GLOBAL MANAGERS;
HOW TO OBTAIN THEM IN ORGANIZATIONS.

by

DANIEL R. MADERO

B.A. Major in Marketing
Instituto Tecnológico y de Estudios Superiores de Monterrey
(1992)

SUBMITTED TO THE ALFRED P. SLOAN SCHOOL OF MANAGEMENT
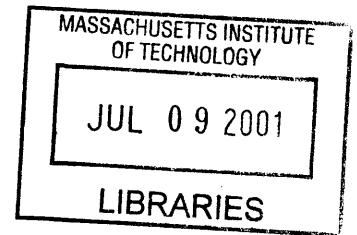IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

May 2001

Signature of Author:_____

Alfred P. Sloan School of Management
May 7, 2001

Certified by:_____

D. Eleanor Westney
Thesis Advisor
Society of Sloan Fellows Professor
of International Management

Accepted by:_____

Stephen J. Sacca
Director, Sloan Fellows Program

GLOBAL MANAGER;
HOW TO OBTAIN THEM IN ORGANIZATIONS.

by

DANIEL R. MADERO

ABSTRACT

We live in a global era; we can find the same products and services around the world. The barriers that used to exist have blurred or disappeared. In the past when we traveled from one country to another, there were many differences—cultural, political, social—and many times travelers had one or two bad experiences. Today things are easier, and countries are adapting to the global market and opening their doors to the world.

Technology and Communications are two key factors in this globalization process. However, the people who develop and implement these factors are the ones who are helping the world to become a global marketplace. These people are the global leaders and managers—people who think beyond their cultural and social environments, people who are able to combine the needs of different countries into a single more homogenous need, people who lead organizations and countries as they improve their strategies and join the global era.

This thesis highlights the different phases of globalization through which the world has lived over the years, from the trading era where people exchanged valuable goods with each other to the global era where the marketplace is a single global market.

The thesis discusses the changes in industry and the various forces driving industry to make these changes, as well as tools to help evaluate the pressures for globalization. I consider globalization from three perspectives: the broad worldview, industry level, and then company or firm level and the different ways of doing business.

Moving from the macro level to the micro level, I discuss the people who work in the organizations, those who are responsible for leading and managing the firm during its drive to become a global company. I present and discuss some of the skills needed and the tools that managers can use to facilitate their strategies. Then follows a discussion of some of the generic strategies that companies can pursue and the key success factors needed to develop appropriate global strategies.

Next I develop a case study of Vitrocrisa, a Mexican company searching for an approach to globalization that will work best for the company. Here I explain the strategies, structure, and challenges that Vitrocrisa is facing. Also I suggest actions and plans that the company could pursue to facilitate the process. Finally, I present general conclusions about how a company can identify the skills of global managers, and then identify potential candidates, hire, and develop them.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS

There many people who have helped me in the development and realization of this thesis. Among them are:

Professor Eleanor Westney for accepting my idea and for encouraging me during the research and writing of this work.

Vitrocrisa and Vitro Group, as well as the many people who were involved in the process of selecting the candidate to be sponsored to the Sloan Fellows Program.

Stephen Sacca, Judy Mason, Dee Masiello and Toby Woll for making this program a reality for me and for putting all their effort into make this one of the best experiences for all the students.

Cherie Potts, my editor, who made this thesis a reality and made it readable.

And, most important, I want to thank my family, especially my wife Emma for supporting me throughout this year in the good and the bad moments we shared; to my children, Camila and Fernanda, for helping to make this the best year ever.

Thank you all!

CHAPTER

1

Introduction

The world has become more competitive, the continuing globalization of markets is a constant challenge, and companies find they must now think on a world scale. All international companies, including my employer Vitro S.A. in Mexico, are facing strong pressure to think global rather than international. These kinds of companies require higher-level managers, well-prepared leaders, and executives who can bring their companies into a new arena of business opportunities. They need real global thinkers—Global Managers.

The development of managers who have spent time acquiring broad-based international experience, skills, and competence is crucial to company survival in today's rapidly changing world. Virtually all organizations that want to grow must face the challenges of expanding their market reach beyond the borders of their own country. But most organizations are unaware (or unwilling to admit) that the way their managers think and act frequently provides indisputable evidence that neither the companies nor the managers are prepared for the global environment. Managers still concentrate on the markets they know best—their local markets—and they mistakenly assume that markets will be the same across borders.

These are real problems that organizations must solve before launching a global strategic plan. Rhinesmith (1996) said it well: "Globalization has arrived in the world, but not in most of the world's organizations."

Managers and employees in organizations that are making the transition from a local to a global strategy must understand the need to change their skills and capabilities, both at home and abroad, if they hope to successfully reach into global markets. They must stop thinking that the wider world is the same one they know locally; they must recognize there are cultural, economic, and social differences among countries, and develop managers who can cope effectively with those differences and implement a global strategy.

Many people may not accept globalization, even in a company that embraces the concept, and this must change immediately. Necessity requires that companies embrace wholeheartedly globalization or die. Globalization is here to stay, and most companies and managers have to makes changes and adapt to it. Business opportunities are no longer viewed in terms of a local or country market. Instead, managers and companies need to view the entire world as their economic market opportunity.

Globalization has been traditionally viewed as the last step in the process of internationalization for a firm. It was assumed that a firm first should conquer the domestic market, and then try to export to establish an international presence, and eventually move to multinational and global strategies. Thus, globalization was the last step in the pathway. But it is critical that the global strategies pursued by these companies are sharply focused on their core markets.

However, strategy alone in not the issue; it is new ways of thinking that will make the difference. To become global, companies must change their corporate culture and processes to gain competitive advantage rather than thinking that global means doing business internationally and selling around the world.

To design strategies that will conquer a global market, companies first need to develop global managers. With the world changing around them, these managers have to think, analyze, and conceptualize their experience on a different plane so that the new strategies needed for their firms will become viable.

There is an imperative need for a new managerial thinking—Global Thinking.

THESIS PURPOSE

My thesis looks at the issue of how companies transform their management teams into global management teams. To this end, the thesis will:

➤ Identify analytical and strategic skills required and the tools that could be used to develop global thinking among managers;

➤ Identify managerial styles that meet global requirements;

➤ Understand the kind of preparation needed to develop such managerial skills and styles, and match it to the opportunities and challenges that are appearing in the market globalization process.

➤ Give a draft plan to Vitrocrisa on how to develop global managers

➤ Suggest how Vitrocrisa can be structured to best identify successful global strategies.

Phases of Globalization:
The Changing Context of International Business

As the world economy has developed, it has moved through different phases, evolving from a trading economy based upon exporting in the nineteenth century into a economy that made it simple for companies to establish operations in many countries. First it was international trading firms that dominated, then exporters, and during the mid-1960s and early 1970s, it was multinational firms. Since the 1980s, with the liberalization of economies worldwide, the paradigm began to change toward global firms.

This globalize economy put pressure on many firms, forcing them to adapt to a reality with which they were unfamiliar and generally unprepared; today many firms are able to enter multiple markets, and domestic firms increasingly face competitors from around the world. This reality has required companies to adopt new ways of management; managers found themselves facing more and stronger competitors, making them realize they could not expect to continue with the same managerial philosophy.

2.1 ERA OF TRADE

The trading economy developed centuries ago in the era of trade, when agricultural and manufactured products were traded from one country to another. Traders (the "managers" of their day) in those organizations had to understand the basics of foreign trade practices, specifically market access, transactions, and payment. The key issue for traders was identifying where demand for goods existed and where to find the supply to meet this demand. In the beginning business was done through trading agencies that had knowledge of foreign languages; later international trading houses, like the Japanese firms Mitsubishi and Sumitomo or like the Hudson Bay Company, became major forces in international business, building large networks of subsidiaries around the world.

This era ended with World War I, and today these trading houses no longer dominate international trading. Taking their places were the manufacturers firms that began to explore the world on their own.

2.2 INTERNATIONAL ERA (EXPORTS/IMPORTS)

Manufacturers began exporting and importing merchandise directly from many countries without needing the services of a trading agency. The manufacturers had products for their domestic market and then improved it for the export markets, and with this vision demand grew considerably. Many companies became primarily exporters owing to declining demand in their domestic markets and growing sales outside their home country; for example, Germany's Daimler-Benz, a case in which a large percentage of its sales were outside the

9

country; then they started to produce in the U.S., and they ended up merging with another international firm (Ford Motor Co.).

The managerial skills of exporting companies included identifying and opening markets, exploration, and market building. Executives traveled to foreign markets to identify distributors or sales companies that could handle their products in other countries.

2.3   THE MULTINATIONAL ERA

Exporting declined when companies realized that to gain efficiencies, market entries, and service they would have to build plants in or near the markets served. That period began after World War II when U.S. firms stopped exporting and began to build factories and operations in large foreign markets; soon European and Japanese firms began to follow the same strategy. Companies like this, with manufacturing facilities all over the world, are called Multinational Companies (MNCs). These companies have developed organizations to build local plants to protect their market interests and they have created multiple local strategies tailored to their local market situation. Multinational companies have independent strategies for every market into which they enter.

Nestlé, a company with more than 98% of their sales through international transactions, is a good example of an MNC. They have nearly 500 operating facilities around the world with only twelve in their home country of Switzerland.

For most MNCs, the strategy means their international business is produced locally and exports sales play a small role. Each operating facility directs its own local strategy and operations, and corporate headquarters coordinates financial control and most of the R&D.

Managers in an MNC are knowledgeable about the local environment combined with a sense of the other countries where operations are based. Managers gain their knowledge and experience by working overseas for long periods and staying within a specific region of the world.

2.4   THE GLOBAL ERA

When MNCs gave operating freedom to their managers, many firms experienced duplication of effort and frequently poor economies of scale. This led MNCs to change their operations toward becoming a *global* firm.

It is important to understand that a global economy does not mean an increase in the international or multinational economy—it is much more than that. In this era of the global economy, markets are open to all and barriers are disappearing rapidly, in contrast to the multinational economy era where sanctuaries or protected markets were built by MNCs. Many local economies have opened their borders to liberalized trade, adding to the potential scope of a firm's international activities. Also, the growing homogeneity of customers in the markets leads firms to think globally, to think of the whole world as their market. Not every firm will become global, but there are companies that must become global due to the nature of their business.

The global era began in the early 1980s when Michael Porter started writing about the globalization of markets, where companies were looking for new markets around the world to bring economies of scale, and searching for better and cheaper suppliers that could provide the companies with quality products at better prices. Now we live in a true global

marketplace where financial operations are available 24 hours a day around the world, and where money moves instantly among all the world's countries; where borders and barriers of entry to new markets are disappearing; where more companies are producing and selling outside their home country and losing their local identity; and where companies face the fact that they must either globalize or disappear.

2.5   FORCES DRIVING GLOBALIZATION

There are several forces driving the global economy that are pushing the economy relentlessly toward a global and integrated system, and slowly reducing domestic economic activity. These drivers are discussed below.

Deregulation of the Markets

The recent impetus in many countries to deregulate industry sectors has widened the access for international firms. This led many firms to discover business opportunities in countries where they once thought it would be impossible to operate. Deregulation has taken three major directions:

1. State-controlled enterprises, like telecommunications, energy, and transportation, have become privatized;

2. Industry-specific regulations have been reduced in industries like banking or insurance. This promotes international expansion and globalization of the economy;

3. Existing regulations have been standardized, e.g., the EU where common regulations among the member countries facilitate entry into multiple markets.

Worldwide Communications (Travel and Technology)

High technology in both travel and communications has facilitated the movement of personnel from one place to another as well as rapid communication using telephones, computers, and other technological advances. Air travel has contributed tremendously to the ability to move quickly from one place to another around the world. The communications revolution helped managers control even minor details from afar, with major consequences on the conduct of international business. With the communications revolution, the problem of distance as one of the traditional barriers to international trade, has been largely eliminated.

Not only is physical communication becoming easier, but television has made the world a more global environment. Television has grown so globally during the last few decades that today movies and television programs can be watched all over the world; for example, 2 billion people around the world saw the soccer World Cup in France.

An even newer communication channel is the Internet, which has been available to the market for the past half-decade and gaining users every day. With the Internet, communication is easier than ever; we can communicate electronically with someone on the other side of the world in a matter of seconds.

Trade Liberalization

The constant lowering of trade barriers such as duties and customs that has occurred between countries has contributed significantly to the globalization process. Across the world, mutual agreements are being developed, such as the European Union or NAFTA, that virtually eliminate trade barriers among member nations. Organizations have sprung up, like the WTO, which concentrate on reducing non-tariff trade barriers or creating regional

agreements. The fall of the former Soviet Union and its economic system had a tremendous impact on international business practices and liberalized several economies to foreign business. All these political changes have allowed firms to penetrate foreign markets—and have sealed the fate of sanctuaries or protected markets.

