## CONTENTS

Pre	eface to the se	cond edition	xi	
Acl	knowledgeme	nts	ХХ	
PA	RT I			
1	Strategic and	d Management Issues in Global and		
	Transnatio	nal Business	3	
	Learning obje	ectives	3	
	Global and tra	ansnational business – an introduction	in Global and  an introduction  curse?  Ephilips Electronics and management – the issues ional strategic management  strategy tegy trategy trategy approach to strategy y trategy approach to strategy approach to strategy y trategy approach to strategy approach to strategy y trategy approach to strategy approach	
	Some importa		2	
	-	ons of globalization	-	
		nd the WTO	Ć	
	Box Globaliz	cation – is it a blessing or a curse?	8	
	Global and tra	nsnational strategy	16	
	Structure of the		16	
		ng global co-ordination in Philips Electronics	18	
		ansnational strategies and management - the issues	19	
	A framework	for global and transnational strategic management	20	
		sies in strategic management	20	
		ve or deliberate approach to strategy	22	
		or learning approach to strategy		
		ve positioning approach to strategy	23	
		competence and capability approach to strategy		
		e-based approach to strategy		
		to global strategy in this book	26	
	Assumption 1	Competitive advantage arises from new and superior		
		knowledge	27	
	Assumption 2	Organizational learning and knowledge management are		
	4	vital to creating and sustaining competitive advantage		
	Assumption 3	Strategy is both planned and emergent	27	
	Assumption 4	Competitive advantage results from both internal		
		knowledge-based core competence development and from	20	
	Assumption 5	changing conditions in the business environment  It is important to distinguish between industries and markets		
	Assumption )	It is important to distinguish between industries and markets	25	

[ \	/i ] ———————————————————————————————————	CONTENTS
	and the same and	
	Assumption 6 Competitive advantage results from both competitive and	29
	collaborative behaviour	29
	A summary of the frameworks	29
	The global and transnational strategic management process	29
	The management process matrix  The major elements in the process matrix	30
	Conclusion	33
	Review and discussion questions	33
	References and further reading	34
PAI	RT II	37
2	From National Culture to Global Vision	39
-	Learning objectives	39
	Introduction	39
	The concept of globalization	40
	Industries and markets	40
	Causes of market and industry globalization	42
	Overview	42
	Technological forces	43
	Social forces	44
	Political and legal forces	45
	Economic forces	45
	The extent of globalization	46
	Globalization and environmental turbulence	47
	The example of the South Korean economy	47
	Box Tariffs and quotas	47
	Currents and cross currents	48
	Global mission, objectives and strategy	49
	Strategy, purpose and objectives	49
	Global vision	50
	Vision, philosophy and global strategy	50
	Box Nokia's global vision	51
	Culture and global business	52
	Levels of culture	52
	Box EuroDisney – a European or American cultural identity?	54
	Characteristics of culture	55
	Hofstede's cultural dimensions framework	56
	Elements of Hofstede's framework	56
	Power distance	56
	Uncertainty avoidance	57
	Individualism/collectivism	57

	Masculinity/femininity	57
	Long-term orientation	58
	Trompenaars' dimensions of culture framework	59
	Elements of Trompenaars' framework	59
	Relationships with people	60
	Time	61
	Relating to nature	61
	Tayeb – major cultural characteristics observed in various nations	62
	The importance and determinants of culture in transnational	
	business	62
	The importance of culture	62
	Box Culture and the success of mergers in the automobile industry	64
	Organizational culture	65
	Determinants of organizational culture	66
	Analysing organizational culture – the cultural web	66
	Box Sources of culture - an example of the influences on a country's	
	culture	69
	Review and discussion questions	70
	References and further reading	70
	Web links	72
3	Analysis of the Global Business	73
	Learning objectives	73
	Introduction	73
	Analysis of the global organization	74
	Internal analysis	74
	Competences, resources and capabilities	74
	Understanding global competences	74
	Definitions of resources, capabilities and competences	75
	Resources	76
	General competences/capabilities	77
	Core competences/distinctive capabilities	77
	Global value chain analysis	80
	Organizations as systems	80
	The value chain	80
	Primary activities	82
	Support activities	83
	Using the value chain framework	83
	The value system	84
	Co-ordinating activities and linkages	85
	The 'global' value chain	86
	A more complex value chain	86
	Configuration	86 87
	Co-ordination	87

