

# INTRODUCTION TO THE THIRD EDITION

Since the second edition of this book published in 2007, the globalization of the economy has seen its momentum challenged by two financial crises. Starting in the USA, the so-called 'subprime' crisis has obliged governments around the world to engage in Neo-Keynesian policies in order to consolidate the stumbling global financial system. More recently the 'Euro-zone' crisis has called into question one of the most ambitious international cooperations and has seen populations asking for more protectionism. In the Middle East, dictatorial regimes have been ousted by the revolutionary 'Arab Spring' and the newly formed governments are trying to find a way between global exchange and Islamic tradition. During these difficult times, emerging countries from Asia, Latin America and Africa have increasingly asserted their newly found economic and financial power and demanded a bigger participation in world governance. The tsunami that struck Fukushima in Japan in March 2011 creating a nuclear accident has convinced many nations to reconsider their energy policy. Despite all of this, globalization, even though criticized, is still active. Firms are moving to the new emerging economies in order to capture the consumption appetite of the growing middle classes. It is still relevant and important to put together all aspects of global strategic management.

This third edition is still about global firms and global management. Its objective remains to help undergraduate and graduate students, as well as company executives, to understand the main issues that companies and their managers confront when they 'go global' or 'manage globally', and to cope with these issues. Data have been updated and several new cases and examples added. At the end of each chapter there are now one or two new 'Mini-Cases' that students may discuss in class.

The book has been designed to support courses on strategic management in global firms, equivalent to a series of course notes to be read in preparation for a class or to compound and expand upon class content afterwards. Students can be assigned work on a case study for each of the topics covered in the book. The textbook can also be used as a guide for managers and executives.

There are a number of excellent textbooks on international business already available<sup>1</sup> so how does this book compare with others?

First, the focus of the book is on **firms and their employees**. It addresses the strategic and management issues that global companies confront when they operate across borders. From strategic analysis, formulation to implementation in the various business functions, the

book reviews the main aspects of operating globally. Macroeconomic and political factors that traditional international business textbooks cover, such as international trade and investment flows, the problems of economic development in emerging countries, the analysis of international and regional institutions such as the World Trade Organisation (WTO), the United Nations (UN), the World Banks and other development banks, the European Union (EU), the North American Free Trade Agreement (NAFTA), the Association of South East Asian Nations (ASEAN) and the like, and the geopolitical analysis of diplomacy and defence are not discussed. It is assumed that students interested in those topics will read specialized books on the subjects or attend courses taught by economists or political scientists.

Second, the book takes the view that **the traditional international business paradigm based on the study of foreign investments in 'foreign' countries by 'home' country firms is no longer valid for studying global firms**. The home-host country traditional paradigm establishes a hierarchy among countries' business locations. As it will be argued and shown in the examples and cases in this book, global firms progressively abandon their original nationality to manage a network of firms in an integrated and coordinated way out of 'centers' that are no longer necessarily located in their country of origin. Scholars like Chris Bartlett, Sumantra Ghoshal, Yves Doz and C.K. Prahalad, and more recently Peter Williamson and José dos Santos,<sup>2</sup> have studied this evolution in business activity and they created the terms 'transnational' or 'metanational' to describe these new types of corporations. Later, George Yip analyzed what he called 'Total Global Strategy'<sup>3</sup> and this book was inspired largely by their theoretical and empirical work. Obviously, classic issues such as entry strategies or expatriate management will not be forgotten, but the overall tone of the book looks at how, ultimately, international or multinational firms become global and are managed globally.

Third, the book aims to **describe and analyze the key strategic and managerial challenges for firms**, but does not pretend to be exhaustive or encyclopaedic. As Michel Montaigne said, it is better *'d'avoir une tête bien faite qu'une tête bien pleine'* (to have a well-rounded brain rather than a full one). Since the book aims at providing present or future international managers with the strategic and managerial tools needed for operating globally a lot of theoretical developments have been deliberately omitted. Transaction costs theory, locational theory and agency theory, for instance, despite their scientific pertinence, have been left out because their treatment would require more space than is available here. The quotation of a multitude of articles published in academic journals and collections of papers in the field of international business such as the *Journal of International Studies*, the *Strategic Management Journal* or the *Academy of Management Journal* has been strictly limited. Those who want to know more are invited to look at the lists of 'References and further reading' at the end of each chapter as well as the works quoted during the text.