One example of how trade liberalization brings globalization pressure to bear on a company is the case of LG Group in Korea. For many years LG focused its strategy on being a low-cost manufacturing company. Managers focused on high-volume production and low cost per unit rather than understanding the needs of the market and developing high-quality products. By the mid-1980s, the Korean government began to relax its trade barriers, which quickly brought international companies into the local Korean market. These new competitors had higher-quality products and competitive prices thanks to the lower trade barriers. Given this new environment, LG faced the fact that it had to shift strategies and become a value-driven rather than a low-cost company. The company had to change its managerial style, decision-making process, and top-down management structure.

But the most important thing LG changed was its strategy: instead of remaining a domestic firm (70% of their sales were in Korea), it became an international firm. All the changes that were forced upon them eventually resulted in a far stronger, more secure better future, and now LG has become a full-fledged Global Firm. These changes led to a new philosophy in the company, one based on global needs and focused on a global perspective.

Homogeneity of Customers

The marketplace has become more global, customer preferences including quality and prices for products and services have been growing and become more similar around the world.

These drivers of trade deregulation—ease of travel and communication, commonalities among customer demands, and trade liberalization—have created forces that bring economic activity into the global economy and impact the way business is done around the globe. Competition has been growing and intensifying as the global economy grows, and there are new players in the rapidly expanding markets. Production efficiency is improving as the number of competitors' increases; the competitors have different cost bases and thus gain competitive advantages over other players. This issue bring with it pressure to improve efficiencies and profitability within companies that are already profitable.

Intensified competition and the push toward world-class efficiency will dominate the globalize economy. The paradigm is there again, the traditional way of doing business, but viewing data, trends, or developments on a country-by-country basis will no longer be sufficient. Managers who want to lead companies into the global world must develop a different, more global style of thinking.

CHAPTER
3

Industry-level Factors in Globalization

Managers need to understand what are the driving forces pressuring their industry into globalization, how to read the global market and set priorities for the leading the market. There are several tools that exist to measure the pressures and an interesting tool to understand the global market. Companies need to standardize the measurements in some form, for they will have enormous amounts of data that are not valuable on the own, so firms must standardize the information and measure it to project strategies that bring results.

3.1   TOOLS FOR MEASURING PRESSURE TO GLOBALIZE

There are several tools to measure the pressure for a globalization in an industry. First, managers should understand and define the global dimensions that pressure companies; then managers should find the best tool for measuring those dimensions. I suggest there are two dimensions, and they are derived from two sources: customer-based dimensions and industry-based dimensions. Each is discussed below.

Customer-based dimensions

Global Customers

Are the firm's customers global? Global customers often have the ability to compare prices from different suppliers, they have economies of scale gained by working worldwide, they depend on the same levels of quality and service, etc. Negotiations over these issues often take place in the corporate headquarters but the products are delivered to locations around the world.

Purchasing Behavior

How do the customers or final consumers buy the products? Are they buying in the same way, for the same reasons, around the world? The distribution channels and advertising channels may be different from one country to another.

Information or Marketing Strategies

Are customers looking for products or services the same way everywhere? In what ways do customers scan the environment? What media do they use to obtain information about products and services? Where do they search for products or services?

Industry-based Dimensions

Competition

Are firms facing the same competitors worldwide? If there are competitors who operate in multiple markets where the firm operates, does this mean there is pressure from global competitors?

Industry

Is the firm competing in a global industry? Are the key success factors the same? Is the value chain the same around the world? What is the intensity of investment needed or technology needed to participate in the industry?

Size of the Market

Is there a critical mass for the market if the products or services are sold worldwide? Does the company need more than a single market to pay off the investments?

Regulations

What regulations do countries have and what are the regulatory trends in different industries?

Ranking as a Tool

When considering these dimensions, managers can simply rank order them to measure the global pressure intensity from each dimension. To better rank the pressures, managers could select a business team to determine which of the dimensions puts the highest pressure and which puts less pressure. When the team has completed its rankings, then the information could be translated to a histogram or bar chart. This way, managers would realize which dimensions are most important.

I believe this is not the best tool, that there is an easier way to make these determinations, and the results produced by the team are not really useful for managers because they do not receive sufficient information to understand the trends and actual pressures that made the industry behave a certain way.

Integration-Responsiveness Grid as a Tool

Another tool that managers could use is the Integration-Responsiveness Grid (I-R Grid) developed by Prahalad (1987). This tool gives managers information about where the globalization pressures are coming from. Managers use the same dimensions as in the ranking tool discussed above to measure the pressures. However, this tool adds "Local Responsiveness", which means that managers should also measure differences among customer needs, if the products have to be adapted, if the distribution channels among markets are different, or if there are many substitutes.

With this tool, managers can see if the pressure is high, medium, or low on every dimension they choose by developing a comparison table with the different dimensions catalogued by amount of pressure. Dimensions could include pressures facing a business or pressures that drive the strategies in a specific industry. Prahalad (1987) mentioned two sets of pressures:

- Pressures for Global Strategic Coordination:

    - Importance for Multinational Customers.
    - Presence of Multinational Competitors
    - Investment Intensity
    - Technology Intensity
    - Pressures for Cost Reduction
    - Universal Needs.
    - Access to Raw Materials and Energy.

- Pressures for Local Responsiveness:
    - Differences in Customer Needs.
    - Differences in Distribution Channels
    - Availability of Substitutes and the need to adapt.
    - Market Structure
    - Host Government Demands.

If these pressures exist in the company, managers could then identify the need for Global

Operational Integration and for Local Responsiveness. These needs can be represented in a

chart similar to the I-R Grid shown in Exhibit 3-1, placing the company's business in the

chart.

Exhibit 3-1. Integration – Responsiveness Grid
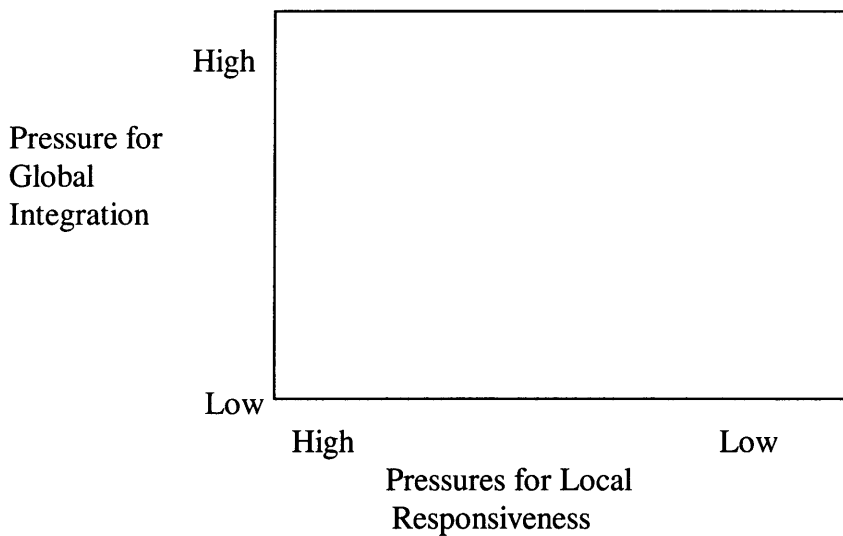
Source: Prahalad, 1987.

Understanding the pressures that drive the company makes it easier to focus the

company's strategy on the real needs. Managers can analyze the firm as a whole or divide it

into different businesses or product lines.

Global Spider Web

In my opinion, the best tool managers can use is the Global Spider Web. This tool

not only measures the pressures for globalizing companies, but it also checks at the different

dimensions and the main source that is dominating the global pressure. The Global Spider

Web is illustrated in Exhibit 3-2, where each branch is a different dimension and separated by the two main sources, customer-based dimensions and industry-based dimensions. The branches start in the center of the web, indicating that there is no localized global pressure until it reaches the Global Pressure at the farthest end of the branch.

Exhibit 3-2. Global Spider Web
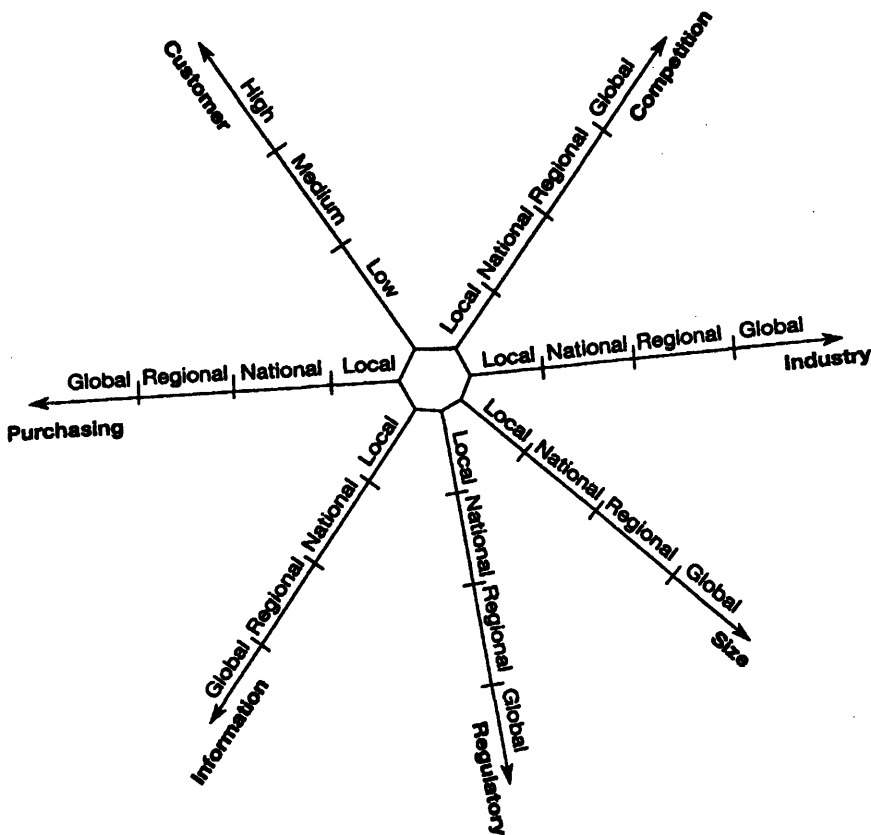
Source: Jeannet (2000)

After rating each dimension we have a kind of footprint that—according to its size—we can measure the global pressure for that firm. If the footprint is small, it can be argued that there is little pressure to globalize; a large footprint indicates extensive pressure.

However, it is not just the size of the footprint. The shape gives us the actual source of the global pressure. It indicates whether the business is pressured by customer-based or industry-based dimensions. Exhibit 3-3 illustrates this.

Exhibit 3-3. Spider Web with footprint of pressures.
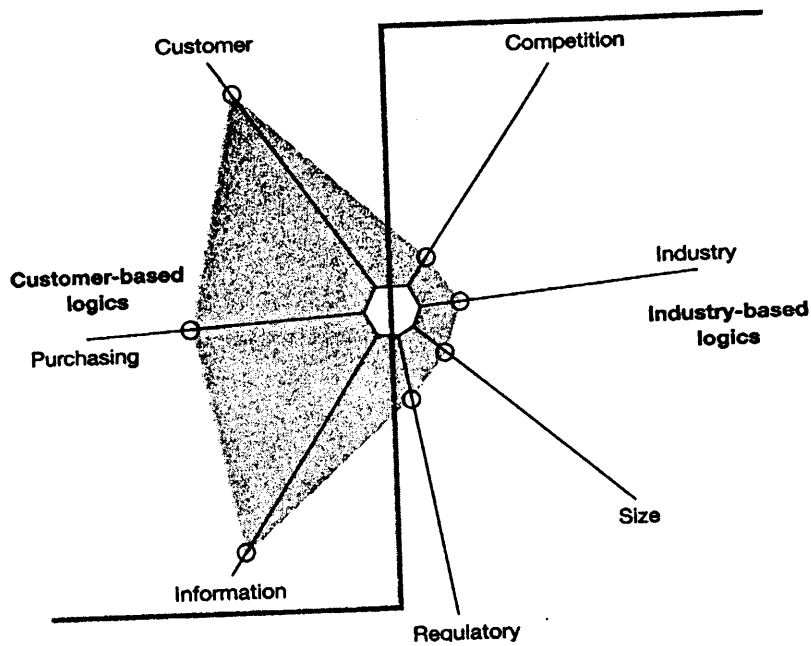
Managers should be aware that the use of the Global Spider Web is highly industry-specific and sometimes even segment-specific; it is not, however, company-specific. The results of the Global Spider Web would be identical for all direct competitors. If there are several segments or sectors and different key success factors in the industry, companies might

have a Global Spider Web for each segment in which they participate. Obviously, it will be a bigger challenge to create strategies because instead of having one generic strategy to penetrate the industry market, managers should create different strategies and apply them in different segments of the industry.

