When you shouldnt go global

Running head: VETTINGGLOBALIZATIONSTRATEGIES When You Shouldn't Go Global; Vetting Globalization Strategies Table of Contents Executive Summary It has been argued that companies who have experienced some level offailurewhen trying their hand at cross-border ventures have simply attempted the leap under misguided information. It is argued that such failures are in direct result of inadequately vetting their globalization strategies.

We offer an in depth discussion surrounding the globalization issue and the necessary strategies, followed by recommendations we believe could help reduce the prevalence of globalization failures. We open our discussion with a 2008case studyurging the company considering globalization to ask themselves a series of revealing questions. Providing real life examples, we go on to highlight several underlying pressures and challenges often associated with the process of globalization.

An analysis of the strengths, weaknesses, opportunities and threats, often associated with a firm who is not prepared for globalization, is performed. The often intimidating global climate and several mixed assumptions surrounding globalization are discussed across a multitude of service industries. We continue by presenting three of Sun Tzu’s principles, as cited in The Art of Business, as we argue ways in which they are instrumental to any successful globalization venture, providing examples of firms who have historically and successfully applied the three principles.

Several Christian values and how they are intertwined within the structural framework of a successfully globalized firm mentioned, noting the importance of a functional mission statement and several key characteristics to be explored before attempting the cross-border venture; ensuring global readiness. Finally, we offer several recommendations that we conclude are vital in addressing globalization preparedness, suggesting that with additional research, insight, and after fully vetting the related risks and rewards, the frequency of globalization failures would be significantly reduced. Case Overview

Marcus Alexander and Harry Korine (2008), argue that many companies do not take the time to ensure that their globalization strategies were not “ deeply misguided. ” Believing that many of these failures could be avoided, Alexander and Korine (2008) recommend the company pondering globalization ask themselves three questions: 1. Are there potential benefits for our company? 2. Do we have the necessary management skills? and 3. Will the costs outweigh the benefits? Among the arguments made by Alexander and Korine is that which encompasses the pressures surrounding the globalization process.

Alexander and Korine (2008), argue that companies going global in relation to various marketplace pressures are making serious mistakes, subsequently forced to undo their international investments, often involving the firing of senior management teams. Alexander and Korine (2002), offer up examples of failed strategies such as Dutch financial-services firm ABN Amro, Daimler-Chrysler, and AES – a U. S. based energy firm that despite operating in 29 countries on five continents, struggle to bring added value. The authors relate the struggles of deregulated industries to a " glocal" problem.

That is to say that many " customer expectations, operating environments, and management practices of a globally standard service can vary greatly depending on location," in example, citing the standardization of electricity flowing over power grids (Alexander & Korine, 2008, p. 107-109). Every industry has its own challenges with globalization. Issues within the service industry, such as Starbucks, for example, have been that profit margins are equivalent to about half of that which can be expected domestically.

In the IT industry the protection of intellectual property rights has caused many companies to simply leave countries like India, while the failed integration of Daimler-Benz and Chrysler is a perfect example of a failed globalization strategy in the manufacturing industry (Alexander & Korine, 2008). In discussing some of the strategies that did work, such as GE, and Renault's alliance with Nissan, Alexander and Korine caution against focusing on these success stories.

Stating that that while many companies are planning rapid expansion, they are underestimating the management challenges. Their final point is that the landscape of players is very different than that of the global landscape of 30 years ago. Today's successful global behemoths, according to Alexander and Korine (2008), are more diversified " both in type and international footprint. " Meaning, such companies possess a greater diversity in the types of subsidiaries they own and operating in more countries than ever before.
SWOT Analysis – When you Shouldn't Go Global

Strengths Reduced financial, political, currency, and exchange risk- Foreign investment involves all of these risks. By refraining from foreign investment we avoid these risks. Simplicity of operations- Setting up and maintaining foreign investments complicate operations. Refraining from going global keeps operations more simple. Protection of intellectual property- It is very difficult to protect intellectual property in foreign countries. By keeping all activities domestic, one is adding a layer of protection to intellectual property rights. Weaknesses

Loss of economies-of-scale and economies-of-scope- This according to Alexander and Korine is what is not being fully realized by going global, and therefore may not be that significant of an issue in many industries. Loss of first-mover advantages- Choosing not to go global may mean making the irrevocable choice to give up the first-mover advantage. This is usually a very small window and a one-time opportunity. Foregoing additional revenue sources- For a company that has no additional potential revenue sources domestically, going global may be the only opportunity to gather additional revenue.