Fourth, it appeared important to illustrate the points made in the text with **several new examples and Mini-Cases** that have been inserted in the chapters. These examples and Mini-Cases deal with 'transnational' firms from various places of origin such as China, the Philippines, Latin America, Europe and the USA, which now operate across the world.

Finally, the book borrows considerably from the work done by professors or ex-professors at the **European Institute of Business Administration (INSEAD)**, and has favoured their works rather than others. This has been a deliberate choice, given the long-standing involvement of the author in the intellectual life of this institution and the quality of the research undertaken there.

## How can this book be used?

This book can be used in three ways:

- As a stand-alone textbook for a course based on lectures and exercises. At the end of each chapter there are questions that can serve as learning assignments to prepare for such lectures, or to follow them.
- As background reading for a course based on case studies. To that end, the book's Appendix below lists potential cases that the author has used to support each chapter of the book. Those cases are available in international clearing houses such the Harvard Business School Clearing House or the European Case Clearing House. There are also some excellent casebooks available.<sup>4</sup>
- As a reference book, particularly in executive programmes or for individual readers who want to get acquainted with global strategic management without being burdened by too much theory and background reading.

## Appendix I.1 List of potential case studies to be used to support the book

(HBS = Harvard Business School, Cambridge, Massachusetts, USA; IMD = International Institute for Management Development, Lausanne, Switzerland; INSEAD = Institut Européen d'Administration des Affaires, Fontainebleau-Singapore; Ivey= Richard Ivey School of Business, Toronto, Canada; Thunderbird = Thunderbird School of Global Management, Glendale, Arizona, USA)

CHAPTER	CASES	REFERENCE
1 Globalization of markets and competition	<ul style="list-style-type: none"> <li>• The Global Oil Industry and Latin America</li> <li>• AXA and the Non-Life Insurance Industry in Europe in 2010</li> <li>• The Global Tire Industry and Michelin in 2004</li> <li>• Mass Retailing in Asia: The Markets</li> <li>• Note on the Global Hotel Industry</li> <li>• The Global Oil and Gas Industry, 2010</li> </ul>	INSEAD, 2011 INSEAD, 2011 INSEAD, 2005 INSEAD, 2005 Ivey, 2008 Thunderbird, 2011
2 Designing a global strategy	<ul style="list-style-type: none"> <li>• Globalization of Komatsu: digging out of trouble</li> <li>• Forging a Global Bank (A)</li> <li>• Baidu and Google in China's Internet Search Market: Pathways to Globalization and Localization</li> <li>• Lessons From Breakthrough Strategic Moves Over the Last Century</li> <li>• Cemex: Building a Global Latina</li> <li>• Cemex: Cementing a Global Strategy</li> <li>• Grolsch: Growing Globally</li> <li>• L'Oreal And The Globalization Of American Beauty</li> <li>• McKinsey and the Globalization Of Consultancy</li> <li>• Teva Pharmaceutical Industries, Ltd.</li> <li>• CEMEX (A): Building the Global Framework (1985–2004)</li> <li>• LG Electronics: Global Strategy in Emerging Markets</li> </ul>	INSEAD, 2010 INSEAD, 2010 INSEAD, 2009 INSEAD, 2009 INSEAD, 2008 INSEAD, 2007 HBS, 2011 HBS, 2011 HBS, 2010 HBS, 2009 Thunderbird, 2007 Thunderbird, 2007
3 Designing a global organization	<ul style="list-style-type: none"> <li>• The Rogue Trader</li> <li>• Philips versus Matsushita: The Competitive Battle Continues</li> <li>• Novartis Pharma: The Business Unit Model</li> <li>• Have You Restructured For Global Success?</li> <li>• Renewing GE</li> </ul>	INSEAD, 2011 HBS, 2009 HBS, 2003 Ivey, 2011 Ivey, 2011
4 Global strategic alliances	<ul style="list-style-type: none"> <li>• Renewing the Fujitsu–AMD Joint Venture (part A)</li> <li>• The TNT/WFP Partnership, 'Moving the World' Five Years On</li> <li>• Essilor Korea (part A)</li> <li>• Hyundai Card and GE Money: Re-branding decisions in a successful joint venture</li> <li>• GM's Asian Alliances: Fifteen Years After</li> <li>• Fiat–Chrysler Alliance: Launching the Cinquecento in North America</li> <li>• CIBC Mellon: Managing a Cross-Border Joint Venture</li> </ul>	INSEAD, 2009 INSEAD, 2009 INSEAD, 2009 INSEAD, 2008 INSEAD, 2005 HBS, 2011 Ivey, 2010
5 Global mergers and acquisitions	<ul style="list-style-type: none"> <li>• The Takeover of Arcelor by Mittal Steel: Change in a Mature Global Industry (part A)</li> <li>• The Acquisition of Abbey (A)(B)(C)</li> <li>• The Acquisition of Alliance &amp; Leicester and Bradford &amp; Bingley (part E)</li> <li>• Cap Gemini Ernst &amp; Young (A) Two Views</li> <li>• InBev and Anheuser-Busch</li> </ul>	INSEAD, 2010 INSEAD, 2009 INSEAD, 2008 INSEAD, 2004 Thunderbird, 2010