The Global Spider Web can also be used to analyze the trends of global pressure over time, and to help understand the present and future state of an industry. Today's rapidly changing environment could cause firms or even industries to experience serious changes in their Global Spider Web footprint. Customers are changing their behaviors and needs constantly, companies among the industry are changing the strategies and their business practices, acquisitions have been made by large companies, etc. All these changes have the immediate effect of industry pressure to globalize or vice versa.

To better use the Global Spider Web, managers activate it for different segments or sectors in the industry and apply it directly to the company. This means the tool can be used not only to understand industry globalization pressure but to understand where the company's exists in relation to the needs of the industry. It would help managers to see to what extent the company is operating on an over—or under—globalized view.

Companies operating in a state of under-globalization should analyze their strategies because they may be losing business opportunities; companies in a state of over-globalization could be investing more money than is necessary. Drawing two Spider Webs—one for industry, the other for company—indicates the gap between the actual and the perceived globalization pressure. That gap will give managers a clear sense of how the strategy is working.

CHAPTER

4

Types of Companies

There are several different types of companies that work in the global marketplace. Some are moving up to the next level in the path toward globalization and surviving the pressure, but others have not made the change and they are disappearing.

There are four types of organizations, and I have grouped them according to their market focus: Domestic, International, Multinational or Multi-regional, and Global corporations.

4.1 DOMESTIC COMPANIES

Firms of this type operate in their home country; their customers and suppliers are based locally. These companies are small or medium organizations staffed with people who are focused on the local environment and they have no intention of leaving that small box. These companies are beginning to disappear because global corporations are entering the local markets with new ideas, new technologies, cheaper raw materials, and better financial rates. The global corporations are buying domestic companies to facilitate the global companies' entrance into the local market. Thus, these global corporations represent a huge

threat to the domestic companies, because it is likely that their size and strengths will give them a better competitive advantage over the domestic firms.

4.2 INTERNATIONAL COMPANIES

These are companies that are beginning to do some business outside their home country, looking for new locations to export their products, and looking for better and cheaper raw materials for their manufacturing processes. The operations of international companies remain centered in a home country headquarters, and decisions are still very centralized. They use their strengths and approaches in their domestic markets, which sometimes puts them at a disadvantage with competitors that are working from a global perspective. These firms have little information about international markets and they view exporting as an opportunistic method of business. Such a strategy does not ensure long-term success in a market because these companies are simply moving from country to country looking for the best alternatives and not working on building long-time relationships.

Some international companies may be a different stage. Such firms have changed their exporting strategies from the home country to manufacturing and commercial strategies that include locating facilities in other countries. In these companies there is an International Division separate from the domestic business, and the International Division is the only portion of the company that has changed its strategies and procedures, so they are working as a different entity than the domestic organization. These international companies are less centralized than the domestic companies but corporate headquarters remains the center of the

company. The international subsidiaries have some power in the decision-making process but the larger issues are still handled by corporate headquarters.

4.3   MULTINATIONAL/MULTI-REGIONAL COMPANIES

These types of companies, with worldwide manufacturing and sales organizations, are market seeking, but focus on individual country markets. They establish themselves as so-called "multi-domestic" corporations that will be treated as a local company by the countries in which they do business, which gives the companies some competitive advantages. Normally such corporations have a headquarters that operates with a centralized view of strategies, finances, technology, and resource allocations, but marketing, customer service, and sales strategies are taken care of by the subsidiaries. The managers that run these firms come from the headquarters but are based locally, which means they must have some knowledge of the local country and an international perspective. International subsidiaries hire managers from the country where they are established. This gives multinational companies added strength in their international subsidiaries.

Multinational corporations focus on a country-by-county basis. The difference between a multinational and a multi-regional corporation is that multi-regionals share their sales, marketing, and manufacturing strategies with other countries in the territory; otherwise, they function like a global company but their range is limited to the region in which they are based.

4.4 GLOBAL COMPANIES

Global companies are world-oriented organizations that create their strategies with the goal of expanding their markets worldwide and leveraging the location advantages of specific countries on a worldwide basis. A global company allocates resources around the world, giving them access to the best markets with the best quality and at the best cost. These companies search around the world for new trends, new technologies, new business practices, and new strategies that will enable them to produce and commercialize their products or services as the best in the world. Global companies develop networks within their subsidiaries to share and coordinate a common vision, mission, values, objectives and corporate culture among all their companies.

Global corporations have sources of power that give them competitive advantages over other non-global competitors. Because global companies find the best workers and materials to help them produce the best products and services to reach the best customers, that competitive advantage is clear and the gap between them and other non-global companies grows even larger.

Marquardt (1999) in his book, *The Global Advantage,* cites fifteen sources of global advantage that have been identified by global managers and theorists. These sources are listed below.

- Ability to **reduce costs** by gaining economies of scale and scope and by focusing production on a larger scale of volume.

- Ability to **provide higher quality products and services** to customers by concentrating the product lines and producing fewer products in each facility.
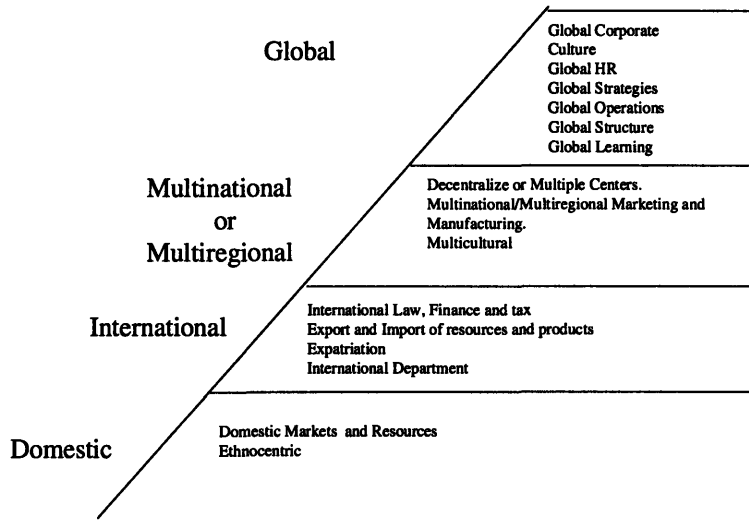
- Enhance **customer awareness and loyalty** by making products and services available worldwide, supported by a global customer service and marketing strategy (brand recognition).

- **Increased competitive leverage** by using experiences learned around the world and putting those experiences into practice in the local market in which a company is operating.

- Better **access to skilled human resources and knowledge** that gives the company a broader perspective and a global mindset. The company has a diversity of people who leverage the learning of the organization.

- Increased **access to financial resources and capital** by having contact with a variety of markets and being able to list the company in different stock exchanges around the world.

- Increased **availability of information resources** that give the company a competitive advantage through greater knowledge of customers, technologies, politics, etc. than their competitors.

- More **diverse and experienced use of equipment and technology** as a result of utilizing it in company facilities around the world.

- **Broader customer base** achieved through a larger presence in more countries and markets, which only expands as the company continues with its global strategies. The real advantage is that companies are not putting "all their eggs in one basket" and customers are located globally which reduces the potential for impact to the company if there are local or regional crises.

- Global companies have **geographical flexibility** by allocating resources in different locations than where they are working. Companies decide where to manufacture goods

depending on country factors.

- Global companies have **strong bargaining power** with suppliers, customers, and governments where they do business. Companies decide where to move their investments and production facilities that best leverage governments to respond with a favorable environment.

- Global companies gain **cultural synergies** by hiring employees from all over the world.

- Better opportunities for **alliances and partnerships.**

- **Enhanced image and reputation** by being perceived as a large company with better products. This is not always the case but it happens often.

- Global companies gain **power as a learning organization**. Companies with diverse personnel and cultures will constantly learn from other places and if companies apply that learning to improve their processes, products, services, and practices, they will enjoy a real competitive advantage.

Most companies are willing to change how they do business, and many are looking to become more global. Domestic companies are trying to move into different phases of globalization to improve their probabilities of survival. Exhibit 4-1 shows the "Globalization Curve" developed by White, Marquardt and Englerth. This curve shows the different phases of the globalization process for a corporation. It also highlights the differences among the types of companies discussed above.

Exhibit 4-1

Global	Global Corporate Culture Global HR Global Strategies Global Operations Global Structure Global Learning
Multinational or Multiregional	Decentralize or Multiple Centers. Multinational/Multiregional Marketing and Manufacturing. Multicultural
International	International Law, Finance and tax Export and Import of resources and products Expatriation International Department
Domestic	Domestic Markets and Resources Ethnocentric

Source: Marquant (1999)

Virtually every company has been through at least one of these processes. A good example of a corporation that is growing in the global marketplace is Nestlé, which started as a Swiss national company but now has evolved to such an extent that only 2% of the company's sales come from Switzerland. From the beginning they focused on becoming a global company with no national identification. To build this image, Nestlé worked to establish long-term relationships and investments in many countries around the world, including countries with political problems. They have a strategic plan that is based on listening to their customers around the world, with very decentralized operations.

Companies that are moving toward globalization need to change their way of doing business. They need well-prepared managers who can develop the strategies needed for the global market. Simply put, they need to cultivate global managers in their organizations. In the following chapter, I discuss the different types of managers that can be found in organizations.

CHAPTER
5
Managerial Styles and Thinking

This chapter discusses the different types of managers who are running each of the four types of companies mentioned in the previous chapter. To develop a real global corporation, it is necessary to have real global managers and leaders.

There are several managerial styles, but for the purpose of this thesis I have identified five styles, each one representing a different point of view, which results in different experiences for the companies they manage. Some styles simple will not fit in this new era of globalization, and managers with those styles will need to change their present style and open their minds to a global mindset.

5.1   DOMESTIC MANAGERS

Most employees who have become managers have the ability to be domestic managers, as it is the simplest. The thinking in this position relies on a single reference point for judgments—the domestic market or a single country. All reference points or experiences come from a single culture or business environment and are shaped by the social environment where the person was raised, his/her family, school system, and work experiences.

This type of managers frequently has problems recognizing opportunities or ideas that may be different than their own that have come from other parts of the world. Every time a new idea or opportunity arises, these managers refer only to their own culture, and if their own culture had no need for such an idea or opportunity, this manager is likely never to consider the new idea. These managers usually reject new ideas based on the not-invented-here syndrome.

Domestic managers can affect the performance of an international company, and it can be a serious problem if only domestic thinkers populate the company. Often the domestic manager sees no threat to the company from globalization and he/she believes the company will survive in their domestic markets because they are number one. In fact, there are global corporations always on the prowl, seeking new markets and hostile takeover possibilities and mergers as a way of entering those markets. The problem is worse when these kinds of managers demonstrate international disinterest and little curiosity or willingness to learn more about other parts of the world. Those who do exhibit international curiosity easily jump to the next category—the International Thinking Manager.

Another important factor to consider is that it is not enough to have top management thinking globally; the company needs lower-level management who think globally as well. Most organizations try to give added responsibilities to lower-level managers, and if those managers are not globally oriented, the chances of success are greatly reduced.

5.2   INTERNATIONAL MANAGERS

This type of manager has had at least some experience in a second country, some opportunities for obtaining additional reference points for their judgments, or perhaps acquisition of a foreign language or some cross-cultural skills. One of the abilities of international managers is that they can serve as a bridge between company headquarters and the host country.

The problem with this type of manager is that their international experience came only from one or a few countries and the radius of activity is limited to a narrow geographical area—certainly this is not the same as a global thinker. Managers with international thinking are important for organizations that have operations spread around the world, but such knowledge alone is not sufficient to help the company compete on a global scale.

5.3   MULTINATIONAL MANAGERS

These are managers who have had a series of international assignments and have spent a considerable amount of time outside their home culture. But most of their experiences have come on a country-by-country or market-by-market basis, which means they been responsible for a given territory or operated on a multi-domestic basis, with one country or market in sight at a time and not geared to worldwide responsibilities where different rules apply. Obviously, this kind of experience helps considerably because when they move from country to country they experience the challenge of learning from another culture; they may not be experts at the beginning but they are fast learners.

5.4   REGIONAL MANAGERS

These managers have a deep understanding of a region that contains similar markets or cultures. Their understanding may be gained by supervising a number of local country businesses in a single region such as Asia, Europe, or Latin America. Normally this type of executive is among the most experienced operating managers, their experience is based on integrating business across several countries and integrating strategies that apply to different countries at the same time.

The problem with these managers is that most of their experience comes from working in a region comprised of similar markets, but they lack experience in other regions. This is the main difference with global managers.