Foregoing market growth- For companies wishing to expand market reach, the choice to forego going global will limit their market penetration. Opportunities No financial investment- Refraining from foreign financial investment frees-up those funds for investment in domestic activities. No use of other resources- Refraining from going global frees-up all resources (human, etc.) for use in domestic activities. Threats Loss of market share to competition- Should one’s competition be successful in going global, they may be able to offer similar products at much lower prices thus forcing you out of the market.

The competition may also offer superior products at higher prices, and capture the market, via the use of superiortechnology. Loss of talent to competition- In many fields, such as high tech and engineering, the worldwide competition for talent is fierce. Failure to go global often means failure to secure talent. Loss of learning opportunities- Since globalization can take the form of joint ventures. There is also the threat of the loss of learning from a joint venture partner that should be considered. Situation Analysis

Since the seventh century business have possessed the desire to operate internationally however, those considered truly global, did not start appearing until the past century. With growing stories of globalization successes, follow just as many testaments to failures. Despite the growing number of failed attempts the overwhelming pressure to conduct the ultimate border-less business has become increasingly enticing. Most large companies founded 20 years ago feel battered by numerous external forces pushing them towards globalization.

Driving forces such as the removal of political and regulatory barriers to global trading and investment and the ability to conduct business 24 hours a day from anywhere in the world, draw these business behemoths one step closer to customers in emerging economies (Alexander &Korine, p. 106). Deanna Julius (1997), lists in her article titled Globalization and Stakeholder Conflicts; a corporate perspective), three primary, macro-level forces, driving the need for change as; how companies are organized, how goods and services are produced and how they are bought by and delivered to customers.

Alexander & Korine (2008), mention that while many of the companies that have rushed to globalization have benefited, or at the very least have not suffered irreparable damage, some are witnessing major fallout from the move. The authors suggest that while companies often fail from misguided global strategies and an unanticipated level of execution, they could have avoided such failure by seriously addressing if potential benefits even exist in going global, if their management possess the necessary skills and the most logical one, will the costs of going global outweigh the benefits?

Alexander & Korine (2008), argue that most companies fail to ask themselves these questions due to previously held false assumptions regarding the virtues of globalization and seduction from the stock market. As previously mentioned, deregulated industries such as those who provide water, power, and mail service are among those experiencing global failure. Alexander & Korine (2008), suggest that deregulated industries are operating under the misguided assumptions as well.

The greatest assumption being that, going global will save themmoney, given they will be sharing resources across their international operations. When in reality, the costs to enter the foreign markets end up outweighing the assumed benefits (Alexander & Korine, 2008, p. 107). Managerial fads are suggested to undermine rational behavior from within a company, thus resulting in sloppy thinking that distracts management from more imperative tasks associated with global success.

Properly servicing global customers from a national perspective contributes too many failures given, much attention must be afforded to a mix or global and local factors simultaneously. Global manufacturing companies are said to fail due in part to the complexities related to the integration tactics necessary grow and compete better, resulting in costly delays and thus failures (Alexander & Korine, 2008, p. 110). STAB Principles Win All without Fighting – Capturing Your Market without Destroying It The goal of business is to survive and prosper over a long period of time.