[ viii ]	CONTENT
Global organizational culture and structure	87
The importance of culture and structure	87
Structure	88
Box BP Amoco and global structure	89
Culture	90
Products, performance and portfolio analysis	91
The concept of portfolio	91
The BCG matrix	92
Using the BCG matrix	93
Limitations of the BCG matrix	94
Box BAT in the 1970s and 1980s – managing an international po	rtfolio 95
Global products and services	97
Performance analysis	98
Benchmarking	98
Outside in or inside out?	99
'Outside in' strategy	99
'Inside out' strategy	100
The two approaches and internal analysis	100
Review and discussion questions	100
References and further reading	101
Analysis of the Competitive Environment  Learning objectives	103 103
Introduction	_
The nature of the business environment	103
	104
The importance of environmental analysis The macroenvironment	104
The microenvironment	105
Industries and markets	105
Identifying industries and markets	106
The industry	106
The market	106
The importance of the distinction between industry and market	107
Globalization of industries and markets	108 109
Yip's globalization drivers	
The four categories of drivers	109
Market globalization drivers	109
Cost globalization drivers	110 112
Government globalization drivers	114
Competitive globalization drivers	115
A summary of the drivers	116
Box The influence of government globalization drivers in the airlin	
industry	116

148 148

149

	Industry analysis	118
	Porter's five-forces framework	118
	Force 1: the threat of new entrants	120
	Force 2: the threat of substitute products	120
	Force 3: the bargaining power of buyers (customers)	121
	Force 4: the bargaining power of suppliers	121
	Force 5: the rivalry among existing competitors in the industry	122
	Use of the five-forces framework	122
	Globalization drivers and the five forces	123
	Synthesizing the two frameworks	123
	Box Ulcer treatments and the international development of Glaxo	123
	Market analysis	125
	Market identification	125
	Customers and their needs	126
	Strategic group and competitor analysis	128
	What are strategic groups?	128
	Box Globalization trends in the pharmaceuticals industry	129
	A resource-based approach to environmental analysis	131
	Limitations of traditional frameworks	131
	Understanding the framework	132
	Critical success factors (CSFs) and core competences	134
	What are CSFs	134
	Review and discussion questions	135
	References and further reading	135
5	Analysis of the Global Macroenvironment	139
	Learning objectives	139
	Introduction	139
	Change in the business environment	140
		140
	The nature of environmental change	140
	Change and prescriptive strategy	
	The macroenvironment	142
	STEP analysis	142
	Global and national macroenvironments	144 144
	The relationship between global and national macroenvironments	
	The role of national circumstances in international business	145
	Determinants of national competitive advantage	145
	Box Prudential: factor conditions in Reading, UK and Bombay, India	147

Porter's Diamond The analytical process

Stages in the process

Information gathering

		CONTENTS
	Information processing	149
	Knowledge generation	150
	Summary – analysis of the global macroenvironment	151
	The links between the micro and macroenvironments	151
	Review of the key stages	152
	Discussion and review questions	153
	References and further reading	153
PA	кт ш	155
6	Global and Transnational Strategy	157
	Learning objectives	157
	Introduction	
	Transnational strategies and global competitiveness	157
	Sustainability and competitive advantage	158
	Transnational, global and international business strategies	158
	Strategies – the choice	160
	Competitive positioning	161
	Knowledge and competence-based strategy	161
	Global strategy	161
	Knowledge and competence-based strategy	162
	The emphasis on the organization itself	163
	The components of core competences	163
	Core competences and distinctive capabilities	163 165
	Knowledge, core competences and global competitive advantage	166
	Knowledge	167
	Knowledge creation and management	168
	Box Sharp Corporation – a knowledge-centric organization	169
	Organizational learning	169
	Knowledge creation and management in transnationals	170
	Competence building and leveraging	170
	Summary of knowledge and competence-based strategy	172
	Alternative approaches to resource-based strategy	172
	Distinctive capabilities	173
	Box Manchester United and superior performance	173
	Competitive positioning – Porter's generic strategies	175
	The generic strategy framework	175
	Cost leadership strategy	176
	Differentiation strategy	177
	Focus strategy	177
	Hybrid strategies	178
	Knowledge, core competence and generic strategy – a synthesis	179
	Drawing the threads together	179