5.5   GLOBAL MANAGERS

These managers are not just an extension of the multinational or regional manager; rather, these managers have a unique multidimensional perspective that is not present in the types of managers. The global manager is able to understand a business, an industry sector, or a particular market segment from a global perspective; they can discuss the business in global terms rather than simply in a country-by-country basis; they are more open-minded. Global managers also must have a customer orientation coupled with a detailed understanding of customer processes. While this is similar the other kinds of managers, the global manager needs to understand these issues as an entire global market opportunity.

When someone says that a strategy or product will not work in this or that market, they ask questions rather than accepting such a judgment. Piercy Barnevik, CEO of ABB, said it best: "Global Managers are made, not born. This is not a natural process."

A global manager should look at the markets with a broad perspective; they should always look for the best way to maximize talent while searching for trends and opportunities that will develop their personal, professional and organizational life. They are never comfortable with a simple answer to a problem or a simple explanation of an event; they always question things and challenge. This type of manager manages and values diversity and the multicultural aspect of teams; for they will help the manager achieve the company's global objectives that are big enough to be achieved by a single person.

This is a simple description of global managers, and part of the purpose of this thesis is to obtain a better understanding of global management. The following chapters discuss the different skills and knowledge, tools, strategies, organizational skills, teamwork, operational issues, foreign languages, which are part of the development path from domestic manager to global manager.

CHAPTER

6

Skills and Tools for Global Managers

There are many different skills required by a global manager. However, at the top of the list—before specific issues of customer or industry—is the fundamental ability to recognize the <u>need</u> to respond to globalization issues. Without this recognition, globalization will not be properly addressed. It is highly important that managers understand why their company should globalize and not just try to globalize because is the fashion. Global managers should be able to understand the degree of globalization that exists in a given industry and then give the required strategic response. This skill is basic; if there is no recognition of that need, the rest of the managerial skills are worthless.

A global manager's skill set is focused on three different groups: customers, the industry, and personal skills.

6.1   SKILLS RELEVANT TO CUSTOMERS

In this group, the main issue is how managers and companies listen to their customers. Firms pay considerable attention to attracting customers, but very little attention is given to retaining them. It is relatively simple to get a new customer but the long-term need is to build and maintain a satisfactory relationship with them. Even small gains in retaining

customers normally bring large gains in profitability to companies.

It is also necessary to understand customer needs and the benefit to them of your products—and not just to your customer; but also your customers' customer, the end-user. To gain a better understanding of customers, the company must establish a customer listening strategy that enables managers to determine what customers want (customer need), why they want it (benefits or reasons), and how they will search for it.

Customer Needs

Successful managers continually monitor their customers in various countries to understand if fundamental customer needs are similar or not. For example, Vitrocrisa, a glassware company, found that the need for drinking glasses, dinnerware, and flatware is global.

Another example is the watch industry, which has determined that the need for timepieces is global. Customers around the world need to know the time, and a watch is the best and easiest way of knowing the time. A watch is a product that everybody in the world uses in the same way, and each country has the same market segment. There is no culture, education, or religion that affects the measurement of time.

These examples tell us that some products have a global need. However, that is not the best way to measure the need for a globalization strategy—there are other factors that managers can analyze.

Customer Reasons/Benefits

In addition to customers needs, there are reasons why customers need a product; are customers buying a product for the same reason everywhere in the world? The examples cited above may also apply, but let's consider bicycles. In China bicycles are transportation vehicles; in the U.S. they are also used for physical fitness. In this case, the uses are different in those two countries, and managers must apply different marketing strategies.

If a product meets both customer need and benefit, it can be considered a global product. So global managers should have the ability to understand both need and benefits and thus truly understand their customers. Again, the watch is an excellent example of a global product, and indeed the watch industry has been global for more than a century.

Customer Purchasing/Delivery Patterns

Managers need to understand the purchasing behavior of their customers and the range of their buying patterns and delivery/distribution agreements. How far will customers look for the products they need? Some customers have wide-ranging purchasing strategies wherein they look for products on a global basis, searching the world for the best bargain. A good example of this strategy is the automotive industry that obtains cost-effectiveness by buying products from sources around the world. On the other side are customers without this vision who just purchase products in their country or region—a phenomenon that happens in many industries today. Sometimes legislation in a country is the controlling factor for corporate purchasing strategies if the country is closed to imports.

Customer Contracts

In many industries, companies try to establish operations around the world that are then supplied by a consistent supplier that covers all plant locations. Managers should be prepared to lead their companies to respond to these global needs by integrating their activities worldwide. Most of these global purchasing strategies are officially confirmed by global contracts where managers must apply specific knowledge to negotiate and confirm satisfactory contracts.

Global Presence for Customers

As the physical communication and travel becomes easier, consumer purchasing behaviors become more global; with people traveling all over the world, companies strive to make their services or products available wherever customers travel. Examples of companies that manage this behavior well are ATT and MCI in the communication services. Today, wherever customers go, they can utilize these services; as the countries continue to deregulate, this industry there make more and better telecommunication accessible around the world.

Communication and Marketing Strategies

Another requisite skill is the ability to establish communication strategies or marketing strategies based on the type of customer or market. How do customers search for the products they need? What type of media do they use to locate products? There are several ways to look for information, such as TV, radio, specialty magazines, newspapers, trade shows, and more recently the Internet. The Internet is a new and growing global information

source because products advertised there could reach people around the globe. Managers should understand which information methods are being utilized for obtaining their products.

6.2 SKILLS RELEVANT TO INDUSTRY

A key skill: **understanding the competition**. Is the company facing global competition or the same competitors around the world? In some industries, companies face the same competitors wherever they go; for example, in the beverage industry Coca Cola continually encounters its fiercest competitor Pepsi Cola, or another example, the pharmaceutical industry, where firms compete with each other worldwide.

In a global industry, competition around the world is interdependent. A firm's worldwide production and marketing are pitted against the worldwide systems of its competitors. Battles for market share often transcend countries, and firms compete on a coordinated worldwide basis or they face serious competitive disadvantages. Today many clusters or sanctuaries can be found in the world but these become fewer as countries continue to open their borders.

Global managers understand that to gain competitive advantages with competitors around the world their company must build a brand name that enables consumers to recognize the product worldwide. Companies must control their distribution channels and their technology, and achieve and take advantage of economies of scale. But managers should also consider that a strong competitive advantage not well administered could lead to inflexibility and simplicity. A worldview that ignores a changing environment might make it harder to see the threat of a new entrant, a new technology, or a new process, and the

internal challenges to a "successful" strategy might be ignored. Worst of all, losses may not be recognized in the firm's financial statements. Many companies encounter these problems; they fall asleep when they are on the top.

Managers will likely encounter three different scenarios among their competitors:

- A *country-specific scenario* where the firm's competitive situation is based on a specific country, and the competitive situation from country to country differs and is independent; little can be leveraged from one market to another. Competitors' strength is measured only by local market share.

- A *regional scenario* of competitors where a lack of competitive synergies across regions and competitiveness is measured by the marketplace of a particular region.

- A *global scenario* is characterized by the ability of all competitors to reach into one another's home territory, and it is measured in terms of global market share.

Industries and firms can change from one scenario to another quickly.

Ability to Adapt to Environmental Changes

Managers must understand that there are truths in their own markets that may be falsehoods in other markets. There may be similar markets but they will never find exactly the same market anywhere else in the world. Thus, companies must adjust or change to the markets they want to be part of, and managers must learn to change and stay ahead of opportunities and problems. To develop this ability, managers are willing to hear and accept feedback with an open mind and listen to suggestions from others. Second, managers need to be alert to the timing of changes, picking the time for change as close to the right moment as possible, not before change is needed.

Lincoln Electric, an American company that wanted to expand into international markets, is a good example of a company that was convinced its strengths and approaches in its domestic markets would work the same in other markets. At the beginning of Lincoln's expansion, they made painful mistakes pursuing their philosophy that everything would be similar in other countries, and if they were successful in the U.S. they could be successful anywhere. For example, they tried to implement the same incentive system in Europe, only to find out later that the variable compensation (bonus) system is not the same.

Understanding Key Success Factors

Every industry has basics dos and don'ts, and if a company violates the rules they are liable to encounter a competitive disadvantage. These rules for gaining competitive advantage are called Key Success Factors (KSF). They include manufacturing efficiencies, R&D, marketing, etc. Most of these KSF are developed in the firm's home market and then applied to new markets. Sometimes similarities of the markets help firms to apply the same KSF in many countries, enabling the firm to gain global competitive advantage.

But managers must remember that the strengths that made them successful in the past may not be the same ones that will make them successful in the future. They must ask the question: Does the KSF that helped in one market work the same around the globe? Managers will find it is difficult to answer that question positively. The best approach is to thoroughly understand the KSF that were developed at home and then fine-tune them to global applications.

Setting Priorities

Companies cannot launch new products unless they know if the potential market is large enough to support the costs of building the product and making the business profitable. This means there is a need to build a market, a critical mass for the company's products. If the firm finds global need for its product, and the market is large enough to support it, then there will be interest in launching the new product. Most times firms cannot rely on a single market because that does not pay off the fixed investments required.

Understanding Country Regulations

Managers must understand and evaluate each country in which they wish to do business, so that when they go, they have some understanding of the national culture, politics, tax policies, differences in business practices, etc.

Gerber Products is a good example of a company that used their managers to analyze and evaluate a specific country where they wanted to do business. In the early 1990s, Gerber was considering investing in setting up local operations in Poland. Poland was one country that was turning to capitalism and Gerber believed it would be a good location from which to penetrate markets in Eastern Europe. Managers in charge of the project at Gerber did extensive research to understand the regulations and difficulties that the company might encounter in Poland, checking every important aspect of the country. They analyzed the government, the economic situation, and the local risks, currencies, opportunities, taxation policies, risk of nationalizing the industry, profits repatriation policies, unions, political stability, cultural aspects, and business practices, among others.

6.3   PERSONAL SKILLS

Cross-Cultural Skills

Global managers must be able to quickly and easily adapt to different foreign cultures with sensitivity to a variety of cultures, races, nationalities, genders, and religions. A global manager should be sensitive to cultural differences and have had international experience with wide-ranging cultural mixes and diversity. Managers must have respect for the values and practices of other cultures.

A great example of failure caused by a lack of cultural knowledge is the case of EuroDisney in France, where cultural differences cost the company millions of dollars. Disney was unaware of or ignored cultural differences in France, and their past success made them overconfident. One lesson from Disney's experience is that past successes can lead to simplification where firms ignore changing environments and miss elements that are critical to the culture of the country.

Team Builder

The global manager must be a team builder and able to lead a culturally diverse working group. He/she should be capable of putting together a team that can achieve the organization's goals. Cross-cultural communications are important to the global manager, who has to coordinate global teams filled with representatives of different cultures. Global teams also have great diversity of backgrounds, cultures, values, beliefs, and behaviors, and global managers must have the sensitivity and flexibility to satisfy the needs of all team members.

Language Skills

Global managers need to be able to understand and communicate in different languages and to understand the context used by different cultures to communicate. They should have at least bilingual skills, and be able to manage despite language barriers.

In different countries the context of the language could vary from High Context to Low Context. *Low Context* means that communication is very direct and easily understood; *High Context* means that understanding the meaning of what is said requires an awareness of the social context and saying certain things may be easily misunderstood.

The following example illustrates the concept of context. This was recorded from a airplane accident a few years ago. The controller was an American and the co-pilot Hispanic.

Captain to Co-pilot:	"Tell them we are in an emergency"
Co-pilot to Controller:	"We are running out of fuel..."
Controller:	"Climb and maintain 3,000 feet"
Co-pilot to Controller:	"Uh..., we are running out of fuel."
Controller:	"I am going to bring you about 15 miles northeast and then turn you back... is that fine with you and your fuel?"
Co-pilot:	"I guess so"

The jet ran out of fuel and crashed.

This is a dramatic way of explaining High and Low Context, but it highlights the fact that things can be completely misunderstood if managers do not understand different ways of communicating.

Computer Literacy

Global managers need to be comfortable exchanging strategic information electronically. With the technological advances everyone faces now, important decisions can be taken easily and faster than ever before, and people need to travel fewer miles for meetings or to communicate important issues.

Companies and managers should be continually updating and innovating their technology and skills; technology is changing rapidly and companies will lose competitive advantage if they remain behind the curve. The Internet has become the new distribution channel, and firms must develop e-business strategies that take advantage of this new channel. Managers who work in this area must have a global perspective because the Internet is a worldwide tool for reaching customers.

Negotiation Skills

Global managers must have a proven track record for coordinating successful negotiations in multicultural environments. Every culture has its own ways of doing business and conducting negotiations. A manager should understand the basics of negotiating in the culture in which he/she is working. For example, in Mexico many deals are closed after lunch or dinner, when people have first gained trust by learning more about the other parties to a deal. Then deals can be closed with a handshake, after which the formal contract is prepared.