Sun Tzu, author of The Art of War, described the strategy in achieving this long term prosperity as an offensive one in which a company must take all under Heaven intact, “ Thus your troops are not worn out and your gains will be complete (McNeilly, 1996, p. 11). McNeilly (1996), utilizing Sun Tzu’s principles in his book The Art of Business, adds that, by taking all under heaven intact you will capture your marketplace thus ensuring your company’s survival and prosperity. However, your desired markets must be defined as such and nothing less than commitment in achieving market dominance must be displayed (McNeilly, 1996, p. 1). Application of Sun Tzu’s principle, win all without fighting – capturing your market without destroying it, as cited in McNeilly (1996), has been useful to many of today’s leading companies, including global cement producer, CEMEX. Cemex’s CEO Lorenzo Zambrano has applied Sun Tzu’s technique when expanding his cement company in Mexico and abroad. By the year 2000, CEMEX had become the world’s third largest cement company. In Cemex’s quest for market dominance they switched to a strategy of growth through acquisitions.

In the late 1980’s large firms were considering expanding their operations into Cemex’sMexicanterritory. Realizing the imminent threat CEMEX decided to unify its Mexican operations by acquiring two of Mexico’s large cement producers, affording CEMEX access to Mexico’s central market and bolstering its exporting capabilities, making CEMEX Mexico’s largest cement producer and a threat not to be competed against. While CEMEX won all without fighting, they gained market dominance in Mexico, later fueling their geographic expansion (Ghemawat, 200, p. 155).

Deception and Foreknowledge – Maximizing the Power of Market Information

Foreknowledge, as described in Sun Tzu’s third strategic principle, is not projecting what will happen in the future, based on past occurrences or merely conducting a trend analysis. Foreknowledge and maximizing the power of market information is to; gain firsthand knowledge of your competitions strengths and weaknesses, know their capabilities, cultureand mindset, and obtain a deeper understanding of who their decision makers are and what their futuregoalsand plans are (McNeilly, 1996, p. 0). As Sun Tzu stated in The Art of War, as cited in McNeilly (1996), regarding foreknowledge " What is called foreknowledge cannot be elicited from spirits, nor from Gods, nor by analogy with past events, nor from calculations. It must be obtained from men who know the enemy situation. " In order for a company to succeed on a global scale not only do the ins and outs of their competition need to be understood and plotted against, they must also know themselves; their own weaknesses, strengths, people and plans as well as the market in which they will be entering.

A corporation lacking this level of foreknowledge should reconsider entering global markets until they better know themselves and their competition. Before Wal-Mart swept our nation, Sam Walton gathered vast amounts of information on his competitors, large and small, before he ever brought competition to their territory. In fact, before Wal-Mart took on then behemoth value retailer Kmart, it was the smaller, local mom and pop retailers that were seized up.

Walton learned about the smaller retailers value chains and distribution methods, through foreknowledge, he attacked their weakest points, where they could not afford to compete, in costs and deceptfully defeated them where they did not expect it; in their own small, rural towns. Defeating the smaller retailers gained Wal-Mart the necessary market share to then surround urban Kmart. Wal-Mart, knowing that Kmart's operating costs was on average 5% higher than theirs attacked Kmart at its cost structure, and won.

Kmart was just not able to get under Wal-Mart's five point advantage in operating costs (McNeilly, 1996 p. 25). In 2009, after waiting for a new government with a more ' hopeful' politicalenvironmentand a well paired partnership with local market-savvy grocery retailer, Bharti, Wal-Mart utilizes foreknowledge and deception to enter India's market. Historically however, Wal-Mart has been unsuccessful in several global markets such as Japan due to their inability to adapt to local markets and tastes (Consumer Goods, 2009).

As McNeilly (1996), notes in summary, you must learn everything you can about your competition, not merely the facts, but you must also learn about its culture, market, mindset and capabilities. Possibly additional foreknowledge in these areas could be of great use to Wal-Mart. Character BasedLeadership– Providing Effective Leadership in Turbulent Times Character based leadership is not only desirable but it is an attribute than often separates the globally successful firms from the rest.

