Takes to Become a Globally Oriented Corporation, 21
Christine R. Hekman

A useful way to start thinking of strategic change is to divide the business environment into local markets and global markets and to analyze the differences between the two. For example, in global mar-

kets, the importance of customer relationships may be weaker, the production process may be simpler, and the competition more intense. This analysis forms a base for rethinking and restructuring the relationship between the corporate strategy and the environment.

4. Understanding Internationalization: Sense-Making Processes in Multinational Corporations, 27

Paula J. Caproni, Stefanie Ann Lenway, and Thomas P. Murtha

Organizations are systems of shared meaning. One aspect of this is the way businesses make sense of their environment. And a mind-set that is international—rather than domestic, or national with foreign branches—may provide a distinct competitive advantage.

Part III The Environment of Global Markets

5. The Accessibility of International Financial Markets, 39

Mark Weinstein

The international integration of capital markets has progressed to the point where every investor is an international investor, and every issuer is an international issuer. A firm that needs to raise money today must not only make the old choice between debt and equity, but new choices among dollars, Eurodollars, yen, and pounds sterling. Because of increasing globalization, assessing the risk of an investment on a domestic basis is no longer sufficient: world pricing is with us, from stocks to soybeans.

6. Accounting Aspects of Globalizing American Firms, 46

Dan Elnathan and Jerry L. Arnold

All too often, firms that have made the strategic decision to go international neglect to investigate the accounting standards and practices that they will have to follow in the new environment. The economic, educational, legal, political, and socio-cultural characteristics of a country all have an impact on the way transactions are recorded and reported there. The authors think it unlikely that an international accounting standard will emerge in the near future and offer some suggestions for comparative analysis of accounting systems that might prove useful in the meantime.

7. United States Trade Laws as Barriers to Globalization, 62

Alan M. Rugman and Michael V. Gestrin

In order to move from a domestic market to a global market, a corporation needs to develop firm-specific advantages, either cost-reducing or differentiation-enhancing, that give it a competitive edge. American companies, however, have lobbied for protectionist trade laws that hurt long-term globalization strategies in two ways: first, by di-

verting funds that could be used more productively in research and development, and second, by artificially sheltering the firms from their very real international competition.

8. Negotiating the Initial Phases of Cross-Cultural Alliances, 70
Kathleen K. Reardon and Robert Spekman

An alliance with another company eases somewhat the need for a firm to do all things well in two different cultures, particularly if the new relationship is skillfully managed from the initial handshake onward. This chapter discusses, with specific case examples, the problems of establishing trust, rapport, and mutually agreed-upon expectations across cultural barriers, ending with guidelines for developing a negotiation strategy.

Part IV Practical Applications

9. The Transfer of Production Planning and Control Systems from Plants in the United States to Other Parts of the World, 85
Gerhard Plenert

The choice of a planning and control system for a factory depends on what resource you want to use most efficiently (in the United States it is usually labor, in Japan it is usually materials) and what the primary corporate goals are (only in the United States, Canada, and Europe are they likely to be financial). So the "world model" for manufacturing is not a model with a single perfect answer, but one that looks specifically at a particular factory in terms of its resource focus and its goals, which must be harmonious with those of the employees, the government, and the culture.

10. Buyer-Supplier Coordination in the United States and Japanese Automobile Industries, 91

Ben M. Bensaou

If communicating between companies within one culture can sometimes be difficult, managing new relationships across national boundaries requires a quantum leap. The author suggests that the coordination problems are reduced as the conditions that produce uncertainty (the conditions of partnership, task, and environment) are eased. He illustrates his point with a study of the changing buyer-supplier relationships in the U.S. and Japanese automotive industries.

11. Strategic Human Resource Management in Mexican *Maquiladoras*: The Competitive Edge, 102

Mary B. Teagarden, Mark C. Butler, and Mary Ann Von Glinow

To seek a competitive edge, firms in industrialized countries frequently look off shore for a way to reduce labor and other factor costs.

Many American firms have been looking to Mexico, an alternative that the authors clearly see as a good bargain. They examine the pluses and minuses of a *maquiladora* plant, and then offer some thoughtful management advice for the corporate executives who find themselves bridging cultures.

12. Small and Midsize Enterprises in the United States and East-Central Europe: Common Challenges in the 1990s, 115

Catherine L. Mann

Privatization of industry in Eastern Europe has created an overwhelming need for capital to support new small and midsize firms. These are the businesses that lead innovation and productivity in any type of economy, and countries such as Hungary are offering liberal policies and attractive tax holidays to encourage foreign direct investment and joint ventures.

Index, 131