Willingness to Learn

The global manager must think more broadly than before and understand more areas of the organization, rather than focusing only on their strengths. They have to learn about

finance, sales, marketing, manufacturing, and human resources in order to become a more general manager. They should learn from competitors, customers, and partners around the world. Global managers learn from everyone and from everywhere; they know they will be learning all of their life. Successful global managers have learned to identify the cultural reasons that may be driving someone to do something. They also try to find a local person in the host country with whom they can identify who will share information and help explain any confusion.

Humility and a Sense of Humor

Global managers need the ability to laugh and keep a sense of humor readily available when handling cross-cultural situations and unexpected circumstances in other countries. Humor goes a long way toward helping a manager deal with the stresses of ambiguity and the unknown, and will help them relax—even when they make a cultural *faux pas*.

Communication

This is a most important skill for dealing with cross-cultural situations. The ability to listen carefully, speaks wisely, and understand nonverbal communication gives a global manager considerable competitive advantage in such situations.

Adaptability and Creativity

To work in a global environment, managers need to adapt to situations that may be unlike anything they have encountered before, and they need to be ready and willing to find creative new approaches and techniques to resolve problems or situations.

Highly Motivated

A good global manager must "walk the talk", and firmly believe in the company's Mission. It is very important that this person be interested in international experiences and willing to move from one place to another for different assignments.

All of the above skills comprise a successful global manager who has the skills necessary to think globally and understand the world as a single market. Obviously, industries are different, but the above are basics skills that a manager can apply to any industry.

6.4   TOOLS FOR GLOBAL MANAGERS.

In order to identify markets and set strategies, managers need to understand the full range of global market opportunities so the company can penetrate the appropriate markets based on strategic priorities. Companies find very difficult to become global in a few simple steps, so they need to prioritize the markets and measure the importance of those markets to the firm. Correctly identifying the right markets to penetrate and identifying and implementing appropriate strategies can leverage entry into other markets, and companies that are successful with this analysis generally reach their global market goal more quickly.

In Chapter 2, I presented several tools that managers can use to better understand the industry environment, namely, the Global Spider web and the I-R Grid. These are useful tools, but in order to understand world markets and set strategies for identifying and prioritizing markets, managers can also use the Global Chessboard tool.
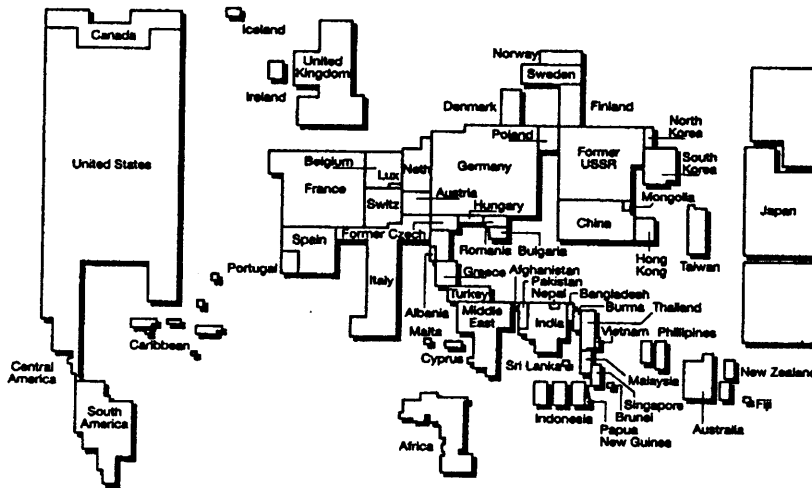
The Global Chessboard Tool

To use this tool, imagine a traditional chessboard with 64 squares of equal size—but in a different perspective. The Global Chessboard is divided into 175 to 200 squares, each representing a country, and each square has a different size depending on the country's economic importance. As in the traditional chess game, the manager cannot occupy all of the spaces on the board, so the company needs to choose those squares (countries) that are most important for the company's goals. There are several ways to use the Global Chessboard, depending on the company's interests; they could be GDP, population, income, quantities of products sold, etc.

The basic Global Chessboard is a typical geographic map but instead of viewing the countries by shape and land size, the size of each country is determined by the percentage of its GNP in relation to the world GNP. For example the U.S. would occupy about 20% of the map, and the rest of the countries would represent the remaining 80% of the landmass, with each country showing a proportional part of the 80% based on its GNP relative to world GNP.

After the countries are mapped by their respective economies, managers must remember that not all countries are part of the global market because they have chosen to remain closed or there is insufficient trade liberalization or freedom of movement for investments, products, and ideas moving in and out of the country. Thus those countries must also be removed from the Global Chessboard until they become part of the global market. Exhibit 6.1 is a representation of the Global Chessboard, based on statistics of the *New State of the World Atlas*, 1991 taken from the book of Jean Pierre Jeannet (2000)

Exhibit 6.1 The Global Chessboard: Distribution of the World GNP.

Source: The New State of the World Atlas, Simon and Schuster 1991, Myriad Edition Limited

The Global Chessboard has evolved quickly over the past two decades. During the early 1980s the Chessboard consisted of three regions: North America (the U.S. and Canada), Western Europe, and Japan. Those countries have relative freedom of movement for investments, services, products, etc.

In the mid-1980s, the Chessboard began to change, as China became an important part of the Global Chessboard; several years later, the former Soviet Union (FSU) disappeared and the ability of companies to transact business in the FSU countries became easier.

In the early 1990s Latin American countries began to open their borders to international trade. Mexico, for example, became a major participant on the Chessboard with the signing of NAFTA; Chile, Argentina, and Brazil have opened their markets.

And so on—the Global Chessboard is increasing its size and "squares" (countries).

GNP becomes vital to understanding the Global Chessboard because that is the basis by which the size of the market is established. But there are other elements that companies can analyze to gain a better understanding of the markets. Companies may use different elements depending on the type of industry they are in, and the elements vary from industry to industry. Some examples of elements in different industries are: for a bicycle manufacturer the population in China or another market is an important element; baby food companies would be interest in the birth rate in certain countries.

Companies with operations in several industries may have a Global Chessboard for each of their businesses. Various elements can be used to re-draw the Global Chessboard in a more precise way that help the global manager make better decisions and strategies.

In the end, the Global Chessboard is just another tool to help managers understand the overall market picture and will help them focus their strategies on particular countries that appear to be important according to the elements chosen. However, the company does not need to be present in all the markets on the Global Chessboard. Indeed, managers must be remember that this is just another tool for analyzing the global market, and that this Chessboard is constantly changing and the investments they make are not necessarily secure.

Situations like politics, economic developments, new regulations or deregulations, certainly drive changes in the Global Chessboard. For example, in 1997 the Global Chessboard changed dramatically after the Asian financial crisis, and many companies that had targeted Asian markets changed or stopped their plans; companies that a year earlier had made huge investments in the region also changed their strategies in order to deal with the problem.

Capability and Readiness Profile Tool

One interesting tool that companies can use to better understand their readiness for globalization is the Capability and Readiness Profile. This tool helps the company identify its strengths and weaknesses and the threats and opportunities they face when deciding to pursue a global strategy. It consider six dimensions that companies must evaluate: 1) Global Corporate Culture; 2) Global Human Resources; 3) Global Strategies; 4) Global Operations; 5) Global Structures; and, 6) Global Learning.

Instructions for using the tool and various questions can be found in Appendix 1.

CHAPTER

7

Strategies and Key Success Factors for Going Global

7.1   GENERIC STRATEGIES

Companies globalize in different ways depending on the industries and markets on which they are focused. But among the various strategies a company can utilize, there are some generic strategies and key success factors (KSF) that I discuss in this chapter. These generic strategies are based on the steps or general directions that a company may take as an approach toward globalization. And these strategies should enable global managers to identify the right global strategy for their company.

Most global firms began as a domestic firm, and during pursuit of specific strategies they evolved into international, multinational, and then global firms. Companies like Procter and Gamble, Coca Cola, and Gerber began as domestic firms, completely focused on their local market; today they are global companies with operations around the world. The strategies developed and implemented by these kinds of companies are helpful to all the "new" companies that want to become global firms.

Global Asset Strategy

Global strategies vary depending on the company's goals. Some may want to have assets around the world; others may want to enter markets without investing significant assets. Companies that following a global asset strategy are looking to distribute all of their assets around the world. So they could have manufacturing facilities located in several worldwide sites where they build a final product in each facility, or they build components for the final product in each facility.

An example of this strategy is the auto industry, which is outsourcing or producing components around the world and then sending the parts to assembly plants that build the car in one country that serves the global market. Another example is the beverage industry, which builds facilities around the world to produce the entire product for sale to regional markets. In the case of VitroCrisa, it could consider adopting a strategy of placing facilities around the world that manufacture final products for sale in regional markets. Glassware is a simple product to produce and does not require many components. However, this strategy requires a major investment in production facilities, and thus it may not be the best strategy for Crisa at its present stage where the company is gaining market share but has not created the necessary market size to build a new plant. I believe VitroCrisa should move slowly in the area of investment but aggressively build market size.

Strategy to Build Global Markets

A strategy such as what Crisa might implement is one of increasing global markets. This strategy is appropriate for companies that want to keep their assets in the home country and build up market share through exports. Companies working with this strategy must have an open, global mind; they cannot achieve global market share if they think locally or if the country influences them. To attain this level as a global company, firms must change their domestic strategies to a global strategy with local production.

Firms often wonder: When can they be considered global? That question has no simple answer. Some people define "global" as being in the Global Chessboard; others simply by being among the 80% of countries on the board. Others argue that being in the 80% of countries on the board does not mean having 80% of the global market. Companies may be present in 20% of the countries that represent 80% of the market, and that may seem global too. So it is not a simple definition. But certainly companies that are present in 80% of the markets or 80% of the countries are certainly on their way to being a global company.

The strategies named above are really generic strategies and it does not mean that by following one or the other a company will become a global firm. Managers may choose one of the following strategies and adapt it to the specific industry and organization. These are more prototypes that managers can use to set their formal global strategy.

Integrated/Partial Global Strategy

Integrated global strategies have a single strategy for the entire world market, and that strategy is followed by the whole organization even if it is part the local market in which it is based. All the functional areas in the organization follow the same strategy, from finance to

manufacturing and sales. Each of these functional areas develops a global strategy that works together with the global business strategy.

An example of a partially global strategy is when companies handle their sourcing or purchasing from a global basis; the strategy is developed by the functional area but pursued on a global basis. For example, the finance department seeks credit around the world and has a global funding strategy; or the R&D department has a global strategy of research around the world to identify the best innovative products or services.

7.2 KEY SUCCESS FACTORS

Companies that wish to become global firms must consider Key Success Factors (KSF) that will develop the right global strategy for their business. These KSF will help the company with its business strategies, and companies that develop business strategies without considering KSF may find the strategy to be a failure. There must be a clear understanding of these KSF that help managers to implement the chosen strategies. These Key Success Factors are:

- Having a Global Product
- Global Marketing
  - Global Product Strategy
  - Global Branding Strategy
  - Global Advertising Strategy
  - Global Pricing Strategy
- Global Alliances and Joint Ventures
- International Distribution
- Global Teams

- Managing Expatriates

- Learning and Managing Knowledge

- Information Technology

- Corporate Culture

- Innovation

- Structure and Organization

- Customer Satisfaction

- Global Human Resource Management

Having a Global Product

Managers must understand the advantages of having a global product and know that this will bring competitive advantages to the company. Companies with a global product reach a wider range of customers and markets and gain economies of scale that help the company be more competitive.

To build a global product, the company should first identify if there is a global need for that product. Companies often make the mistake of thinking they have a global product when they have not carefully analyzed market demand.

Managers should be careful when they decided to go global because it is not simple. Managers must be convinced that the product one that meets a global need. Then they have to analyze the size of the potential market to decide if it is worth the investment, and they have to develop the right strategies and structure for the company.

Global Marketing

Customer homogeneity among the world drives organizations to develop a global marketing strategy that takes the company's products to every part of the globe. A global marketing strategy involves global branding, global products, global communication, and advertising strategies. But managers should be aware that companies may have a combination of a global marketing strategies with a local focus, meaning that the strategy could be standardized with a single product approach. But the company must also remember that customers still have many different preferences around the world.

It is important that companies involve local managers when global marketing strategies are being developed. This policy of inclusion helps the managers understand local needs and enables local managers to have cultural input. Below is a brief explanation of the different sub-strategies a company should develop within their overall marketing strategy.

Global Product Strategy

There must be global customer need for the product in order to establish a global product strategy. Such a strategy need not be an exact product for the entire world; it may have some adaptations depending on market needs. But the changes must not change the total concept of the product, only a small adaptation for the market.