When a company first tries its business hand and people skills at cross-border trading, most of the times are turbulent ones and without effective and transparent leadership, going global can quickly escalate from intimidating to downright terrifying. When we think of character based leaders, often people like Chrysler's Lee Iacocca, Steve Jobs (Apple), The Snyderfamily(In-N-Out burger), Dan Cathy (Chick-Fil-A), Eric Schmidt

(Google) and Jim Skinner of McDonalds come to mind, but McNeilly (1996) reminds us that not only are leaders of this caliber unique, they can also be hard to find.

It is of no coincidence than that we can more readily recall companies operating under less than character based leadership, faster than those with it. Companies like Nike, BP, Exxon (Valdez Oil spill) and even Carl's Jr's current CEO Andy Puzder, come to mind. Sun Tzu stated in The Art of War, as cited within McNeilly (1996), " The general who in advancing does not seek personal fame, and in withdrawing is not concerned with avoiding punishment, but whose only purpose is to protect the people and promote the best interests of his sovereign, is the precious jewel of the state…few such to be had. McNeilly (1996) suggests that leaders of this caliber are desirable given they put the needs of others before theirs, they have strong and well developed characters. Becoming such a leader is not easy and will require much sacrifice to: " Build your character, not just your image; lead with actions, not just words; Share employee's trials, not just triumphs, motivate emotionally, not just materially, assign clearly defined missions to all, avoiding mission overlap and confusion and the make your strategy drive your organization; not the reverse" (McNeilly, 1996, p. 119).

Jim Skinner, CEO for McDonalds and winner of the 2009 CEO of the Year award is greatly admired and willingly followed by his employees around the world and thus a great example of a character based leader attributing to McDonald's global successes. Skinner, who began hiscareerwith McDonald's in 1971 as a grill cook was named CEO in 2004, at a tumultuous time for the company. Skinner acted quickly to turn the company around and in result between 2004 and 2008 McDonald's revenues climbed 41. 1 percent in four years, and net income jumped by 81 . 3 percent (Top Executive, 2009).

The top nominees for CEO of the year are judged by such criteria as; leadership, integrity, ability to outperform and for their commitment to employees. It was no surprise to those who knew and worked with Jim Skinner that he had excelled in every category. After receiving the award, Skinner acknowledged the support his leadership team, along with the entire McDonald's system, stating " Together, our franchisees, employees and suppliers make up what we call our three-legged stool, we succeed only when all three legs of that stool are strong, aligned and performing at the highest levels" (Top executive, 2009).

In closing, Skinner noted that while the challenges of leadership have grown more complex in the multifaceted business climate, holding fast to fundamental principals will serve today's global business leader well (Top Executive, 2009). The character based leader of today's successful global firm provides effective leadership in turbulent times, Sun Tzu refers to this as ' moral influence' stating in The Art of War, as cited within McNeilly (1996), " By moral influence I mean that which causes people to be in harmony with their leaders, so that they will accompany them in life and unto death without fear of mortal peril. Skinner possesses moral influence among his employees, an important principle that will undoubtedly advance McDonalds in global markets around the world. Christian Values At the minimum, companies poised for global success, will adopt a mission statement. Ideally, these companies will have a statement of values. One organization that is not only global, but transnational – World Vision International has a statement of values that serves as moral compass in decision making and strategic planning.

It states that WVI's values are to " Bring a Christian, community-based, child-focused HIV and AIDS response, reflecting God's unconditional love for all people and the affirmation of each individual's dignity and worth" (World Vision International, 2009, p. 2). It is these types of clear statements of vision that removes the guess work from the Christian Business Praxis model. Additionally, companies need to look at the characteristics of their organization and the values their leadership possesses to determine whether or not the decision to global is in the best interest of the organization.

Some examples are: Benevolence- For many organizations benevolence is the primary reason for going global. This was certainly the case of bicycle manufactures and APU alumni ACIRFA, who after going on mission to Africa saw a need for transportation and found a way to meet that need. Stewardship- Stakeholder theory, which seems to dominate most modern business decision making, indicates that it is unethical to go global without first considering the impact on all of your stakeholders.