	Global and transnational strategy	181
	Porter's model of global strategy – the value system	182
	Configuration	182
	Co-ordination	183
	Integration and responsiveness	184
	Pressures for and against increased global co-ordination	185
	Regional strategies	186
	Total global strategy	187
	Development of total global strategy	187
	Transnational organizations	189
	Global and localized elements of transnational strategy	190
	Box McDonald's Inc. – an example of transnational strategy	192
	Discussion and review questions	193
	References and further reading	194
7	Global and Transnational Market-servicing Strategies	197
	Learning objectives	197
	Introduction	197
	Alternative foreign market-servicing strategies	198
	What is market servicing?	198
	Market-servicing options	199
	Box International expansion through franchising – Holiday Inn	201
	A summary of the modes of entry	207
	Selection of mode of entry	209
	Choosing the most appropriate mode of entry	209
	Criteria for choosing mode of entry	210
	Global market-servicing strategies	210
	Literature summary	210
	Three key variables	212
	Collaborative arrangements	212
	Collaboration rather than competition	212
	The nature and rationale of collaboration	214
	Horizonal and vertical collaboration	215
	Alliances	216
	Summary - advantages of collaborative arrangements as modes of entry	217
	Appendix 7.1 Some additional notes on foreign	
	market-servicing strategies	217
	Exporting	217
	Contractual agreements	218
	Foreign direct investment	219
	Box Toyota – FDI greenfield development in the UK	219
	Box Philip Morris – foreign acquisitions in the former communist states of	
	central and eastern Europe	220

i	xii J	CONTENTS
	Review and discussion questions	221
	References and further reading	221
	Ü	221
8	Global Production and Logistics Management	227
	Learning objectives	227
	Introduction	227
	Production strategy and competitive advantage	228
	The critical success factors in operations	228
	Global production strategies	229
	The 'big' decisions in production strategy	229
	Plant roles and inter-plant relationships	230
	Research in global productions strategy	231
	Doz – opportunities from relaxations in trade restrictions	231
	Starr's network	233
	Dicken and international value adding	233
	Dicken's four production strategies	234
	Plant location decision making	236
	Decision criteria	236
	The most frequently used criteria	238
	The location decision	239
	Procurement and transnational business	240
	Procurement policy	240
	Types of purchasing policy	241
	Global logistics	242
	The 'flow' of materials	242
	Logistics and strategy	243
	Managing logistics	244
	Discussion and review questions	244
	References and further reading	244
'AJ	RT IV	247
9	Global Leadership and Strategic Human Resource	
	Management	249
	Learning objectives	
	Introduction	249
	Leadership and management in transnationals	249
	Definitions	250
	The nature of leadership	250
	Box GE – the new leadership paradigm	251
	Leadership and cultural issues	253 254
	Box Body Shop: embracing a new management 'ethos'	254 254
	5 From the management ethos	254

	Leading and managing cultural diversity in transnational organizations	255
	Shaping culture in transnational organizations	256
	Strategic human resource management	257
	The importance of human resources	257
	Features of HR strategy	258
	HR strategy, core competences and organizational learning	259
	Integration of HRM with corporate strategy and functional strategies	259 262
	Criticisms of the concept of strategic HRM	
	European and American approaches to HRM	262
	A transnational model of HRM	263
	Porter's global strategy and HR strategy	264
	Congruence between HR and corporate strategy	264
	Review and discussion questions	266
	References and further reading	266
10	Global Technology Management	269
	Learning objectives	269
	Introduction	269
	Technology and strategy	270
	The impact of technology on strategy	270
	Technology as a strategic asset	271
	Defining technology	271
	Technology and products	272
	Technology and production	273
	Patterns of technological innovation	274
	Differences between technology and other assets	275
	Technology and global competitiveness	276
	Technology strategy	277
	The components of a technology strategy	277
	Technology audit	277
	Sourcing new technology	278
	Exploiting new technology	281
	Protecting the competitive advantage	283
	Box When patents expire	284
	Comparisons of transnational technological performance	285
	Comparing US and Japanese performance	285
	Learning good practice	287
	Information and communication technologies	287
	The effects of ICT	287
	Developments in ICT	288
	ICT and transnational strategy	290
	Configuring ICT for transnational business	291
	Discussion and review questions	292