Global Branding Strategy

This is a strategy adopted when a firm decides to use the same brand name for its products around the world, for example, Coca Cola, Sony, Nike, and so on. These companies work on the specific name of their products and develop strategies to introduce the same name worldwide. This is not an easy strategy because names around the world may have different meanings. But companies that have global brands are already thinking globally long

before creating a product and their market research is global.

To achieve a successful brand, companies must have global managers that help enhance the global perspective to the world. There are other firms that market some of their products with global names and others with local brands. Companies like Nestlé have some global brands that they support with a global marketing strategy; they also allow local organizations to develop local brands that penetrate better in local markets.

Global Advertising Strategy

The goal of this strategy is to communicate with and convince customers worldwide to purchase the firm's product or service. It may seem that this strategy goes hand in hand with global branding, but that is not the case. Advertising strategies are based on cultural values and buying patterns in different countries, and while the brand may be the same worldwide, the advertising change from country to country. Companies that pursue a global advertising strategy seek global positioning of their products; they are looking for the same segment of population and the same type of customers worldwide. However, they must also be keenly aware of language, religious aspects, and cultural values like family and history of the country.

It is a difficult challenge for most companies to develop an efficient global advertising strategy due to the diversity that exists in the world. Modes of advertising are different among countries, with some preferring television rather than radio ads; others may prefer billboards or written ads in magazines. There are also legal and political considerations in each country that play an important role in this issue.

Global Pricing

Another important and challenging issue for companies is pricing. Prices are usually established based on production costs and what the market will bear. But at a global level, it is different because companies must add shipping costs, the volumes being sold in those markets, whether the market segment is the same, if the brand is well known, and if the distribution channels are similar. The marketing manager must consider all these factors when building a global pricing strategy.

Alliances, Joint Ventures and Partnerships

These methods can provide companies with easier and faster ways to penetrate a market and gain market share. But companies must also be aware that these vehicles also carry the risk of disintegrating a global strategy.

International Distribution

This is a complex issue. There can be various channels involved in moving a product from the plant to the customer or consumer. Based on plant locations and the market they want to reach, the company must choose the most appropriate distribution channel. Distribution systems may vary from country to country or region to region. There are places where transport of goods by truck is extremely difficult because of volatile political circumstances or crime, or places that are impossible to reach by land or sea. These kinds of factors help explain the complexity of distribution systems.

Global Teams

Global teams are a must for global organizations. Managers must be able to create, organize, implement, and manage global teams comprised of members with multicultural ideas, different abilities, and varied backgrounds. To achieve success, global managers must be excellent leaders with a clear sense of cultural and social differences and diversity.

Normally, managers of global teams are required to operate in different environment than the one with which they are most familiar, and this may be uncomfortable; nevertheless, they have to manage this scenario.

It is impossible to homogenize a global team. In it will be different languages, cultures, ideas, gender, religions, etc., and the global team manager must take advantage of this diversity, blend all the characteristics and skills, and find synergies that make the team work better to achieve its goals.

There are many factors that can affect a global team, and managers need to be aware of them. Rhinesmith (1996) mentions seven factors:

1. *Personal Styles* of the team members, what makes people act or how they access and process information. A helpful tool for understanding these styles is the Myers-Briggs Type Inventory. The team manager must understand to what extent personal styles affect the team.

2. *Functional Culture* of the team members have a lot to do with personal style. This includes values, behavior norms, and frameworks for analyzing information. Cross-functional teams have members from functions like marketing, finance, manufacturing, and engineering that help the team to be richer in their ideas and in the decision-making process.

3. *Corporate Culture* of the company, division, or unit represented by each team member. This is a big issue when companies that do not belong to the same organization try to work together on a project or strategy. This factor affects joint ventures at the beginning of their merger because it is a challenge to blend disparate corporate cultures.

4. *Organizational Culture* of each team member can impact the way business is conducted. Some cultures like to work on an individual basis rather than in teams; other cultures prefer hierarchical structures; still others have flat organization structures. Each preference affects how a global team achieves its goals.

5. *Stages of team development* can affect team performance. As they begin to know each other better, team members may change how they work together. Sometimes time is the enemy because team members build relationships with each other and those relationships may turn the wrong way. Rhinesmith cites Bruce Tuckman´s four stages experienced by most groups and gives a brief explanation of each stage.

   - Forming the group brings up questions among the members to define what they are doing and what roles they are going to play. This is a stage of identifying with other members.

   - The Storming stage is when the team starts to experience differences in their cultures, values, and ways of doing tasks. This stage is crucial for achieving the goals, and this is where the team leader must identify the best means of managing diversity and finding synergies within the group.

   - The next stage is where the team builds their norms of behavior that will facilitate the team's performance.

- The last stage is the performing stage when the team mixes its resources together to achieve its goals. This is when synergies start to emerge, and the team begins to work as a team and not as a group of individuals. To avoid problems, the team leader, in conjunction with the team members, should establish rules, roles, and responsibilities for each team member.

6. *Effectiveness of team functioning* is measured by how the team members work together, if they are sharing the same goals, and how they are using resources.

7. *Stage of professional development* of each team member is an important issue that managers have to consider when dealing with a global team. The experience each team member brings to the team plays an important role when the group has a crisis. Crises often occur when the group encounters pressure, and this is when the ability to work under pressure is demonstrated—or not.

Managing Expatriates

The Human Resources Department plays an important role in a company's globalization process because training and developing global managers depends on the ability of this department. One good alternative for training and developing global managers is by successfully managing expatriate assignments with suitable candidates. Below is a set of basic considerations that HR must consider when managing expatriates:

- Every manager must be clear that an overseas assignment is a must if he/she wishes to become part of top management; it must be seen as part of overall career development.
- HR should develop a booklet containing all the information and policies for expatriate assignments.

- Be aware of the need to care for families as well, not just the executive. Give them human and practical support.

- Prepare the executive and his family by providing detailed education and training that explains cultural differences, attitudes, skills, and ways to adapt to the new life. This education should be given before departure and continue while they are in the country.

- Provide the expatriate and family with cross-cultural and language training.

- Set clear expectations for both the expatriate and the company.

- Do not forget to consider the expatriate for job promotions and career planning.

- When the assignment is complete, repatriate them into challenging jobs where they can use their new skills.

Learning and Managing Knowledge

This issue is very important for defining the success or failure of a global company. Organizations must be able to manage knowledge and to develop and implement systems that facilitate learning within the organization. Organizations can transform knowledge into a competitive advantage but they should consider the following issues.

Managing Change

Organizations must understand that learning is a life-long job, and to be a global company managing different cultures and diverse personnel all with a worldwide focus, they must constantly learn from every source. Companies must be change-oriented, able to accept change and learn from it. It is an enormous challenge for organizations to manage change because managers do not like to be told that they have to change the way they have been conducting business; such requests are often construed as requirements for change because they must have been doing something wrong.

Global Benchmarking

A real challenge that companies have is identifying leading markets on which to focus their efforts and compare their capabilities for improvement. "Lead Markets" are those markets, countries, or regions that are further ahead in their development than the rest of the world. Companies may identify their lead markets according to customers, products, operations, or management styles in order to benchmark them and implement their best practices. The elements are based on innovation of products and processes that are done around the world and that identify future trends to help the company.

Best Practices

Companies must develop a best-practice orientation that applies the skills and innovations identified through benchmarking. Implementation of best practices must be done continually to give employees more learning experiences, and companies must remember that the knowledge gained by its employees is constantly growing. These best practices increase the creativity of employees who will then go on to improve products, services, and processes.

Training Programs

As mentioned above, learning never ends, and companies should encourage their employees to train and actualize their knowledge. In-house training centers are typical in large organizations which usually establish a training program for all employees. But training centers are expensive and difficult to manage, and rather than have an in-house training center, companies may prefer to train fewer employees by sending them to the right courses. In either case, the focus should be on the employees' needs and not simply generic training programs for everybody.

Information Technology

IT plays an important role in global strategies. For instance, without a good telecommunication system it is impossible to run a global company. Companies are investing millions of dollars in their telecommunication capabilities to facilitate the flow of information within the company and to their customers and suppliers. Technology brings productivity, quality, and profitability to companies that apply it. If companies share information via an IT system, managers can access the database from anywhere, or customers can access information, place orders, check deliveries through the Internet. All these functions bring considerable benefit to any company.

Corporate Culture

This is another important KSF. Without a corporate culture that is focused on the global environment, a company will suffer trying to go global. The company's vision must be focused globally, but it must also be simple and clear to the entire organization. It must be carefully communicated throughout the company so everybody understands the company's values, norms, policies, and procedures.

Global managers must offer a clear vision of the company, stressing the importance of looking into the future and having long-term goals. But at the same time managers must be clear that any vision without action is, in the end, a hallucination. So managers must work with strategies as well as action plans. A typical mistake occurs when a manager thinks that just communicating the new values to employees will change the culture. Managers need to spend time and work with all the departments to build the new culture. And most important is that they "walk the talk".

To establish this corporate culture it is imperative that the CEO be involved and offer an example to the employees; his/her vision must be clear and attainable by the entire organization.
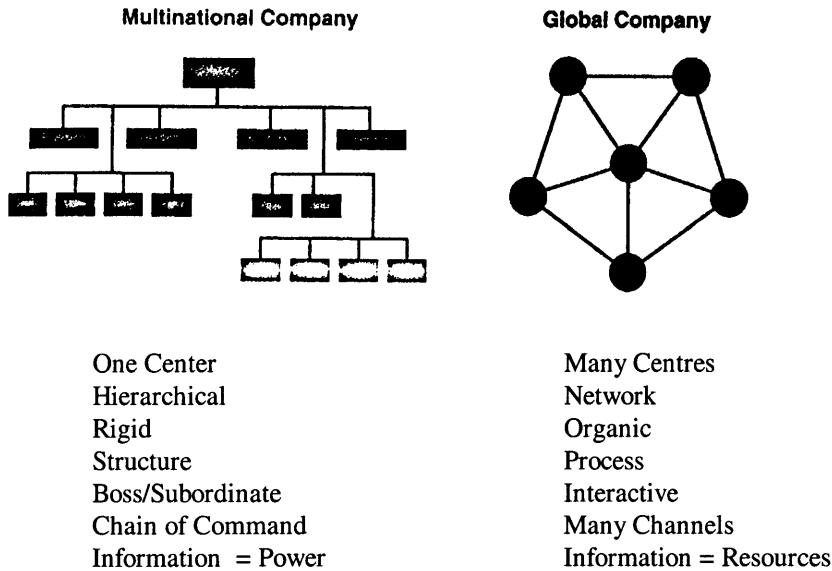
Innovation

Many companies talk about the challenge of succeeding in a mature industry. However, I believe there is no such thing as a mature industry, rather firms that embrace mature strategies. Managers who lead organizations can jumpstart mature strategies by doing things differently and being innovative in their ways of doing business.

Structure and Organization

Companies need to constantly adapt their structures. To understand their environment, they organize and reorganize resources and capabilities to gain competitive advantage. Global corporations may need to distribute their headquarters functions in different locations around the world or outside their country of origin. They could even have multiple headquarters for handling different businesses functions.

The multinational corporation is one that is headquartered in a central location, very hierarchical, and the chain of command is from top to bottom. In contrast, the global corporation has different centers and builds networks and processes that have better information within the various country locations. Exhibit 7-1 gives a comparison between these two organizational structures that better explains this concept.

Exhibit 7-1: Organizational Structures Example

Multinational Company   **Global Company**

One Center	Many Centres
Hierarchical	Network
Rigid	Organic
Structure	Process
Boss/Subordinate	Interactive
Chain of Command	Many Channels
Information = Power	Information = Resources

With a global structure like the one shown in this exhibit, organizations could achieve better information transfer between the company and its markets.

A global company needs a structure that encourages fast decision-making. It needs a mix of centralized and decentralized structures. It is difficult for organizations with a complex or very hierarchical structure to make decisions as fast as required by today's global environment. To facilitate this decision-making process, a company should give authority and responsibility to its employees and train them to make their own decisions. Global companies are centralizing authority in a common global office where subsidiaries can rely on finding a quick decision on issues that arise. This may sound a little contradictory to the notion of decentralizing instead of centralizing, but a central authority is not the same as centralizing the whole organization. Centralizing global functions integrates the businesses in all countries around the same strategy and focus, so companies can proceed with a mix of centralized and

decentralized functions. Centralizing global authority does not mean companies should erect boundaries; it means companies should reduce boundaries within the subsidiaries to enable better communication and synergies among cultures and ideas. It also means that companies should strive for a less hierarchical organization to avoid bureaucracy and facilitate faster decision-making. A well run, centralized global authority will leverage subsidiaries to network better with each other.

This mix of organization structures is how the functions within the company can coordinate to best work together. The company should establish a clear level of authority and responsibility among its functional departments. It can empower employees to take decisions quickly and accurately, and it needs to encourage employees about the necessity of building informal and formal networks to gain more and better information.