Clearly, one's shareholders are his or her primary stakeholders. However, one must be mindful of the fact the fact that the organization is also the steward of its employees. And, to that end the organization has a duty to plan responsibly and minimize risk to those employees. As such, it is important for organizations to ensure that they are balancing potential profitability with the potential of not serving some of those under their care.

Collaboration- This is a particularly useful skill if an organization is considering joint ventures.

If, however, the organization has found that that the leadership of the organization or the organization as a whole is particularly weak in this area this is an indicator that a joint venture is not ideal. Integrity- The challenge associated with integrity (assuming that your organization possesses a great deal of integrity) is that one doesn't know the off-shore partners and vendors one's organization will be dealing with. New relationships will need to be established, and with that trust will need to be cultivated.

Management skill- For every ounce of management skill it takes to manage domestically it takes a pound to manage off-shore. This is because there is an entirely new set of challenges and risks. There are language barriers in many cases. There are currency fluctuations, political risks, supply chain issues, and a whole host of challenges that one may not have realized existed even with extensive due diligence. Passion- The type of passion we are addressing here is the type associated with buy-in.

If all members of the executive management team have not bought-in to the idea of going global it is going to be very difficult to have a great deal of success. Leadership must be passionate about going global. They must be excited, and they must be convinced that this is the future of the organization for global efforts to be successful. Preparation- Preparation is the key to success in going global. It may be fine to start out by simply exporting a few items. However, as demand increases, organizations will find that the need for strategic planning and preparation will also increase.

Should a company wish to enter into either a joint venture, licensing agreement or build facilities off-shore, extensive due diligence involving outside consultants will be necessary. Zest- As we have suggested, going global is not for the faint-at-heart. Leaders have to be willing to take risks, and moreover leadership should invigorate others. Going global is not an easy task, great planning and preparation are integral. There will be many challenges and many hurdles and in many cases there will be more reasons to quit than stay the course.

Therefore, zest is a prerequisite for going global. Recommendations Before making the decision to go global, heed Alexander and Korine’s advice, and ask three questions of your organization: 1. Are there potential benefits for our company? 2. Do we have the necessary management skills? and 3. Will the costs outweigh the benefits? The answers to those three questions will give the organization a starting point from which to determine if going global is in the best interest of the organization as a whole.

Next, ask the operational questions- Is going global necessary for the growth and/or survival of our organization? Is globalization worth the various risks involved? Can effectively and protect our intellectual property in a cost efficient manner? Will the complications surrounding operations be overwhelming? What do we stand to lose if we don’t go global and if we don’t who within our competition will? What possible ramifications exist at the expense of not going global? Are we losing out on a learning opportunity by not going global?

Is there unsecured talent out there that we may miss out on by not going global? Then ask the company, how much the above is worth in terms of opportunity cost? If we don't utilize our time and resources in going global, how then will we allocate said resources to growth? Then ask your company the values questions- Is going global a responsible and ethical management decision? Can we trust that we will find people of integrity in the global economy to do business with and if so, do we possess the necessary passion and zest to be successful at such as risky cross-border venture?

In addition, have we well prepared, and will we continue to be, throughout every step of the process? After asking the above questions we recommend conducting a detailed SWAT analysis where all possible risks and rewards involved with going global are fully vetted, then establish that all Christian perspectives are clear and present and finally, if the decision to go global is made, go forward while applying Sun Tzu's Art of Business principles.

In conclusion, Alexander and Korine (2008), suggest that we should not expect the influx of globalization failures to stop or improve any time soon. Making the valid point that, companies in a variety of industries will continue on in their reckless pursuit of global strategies, activists will continue to cause change and disruption and less than character based leaders will stand behind flawed globalization strategies, all the while, customers will always be demanding select attention.

While it is undeniable that globalization is a seductively daunting opportunity with promises of increased power and unlimited benefits looming about the mere thought and that while even the best and brightest leaders, heading up the most well prepared companies may eventually succumb to its pressures, make the cross-border transition and possibly fail at it, keep in mind- sometimes to fail is necessary to succeed.

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