

Globalization or internationalization essay sample



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In today's world, companies are facing a globalized and extremely competitive business environment that has been challenging corporate decision making. Companies have been choosing to look for possibilities outside their domestic markets for various reasons in attempt to increase revenue and profits and keep up with or surpass competition but “[rather] than focusing solely on beating the competition, strategies must be created that enhance the value for customers” (Lee, 2013).

Businesses' engagement in international trade and investments has been vital source for company growth (Ball, 2013). Can this be the only way to gain further market share and beat competition? Information technological advantages of the past decade have been globalizing markets.

Internet and internet enabled ecommerce have been changing the competitive landscape of the business world by making it more dominant and global: new businesses, innovative products and services are emerging globally that can be potentially disruptive for already established businesses. 2007 was a challenging year for Barnes & Noble. Not only has Amazon had been capitalizing on bookstore profits, but also introduced its electronic reading device, the Kindle in 2007. In response, Barnes & Noble quickly repositioned its core to focus on both enriching store experience and selling higher-margin products (such as gift items and children books) while focusing less on regular low-margin bookselling.

Furthermore, it launched its own electronic reading device, the Nook, and was able to leverage its physical store presence to its advantage by giving physical access to the new product. The only way to stay in the competition

is by responding quickly to these disruptions while ensuring uninterrupted business operation, reassessing strategy and business model (Gilbert, Eyring & Foster, December 2012). However, foreign direct investments must be made to establish and expand operations abroad (Ball, 2013).

The dynamic capability theory argues that merely making the foreign investment is not sufficient enough to make the international direct investment successful and truly beneficial to key stakeholders unless the firm has the ability to dynamically exploit the acquired distinct knowledge and unique resources over time. In order to make the FDI successful and gain competitive advantage, dynamic capabilities must also be internationally transferable and applicable to the host countries (Ball, 2013).

Hong and Doz suggest that every global business faces a “ global-local tension” that is created between uniformity/integration (demanded by achieved economies of scale and scope) and adaptation to local conditions. L’Oreal, French cosmetic giant, mastered the challenges that internationalization presents today’s global competitors by realizing that traditional structural approaches to internationalization (such as establishing large autonomous subsidiaries, global business units) would have not worked to eliminate ‘ global-local tension’. Instead, L’Oreal internationalized the management team by recruiting managers who were familiar with norms and behaviors of multiple cultures (Harvard Business Review, June 2013).

The outcome of L’Oreal’s dynamic capabilities ensures competitive advantage that is due to its product offerings that continues to be sensitive to global economies of scale yet responsive to local preferences.

Globalization or international approach? There is no 'one size fits all' strategic approach that could maximize customer value. Appropriate level to which companies should engage in foreign direct investment or the the agility of its business strategy will vary depending on the industry the company is in, nature of the its business, and its target market.