Customer Satisfaction

Customers are one of the key sources of value of a company, and customer satisfaction plays a critical role in the success or failure of a company. There are two kinds of customers within the company: Internal Customers, or employees of the firm itself; and External Customers, or the customers who buy the company's products.

Internal Customer Satisfaction. This means that the employees working in the company must be satisfied. If this is so, the employees will be committed to the company and will do his/her best to benefit the company.

External Customer Service. The main reason why customers change suppliers is because of poor service. Good customer service is a competitive advantage because it translates directly into profits. Building loyal customers means firms will have repeat sales

that will transform into profits in the long term. Also a loyal customer is an invaluable source of word-of-mouth advertising.

Good customer service ➜ Customer Satisfaction
⬇
Customer Loyalty
⬇
Repeat Sales   ➜   PROFITS.

There are several key elements for creating good customer satisfaction:

- Communicate the importance of customer satisfaction to all employees.

- Improve speed in responding to customer complaints. Complaining customers are looking for answers to their problems, and if they receive a fair reply, they will be satisfied and companies should retain their loyalty.

- Listen to customers without debating problems.

- Understand that a customer who complains is a friend because that customer is giving the company an opportunity to correct the problem. So companies that listen to their customers should be improving continually.

Global Human Resource Management

Human resource management (HRM) provides the organization with capable managers and leaders who will develop people into more globally experienced employees. HRM works together with line management to motivate employees, train them, and encourage them to keep an open mind that will enable them learn from each other. Global

and cross-cultural training are fundamental to developing global managers. People are a company's most important asset, and they are the ones driving the company toward success or failure. Therefore it is important that corporations focus on their people development and motivation.

Globalization is a big challenge for the HRM team. They must align employees toward global strategies and structures. To identify the best global people, HRM must first identify the skills needed to fit the job and then search for the right person to fill that job. There are a number of global recruiting agencies and universities that specialize in international management that could help with the recruiting process. After step has been taken, the company can proceed to hire the right person, but this is not the end. That new person must be trained and developed to acquire specific knowledge so as to better help the company.

Thus, most companies have a global training program for its employees. American companies are far behind their European and Asian counterparts on this issue because they do little to prepare their staff for international or global assignments. The assumption seems to be that a good manager in Boston will be a good manager in China, and little attention is paid to cross-cultural differences.

Another issue is that HRM must have a global career path for the newly hired executives so they can be prepared to assume leadership roles in the company in the future.

Finally, HRM is responsible for devising and implementing a global compensation system.

8

Vitrocrisa:
Structure and Strategy

8.1   CORPORATE STRUCTURE

Vitrocrisa (Crisa) is a unit of Vitro Group, in Mexico. It is the leading glassware manufacturer in the country with 80% market share. Crisa is based in Monterrey, Mexico and has two manufacturing plants there. Crisa also manufactures its products in a joint venture with Libbey Glass in the U.S. Crisa has been in the international markets for more than two decades, operating in more than 50 countries around the world. All its international sales are done as exports; it has no operating facilities outside Mexico except for the joint venture.

Crisa's organizational structure is very flat. Exhibit 8.1 shows the organizational chart of the company with its different layers from the Board of Directors and CEO of the Vitro Group to the Sales Representatives for export sales in Vitrocrisa. In order to save space the chart covers the areas involve in International Management.

Exhibit 8.1 Vitrocrisa Organizational Chart
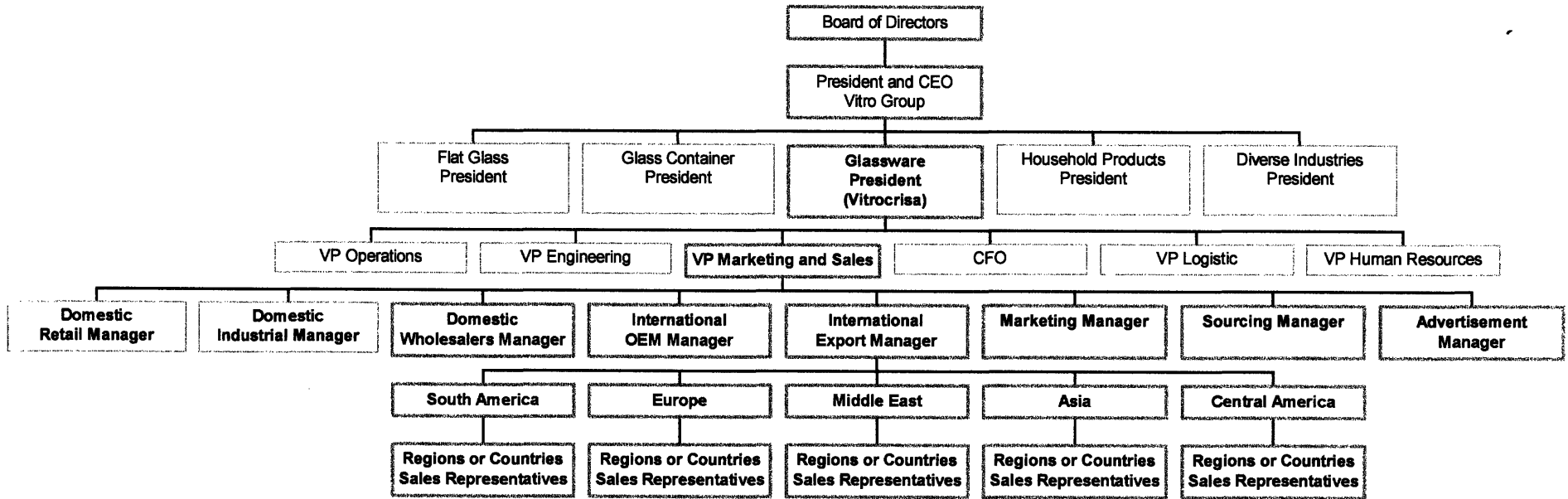
All export managers report to the Vice President of Sales and Marketing. Export managers are responsible for a small in-house organization and a larger external organization comprised of sales representatives around the world. As I stated in the chart, there are no International Marketing responsibilities. The Marketing Manager is focus on the Domestic Market and most of the strategies are for that market in particular.

8.2 STRATEGIES

The company has focused primarily on the domestic Mexican market with 65% of total sales coming from Mexico. However, the time has come for Crisa to put in place a strategy that moves the company beyond its domestic market where growth is slowing. There are few opportunities for growth in the domestic market; with 80% of market share already in hand, the possibilities for further growth are slim because competitors hold the remaining 20% of market share and it is difficult to take it from them.

A few years ago the company began working on its international relations with a view to becoming an international company. Crisa's international sales force works around the world but all its operations are based at its Mexican headquarters. International growth rests primarily on export sales from the manufacturing facilities in Mexico.

The Mexican facilities are working near full capacity and building a new plant in Mexico will not bring any competitive advantage because if growth is based on international sales, the cost of sending merchandise from Mexico to locations around the world will be very high. Building a new production facility also requires enormous investment, and if Crisa

has not developed a sizable market, it will be difficult for the new plant to achieve an acceptable level of profits.

I have discussed different strategies that companies can pursue in their quest for globalization, and I believe several of these may help Crisa to start moving down the path. Working on a global strategy should help the company grow faster and achieve higher profitability, but only if the company chooses and then implements the right strategies. Becoming a global corporation is a real challenge for Crisa, and it may need to change some processes, policies, procedures, managerial practices, and corporate and business strategies.

For some time now, Crisa has been acting as an international company in a global industry, which has affected Crisa's goals and performance. Large competitors are beginning to take the next step—thinking as a global company—rather than as an international or a multi-domestic corporation.

Crisa's main goal for 2003 is to achieve sales from international markets that represent 50% of the company's total revenues. This new strategy was established in 1999, and Crisa has been working toward this goal ever since. Unfortunately, it has not been easy, and the company has faced many problems while attempting to achieve this goal.

One of the major barriers is Crisa's corporate culture, which has been focused domestically for so many years that is poses a real challenge to change it. Recognition of the need to become a global company is there; most agree that Crisa's future is outside the country. In an interview with some of the top management team, I found general agreement that the domestic market is saturated and that looking for growth in that market will be next to impossible—which is why the company agreed on a new strategy they call "50/50". The goal is clear, but the "how" to achieve the goal is not clear.

Although Crisa is known in over 50 countries, it is not a global company. Its global presence was achieved by export sales through a sales representative organization that is external to the company and is structured around territories served by the salesforce. At the moment, Crisa has operations in Mexico and a joint venture market already established in the U.S. Therefore, Crisa is focusing first on the NAFTA market to consolidate operations there. These three countries have priority when considering the availability of capacity in the plants, so the rest of the international markets are waiting for the performance of the NAFTA market to ascertain whether they will have enough capacity to survive in these territories. This waiting period has created considerable confusion among Crisa customers around the world, because they are unsure whether Crisa intends to sell to them anymore, and some have decided to change suppliers in order to have better service.

While Crisa's growth strategy is based on the NAFTA markets, the company is evaluating the possibility of investing in a joint venture in other areas. While already part of a joint venture with Libbey Glass, what Crisa and Libbey want is to become the number one player in the Americas, and there have been several approaches to investing in countries in Central and South America but with no success yet.

I believe the steps Crisa is taking are appropriate because the financial situation of the Group is not good and the investments must be very selected. It is important to concentrate on adding territories one by one rather than trying to expand all over the world without a logical plan. This strategy of focusing in the Americas does not close doors to other opportunities in Europe or Asia, but it is intended to build the company's strengths during concentration in one territory prior to expanding more broadly into the world. In the meantime, Crisa will continue to push its export sales to penetrate new markets worldwide.

Although Crisa is getting into the multinational arena before going global, it is time for Crisa to build a global strategy and to prepare the organization and its products for the challenges it will face along the path to globalization. Most of Crisa's products can be considered global products; there is a global need and there are global customers. Drinking glasses, plates, etc. are needed globally, and customers are building companies that will soon be important globally, such as Walmart and Carrefour. Supermarket store chains are acquiring other chains around the world and becoming a global customer.

Crisa has faced the global market with a domestic strategy for the last few decades, and it has focused on export sales to achieve its goals and open different markets. There have been some approaches to companies abroad to make an alliance or to buy their operations as a way to expand Crisa's penetration in those markets. Unfortunately, the approaches have not been the right ones to produce a concrete transaction. Crisa is aware that to go global it is necessary to have operations in different countries but it has not been successful with this intent.

The company is working hard, but it is not prepared to be a global competitor yet. For the past few years it has optimized operations, reduced costs, and maximized capacity. Now Crisa has to focus on the next step, GROWTH. But a critic might say that the infrastructure is not ready; the Finance department is very conservative and inflexible; Engineering is not developing innovative new products; there is not enough money to invest in market research studies, advertising, and overall international marketing needs. Many adjustments remain to be done.

On the other hand Crisa has good information systems and technology to face the global environment, but other things need changing first. Along with the factors cited above,

I do not think that Crisa is mentally prepared for such an enormous change, although the company has been working hard to change its culture and persuade its employees to have an open and global mind; still, it has been a difficult job. It is hard to take advantages of state-of-the-art systems or technology if Crisa people are not convinced about validity or necessity of the goal or if they are not prepared to accept the challenge.

There are good people leading Crisa to change, but unfortunately most of them have no international knowledge, so they are far from being global managers. Crisa needs to identify high-potential global managers and work with them to develop their skills and prepare them to lead the organization into this new challenge. According to one of the VPs I interviewed, it is a matter of "attitude not aptitude", so it is important that Crisa develop potential global managers, focusing on their attitudes and then the skills needed. People must have an interest in doing things rather than simply knowing how to do it, and then Crisa can develop the skills. Pursuing this strategy, Crisa will find the right people, implement the best global strategy, and build a global team to work together worldwide, not only within the international division of the company but within the whole organization.

The board of directors has established strategies for the company, and they have a planning process they revise every month. With general strategies defined, then each area can develop their functional strategies to support the corporate strategies, however, there considerable bias in this process. There are nine corporate strategies that every functional area must support with their functional strategies. The problem is that each area director puts more weight on strategies that support the functions of his/her area and the end result if an unbalanced effort.

8.3   THE BENEFITS TO CRISA OF CHOOSING THE RIGHT STRATEGY

Crisa has to understand the enormous benefits and power they will gain if it implements the right strategy for globalization—benefits such as reaching new markets; providing better service than other non-global competitors; the ability to produce lower-cost products with better quality due to the global sourcing network the company will develop; a dramatic increase in competitive advantage when it hires the best people to manage and produce products and attract the best customers; almost unlimited access to financial resources and capital; and, finally, the leverage that a global learning organization can offer.