References and further reading

[ xiv ] ———————————————————————————————————	CONTENTS
Global and Transnational Marketing Management	297
Leearning objectives	297
Introduction	297
The role of marketing in global and transnational strate	
Marketing and strategy	egy 298 298
Marketing and competitive advantage	300
Ohmae's (1989) view of marketing	300
Globalization of markets and marketing research	301
Global marketing strategies	302
Different perspectives	302 302
Douglas and Craig's (1989) typology	303
Leontiades' (1986) perspective	304
Four stages in a global marketing strategy	305
Global market segmentation and positioning strategies	308
Segmentation bases	308
Market positioning	309
Global marketing management	310
Marketing mix strategy	310
Box McDonald's – globally homogeneous?	311
Global products	313
The importance of product decisions	313
Decisions on product strategy	314
Global branding	315
Global pricing	318
Pricing decisions	318
Transfer pricing	323
Pricing decisions – a summary	324
Global promotion	324
Marketing communications	324
Standardization of global promotion	325
Organization and control of promotions	325
The management of global promotional campaigns	329
Choosing an advertising agency	330
ICT and global marketing	331
Box Axis Communications Inc. – the Internet and global marke	eting 333
Review and discussion questions	334
References and further reading	335
Global Financial Management	339
Learning objectives	
Introduction	339
	339
Finance management and the global enterprise	340

374

ONTENTS		
	The key issues in international financing	340
	Box Foreign exchange risk management at British Airways (BA)	341
	Centralization versus decentralization of the finance function	343
	Different approaches to decentralization	343
	Decision area 1: financing foreign operations	344
	The options	344
	Equity capital	346
	Debt (or loan) capital	346
	Decision area 2: resource allocation and capital budgeting	348
	Uncertainties constraining the certainty of choice	348
	Political risk	349
	Assessing and forecasting political risk	349
	Dealing with political risk	350
	Decision area 3: operational policies	351
	Working capital and cash flow management	351
	Foreign exchange exposure	353
	Reducing exposure	354
	Decision area 4: remittance strategy	355
	Types of funds transfer	355
	Problems with transferring funds Blocked funds	355 356
	Discussion and review questions	358
	References and further reading	358
		0,7-
13	Organizational Structure and Control in Global and	
	Transnational Business	361
	Learning objectives	361
	Introduction	361
	Some essentials of organizational structure	362
	Key variables	362
	'Height' and 'width' of structures	362
	Hierarchical configuration of structures	364
	Determinants of organizational structure	364
	Mintzberg's determinants	364
	The contingency approach	365
	The configuration approach to organizational design	368
	Types of international organizational structure	369
	International structures	370
•	Global structures	371
	The development of global and transnational matrix structures	374
	Stimuli to matrix development	374

Global matrix structures

[ xvi ] —	CONTENTS
The development of the transnational organizational structure	376
National influences on structural form	376 376
'Anatomy' and 'physiology'	370 377
Features of transnational structures	378
The transnational model	379
Decision making and control in international business	382
Decentralization and control	382
Empirical studies	383
Evaluating performance	384
Global and transnational strategies, organization and control	385
The influence of strategy on structure and control systems	385
Discussion and review questions	386
References and further reading	387
4 Managing Global Mergers, Acquisitions	
and Alliances	391
Learning objectives	391
Introduction	391
An overview of integrations and alliances	
Perspectives on external growth	392
Types of integrations and alliances	392
Transnational mergers and acquisitions	393
The key definitions	395
Motivations for transnational M&As	395 306
Box Hoechst and Rhône-Poulenc merge to form Aventis, a new global	396
leader in life sciences	397
Problems with integration	398
Successful M&As	399
Box DaimlerChrysler	402
Collaborative ventures and strategic alliances	403
What are collaborative ventures and strategic alliances?	403
Motivations for forming strategic alliances	405
Types of strategic alliance and collaborative venture	405
Directions of alliances	405
The extent and timescale of collaboration	407
Choosing the most appropriate type of alliance	408
Box Collaborative strategy in the international airline industry	409
Successful alliances	411
The strategic management of networks and alliances	412
The concept of the 'focal' business	412
Discussion and review questions	413
References and further reading	414

15 Global Business – Present and Future Trends	419
Learning objectives	419
Introduction	419
The global business environment – limits of globalization	420
The real state of homogenization	420
Physioeconomic theory	420
Challenging the presuppositions	421
A global approach to strategy and management?	422
Global competitive advantage in the future	423
Knowledge-based strategy: the intelligent organization	424
The 'virtual' corporation	427
Discussion and review questions	428
References and further reading	429
Appendix 1 McDonald's and Its International Expansion	431
A brief history	431
McDonald's and franchising	434
International growth	435
Appendix 2 Nike Inc.	439
Company development	439
The Nike product concept	440
Vertical linkages and outsourcing	441
Promotions and endorsements	443
Markets and structure	444
Changes in the 1990s	445
Nike at the end of the 1990s	446
References and further reading	447
Activities with Initial Federals	11/

CONTENTS

Index