CHAPTER	CASES	REFERENCE
6 Assessing countries' attractiveness	• Concise Profiles series : Brazil, India, China, Hong Kong, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam	INSEAD, 2011
	• A World of Risk and a Road Map to Understand It 'The 4 Quadrants'	INSEAD, 2006
	• Sherritt Goes to Cuba (A): Political Risk in Uncharted Territory	HBS, 2011
7 Entry strategies	• INTEL in Costa Rica: A Success Story?	INSEAD, 2005
	• Whirlpool in China : Entering the World's Largest Market	INSEAD, 2001
	• eBay's Strategy in China: Alliance or Acquisition	HBS, 2007
8 Global marketing	• Google Street View in France (A): Building Buzz for a New Product Launch	INSEAD, 2011
	• GE Healthcare (A): Innovating for Emerging Markets (A), (B)	INSEAD, 2011
	• Wipro: Building a Global B-2-B Brand	INSEAD, 2009
	• Pfizer and the Distribution of Pharmaceuticals in Europe in 2009	INSEAD, 2009
	• L'Oréal: Global Brand, Local Knowledge, • Schneider Electric Global Account Management	HBS, 2011 IMD, 2003
9 Global operations	• Semiconductor Manufacturing International Company in 2011	HBS, 2011
	• Wal-Mart China: Sustainable Operations Strategy	HBS, 2009
	• Lego Group: An Outsourcing Journey	Ivey, 2009
	• Genpact Inc. – Business Process Outsourcing to India	Ivey, 2009
	• Coloplast A/S – Organizational Challenges in Offshoring	Ivey, 2008
10 Global innovation	• Teva Pharmaceuticals: Global Integration Rank Xerox: The Global Transfer of Best Practices (A), (B),5c)	INSEAD, 2003
	• Siemens AG: Global Development Strategy	INSEAD, 2002
	• Siemens ShareNet: Building a Knowledge Network	HBS, 2002
	• Leo Burnett Co. Ltd.: Virtual Team Management	HBS, 2002
		Ivey, 2003
11 Cross-cultural management	• Polygon Hotel in Dubai: Challenges of Cross-Cultural Negotiations	INSEAD, 2011
	• Leading Across Cultures at Michelin (part A)	INSEAD, 2009
	• Negotiating in China	Ivey, 2011
	• Negotiation in China: How Universal?	University of Hong Kong, 2011
12 Global human resource management	• From Jaguar to Bluebird – Mark Chan returns home after his expatriate assignment (A)(B)	INSEAD, 2003
	• Andreas Weber's reward for success in an international assignment – a return to an uncertain future (A)(B)	INSEAD, 2003
	• Albert 'Jack' Stanley in Nigeria (A)	HBS, 2011
	• Solvay Group: International Mobility and Managing Expatriates	HBS, 2009
	• From Regional Star to Global Leader	HBS, 2008
	• Global Talent Management at Novartis	HBS, 2006
	• Finance Leadership in Novartis Consumer Health Businesses	University of Hong Kong, 2006
	• People Management Fiasco in Honda Motorcycles and Scooters India Ltd.	University of Hong Kong, 2006
13 Global financial management	• Arcelor Mittal Takeover	INSEAD, 2009
	• Arcelor: Undervaluation: Threat or Opportunity?	INSEAD, 2009
	• Clariant-BTP Acquisition Acquisition Wave in the Fine Chemicals Industry (A)	INSEAD, 2006
	• DCF vs. Real Options: How Best to Value Online Financial Companies (with an Application to Egg)	INSEAD, 2001
	• Subprime Meltdown: American Housing and Global Financial Turmoil	HBS, 2008
	• International Finance	HBS, 2006
	• Foreign Exchange Hedging Strategies at General Motors: Transactional and Translational Exposures	HBS, 2006
	• Teaching Project Finances	Ivey, 2011

CHAPTER	CASES	REFERENCE
14 Emerging global players	<ul style="list-style-type: none"> <li>• Olam International</li> <li>• Marcopolo: The Making of Global Latina</li> <li>• A Middle Eastern Enfant Terrible Goes Global</li> <li>• The DIFI Conquest of Emerging Markets (A): Polish and Czech Strategies 'Will they call...?'</li> <li>• DIFI in Russia (B): Learning from Past Experiences? Building an ambitious future?</li> <li>• Building a Global Latina (part A)</li> <li>• Recipes for Success in China: KFC's Radical Approach to China</li> <li>• Haier: Taking a Chinese Company Global in 2011</li> <li>• Renewing GE: The Africa Project (B)</li> <li>• L'Oréal: Expansion in China</li> <li>• Carlsberg in Emerging Markets</li> <li>• Bundy Asia Pacific-China Strategy</li> </ul>	<p>INSEAD, 2011  INSEAD, 2011  INSEAD, 2010  INSEAD, 2009    INSEAD, 2009    INSEAD, 2011  INSEAD, 2011  HBS, 2011  HBS, 2011  HBS, 2006  Ivey, 2011  Ivey, 2008</p>
15 The social responsibility of the global firm	<ul style="list-style-type: none"> <li>• Tibotec: Partnership with HIV/AIDS Alliance in Uganda: Working Together for Development</li> <li>• Technology Choice under Carbon Regulation</li> <li>• The Pfizer Freiburg Energy Initiative (A)</li> <li>• A Global Leader's Guide to Managing Business Conduct</li> <li>• Kitchen Best: Ethics when Doing Cross-Boundary Business in Southern China</li> <li>• IKEA's Global Sourcing Challenge</li> <li>• Indian Rugs and Child Labor (A)</li> </ul>	<p>INSEAD, 2011    INSEAD, 2010  INSEAD, 2010  HBS, 2011  HBS, 2011    HBS, 2011  HBS, 2006</p>
16 Global trends	<ul style="list-style-type: none"> <li>• A Projection of Global Prospects: The World Bank Study Imagines the Year 2030 and Implications for the Future of Capitalism</li> </ul>	<p>HBS, 2011</p>

You can find the cases on the following websites:

Harvard Business School cases: <<http://hbsp.harvard.edu/>>

IMD Cases: <<http://www.imd.org/research/information/tofind/cases.cfm>>

INSEAD cases: <[http://www.insead.edu/facultyresearch/research/order\\_cases.cfm](http://www.insead.edu/facultyresearch/research/order_cases.cfm)>

Ivey Business School Cases: <<https://www.iveycases.com>>

Thunderbird School of Global Management cases:

<[http://www.thunderbird.edu/knowledge\\_network/case\\_series/](http://www.thunderbird.edu/knowledge_network/case_series/)>

In addition the following sites distribute cases:

The European Case Clearing House (ECCH): <<http://www.ecch.com/educators/>>

Indian School of Business: <<http://www.isb.edu/ctlc/Cases.Shtml>>

Darden School of Business: <<https://store.darden.virginia.edu/>>

The Asian Business Case Centre: <<http://www.asiacase.com/nanyangCase.asp>>

You may also find interesting video clips on You Tube (see for instance <<http://www.youtube.com/watch?v=9M5wWSA5vQQ>>)

## Notes

- 1 Peng (2009), Tallman (2009), Hill (2007), Inkpen and Ramaswamy (2006).
- 2 Bartlett and Ghoshal (2002), Bartlett and Doz (1990), Doz and Prahalad (1987), Doz, Santos and Williamson (2002).
- 3 Yip (1995).
- 4 De La Torre, Doz and Devinney (2000), Bartlett and Ghoshal (2000).

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