8.4   THE CHALLENGES FOR CRISA

After Crisa has identified the benefits, it must also identify the challenges that globalization will mean to the organization. Crisa must understand its true resources, skills, and strategies, and once identified, ensure that those resources and skills are the ones needed to take the challenge. This is a difficult step because if the company has been successful, why does it need to change? But this is when global leaders step forward and convince the rest of the organization that it will be better in the long run as a result of these changes.

To achieve this step, the group of people who are committed to globalization must begin working as a team to leverage the rest of the organization and create a sense of urgency about globalizing the company. This team could be comprised of people who understand all the benefits of globalization, such as top management, international managers, partners, and representatives of the major international customers.

As I see it, the major challenges will likely be:

a) <u>Cultural</u>—differences between Crisa's corporate culture and the numerous cultures around the world with which the company will come in contact;

b) <u>Political</u>—differences between corporate politics and local political issues around the world;

c) <u>Geographical</u>—the sheer physical requirements of bringing Crisa from a national Mexican corporation to a successful global corporation.

How should Crisa face these challenges? From the **cultural** aspect, Crisa should begin immediately to improve the diversity of its workforce since Crisa has only Mexican employees and all of top management are men. Crisa has a huge salesforce organization that has worked outside Mexico for a long time, so this could be a good place to start. Crisa can begin by integrating the best of these people so they feel part of the organization and helping them to work as a global team with the rest of the company. Then Crisa should hire some of them as territory managers based in one of the important countries in each territory. Having this diversity of population within the organization Crisa could change the local manner of thinking to a more global mindset.

Political issues can be confronted via an international marketing strategy that gives Crisa a better understanding of other countries—their legal system, governmental behavior, political, religious, and cultural behavior.

The **Geographical** issue is harder to overcome because running a global organization means 24 hrs a day. Time zone differentials are always a concern, with headquarters several hours ahead or behind a country that may have started work and now needs directions and decisions. But with the advantages of today's information and communication systems, this challenge can be reduced. Crisa will need to invest in these new technologies and train its executives to use these tools as part of doing business.

CHAPTER
9
Recommendations for Crisa

There are several things Crisa can do in its quest to identify the best path to globalization. I have discussed the fact that Crisa is a long way from being a global company, despite the fact that the market within which it is competing is a global market. Although Crisa is working on a process of globalization, it is currently more concerned with becoming a multinational corporation. When that has been established, then the company can consider the next step: becoming global. This is a common path taken by companies when they are not culturally prepared for change.

One other factor, a lack of financial resources, also prevents Crisa from moving faster toward globalization. The company has very few resources so it must be careful when making choices about where the money will be spent.

In order to obtain better information of the company's strategies and how the personnel think about globalization I have made some telephone interviews to people involved in this process. I talked with members of the Directors Committee and Top Management team in Crisa; also I spoke to the line managers responsible for the International Sales and few of their Customers and Sales Representatives. With the interviews I could assess my thoughts about the company and helped me understand different points of view and pressures that the company has right now that I was not completely aware of them.

In this chapter, I offer a number of recommendations I believe will help Crisa on its path toward globalization. These are not rules, but when adopted or implemented they have proved to be effective in other companies. In addition, some of these recommendations leverage what the company has already done in the past. These recommendations include:

- Begin Selling Globally
- Use Tools to Gain a Better Understanding
- Develop a World-Oriented Strategy and Culture
- Conduct a SWOT Analysis
- Identify Core Competencies
- Involve All Functional Departments
- Maintain Realistic Expectations
- Create a New Corporate Culture

Begin Selling Globally

I believe building a multinational corporation first is a fundamentally secure way given the resources Crisa has available. Nevertheless, Crisa must start building a global strategy and begin selling its products as a global firm even though they do not yet have operations or facilities around the world. The glassware industry is becoming a global industry; the major markets around the world are opening their borders and lowering taxes for this kind of product, and barriers are disappearing. Customers and end users around the world are becoming more homogenous every day; competitors are expanding their markets, either with new facilities, or by merging with other manufacturers or penetrating other markets via export sales.

Use Tools to Gain a Better Understanding

Crisa managers can use some of the tools mentioned in previous chapters to better understand the industry and the environment. The I-R Grid and the Global Spiderweb are two

excellent tools that can help Crisa understand the environment, how the company compares to others within the environment, and find other driving forces in the industry.

Develop a World-Oriented Strategy and Culture

Considering the forces that are driving the glassware industry toward a more global environment, Crisa should begin to develop a world-oriented strategy and culture.

To develop a global strategy Crisa must identify the products that have global demand. Crisa's product portfolio is rich, and there are many product lines that could be considered global products. For example, the Beverage and Barware Line, which includes drinking glasses, pitchers, stemware, beer mugs, and coffee mugs, could be a potential global line. The Bakeware line is another. In developed and developing countries around the world people use conventional ovens or microwaves to cook their food, and this line of bakeware is manufactured especially for that purpose. It competes directly with other products such as aluminum or steel.

The products with global need and potentially large global demand can be considered as global products, but the lines are so broad that Crisa must identify the bestsellers in each line and from those create a new global line. I believe it would not be the best idea to present the whole line to new international customers. New customers often want to try a new product, and it would be impossible to test 100 different products. Thus it is better to begin the trial with a smaller variety of products and then expand to new products in the existing line. After penetrating the market with this limited variety of global products and then introducing the complete line, Crisa will have create economies of scale and sales should deliver increased profits. During the penetration and introduction phases, sales and profits

will be minimal, but the intent is to develop long-term relations with the customers and grow together with them.

This is a slow but secure approach, rather than trying to eat the whole cake at the first bite. Crisa has been trying to develop new customers by selling them everything in the portfolio and encouraging customers to try all the products. This strategy has led customers to make a big investment and then they lose money with all the product they did not sell and still have in stock.

To identify these potential global products Crisa needs to invest in market research that will identify the highest potential countries on each continent. This will help them define the pieces in the product line that will be most appropriate for the new markets. If there is a common definition among those countries, Crisa could assume that the surrounding countries will behave in a similar manner.

Conduct a SWOT Analysis

Once the Corporate Vision is created and the new Corporate Culture is on its way, then Crisa needs to think about globalization strategies and goals. The first step after identifying the products that will be available globally is to analyze the opportunities and threats worldwide. This means Crisa should prepare a strengths, weaknesses, opportunities, and threats analysis (SWOT). This analysis will give Crisa the information it needs to create a strategy. However, the analysis must be done both externally (taking into account the global environment, economic indicators, governments, competitors, suppliers, technology, etc.) and internally (marketing and distribution systems, financial strengths, personnel, production and operations).

Identify Core Competencies

After completing the SWOT analysis Crisa must identify its core competencies, establish the goals and targets it wants to achieve in a specific time period, and the goals of the functional areas that will support the overall global strategy. The goals must be measurable, attainable, and established for both the short-term and long-term.

Once goals are established the different assignments and actions to achieve the goals must be identified and planned, including investment opportunities, marketing strategies, potential partners or alliances, penetration strategies, and so on. Crisa managers should be aware that these plans may change periodically due to the environment in the different countries and the constantly changing conditions in the global arena; so they must be prepare with a backup plan and be able to implemented on time.

Crisa must work as a team; all functional areas in Crisa have the opportunity to support the global strategy, and they have to work on different activities to achieve the goals. In order to bring the benefits of globalization to the company, Crisa must implement functional area strategies aligned to the globalization process. All the functional areas play and important role in this globalization process.

Below following are some examples and suggestions of how each functional area could support the corporate strategy of globalization.

Involve All Functional Departments

I have already mentioned the Product Line and Penetration strategies for new market development, but there are other departments in the organization that must be involved as well.

➢ *Finance and Planning* should be involved not only to evaluate potential investments around the world but also in the strategic planning and finding sources of cash; they should identify financial resources in different countries and know the currency policies and conditions, regulations where Crisa wants to operate, tax policies, and the best location for potential investment. Crisa's Finance Department should be prepared in the global environment understanding and benchmarking with global companies to adapt new ways of collecting and guaranteeing payment. It must be a department capable of quick decision-making, with flexible procedures to adapt to markets in various countries with diverse cultures. It is important for Finance to be able to identify potential international risks and to work with multiple currencies.

➢ *The Credit Department* will need to adopt more flexible policies that can be used with international customers. There are several international institutions that can assist with an investigation into the financial status of a customer, and there are other financial institutions that give credit facilities to international customers. International customers need to be treated the same as domestic customers, which means Crisa must be prepared to give open credit lines and flexible payment terms. This will help customers if they wish to save the cost of Letters of Credit. Perhaps Crisa could consider offering a credit line for two containers or up to US$35,000 to customers with an excellent credit history. If

the customer wants to buy more than their credit line allows, they can open a LC for the difference. This is a simple idea and the Credit Department should take steps to develop the right procedure.

➢ *The Strategic Planning Department* must work together with International Sales and Marketing to find potential countries for investment. Working together the departments will find many synergies for obtaining the best information. Sales and Marketing know the market and the major players in it, and they can help the Planning Department find the best resources.

➢ *Outsourcing* is a key success factor for the company. Crisa depends on raw materials and packaging. A good example is product packaging. It is difficult to get a good price for bulk packaging in Mexico because there is a semi-monopoly in the carton industry. However, that source is convenient because it is based near Crisa's production facilities. However, Sourcing should evaluate other world suppliers and try to get a better price. It should also evaluate if a reduced cost will help increase inventory so that the overall cost is lower. In another example, Mexico is not a good source for high-quality colored boxes but there are plenty of manufacturers in low-cost countries that manufacture better quality boxes than Mexico. So Crisa must look outside Mexico for these types of materials.

Purchasing managers must be aware of the risk of sourcing globally but if they do their homework right this could bring Crisa considerable savings. Some of the risks that managers must consider are: working with multiple currencies; taxes; logistics and distribution costs; business practices. The sourcing selection should consider price, quality, availability, and the service provided by the supplier. With today's information

systems it is much easier to locate suppliers around the world; it is feasible to conduct auctions on the Internet that could help Crisa find the best options.

Outsourcing should also be involved in the strategic evaluation of new product lines that Crisa can develop or distribute from foreign companies. Crisa is already doing some aspects of this last function, and it has been searching for new products. But the company may need to look beyond America and search for opportunities in Asia and Europe too.

➢ *Engineering and R&D* will not be effective if they base their sources in the local country, and then have to work globally. It needs to find sources of knowledge and information around the world without worrying where they are located and then transmit the information to the head office. One of the main functions of this area is to develop and improve the processes and products that Crisa uses, and these must be found in leading markets around the world. Crisa has to identify these leading markets and send a team of people to obtain the needed information. Europe and the U.S. are normally regions that set the trends for new products in the glassware business, so perhaps one manager in this department could be traveling to these countries in search of new ideas. Crisa participates most of the important industry trade shows in USA and Frankfurt, at least twice a year, and it is easy to send someone to this specific assignment. Traveling and participation in shows help this department to know the customers and establish a relationship with them that will open the opportunity to contact them directly and gather more information. A direct communication with the customers will avoid intermediaries carrying important information that can be misunderstood or mislead. This department must be proactive instead of reactive, as it has been in the past.

➢ *Manufacturing* must support the global strategy with own functional strategies. As I mentioned, Crisa has no operations outside of Mexico except the joint venture with Libbey in the U.S., but if the company is thinking about installing another operation in the near future it needs to start now preparing people for this new challenge. Potential expatriates in the new facility should be people from Manufacturing who can transfer knowledge from one side to the other. Crisa could start developing these global manufacturing managers by sending them to Libbey in the U.S. for a period of time.

➢ *Logistics and Distribution.* In order to achieve better market penetration, Crisa should have an effective distribution system around the world. Crisa can choose different methods for distributing its products around the world; this is part of the marketing and new market penetration strategies. After Crisa identifies the target markets to penetrate, it should work on a distribution strategy. This may include distribution centers that serve an entire region or country depending on its value and importance to Crisa. Obviously, that Crisa cannot maintain a distribution center in every country they would like to penetrate, but they can choose strategic places in groups of countries or regions. For example, if Crisa is seeking to be Number One in the Americas, it should have at least one distribution center to build the volume needed to gain economies of scale and make a potential investment worthwhile. This center could be based in a free zone in Uruguay that serves the MERCOSUD countries that are important in size. Crisa could have a second distribution center to serve the northern countries of South America, the Caribbean, and southern countries in Central America. Even further in the future, Crisa could have another distribution center in Europe or Asia to service those markets. This strategy of distribution centers could be combined with a salesforce in the main countries

in those regions, and Crisa would then avoid the extra cost for distributors that now handle the market.

➢ *Human Resources* plays an important role in the globalization process, as I mentioned earlier, and forming a global team is imperative for success.

- The department needs to ensure that the **new vision and strategies** are communicated to the whole organization and not just within the group that developed them.

- HR should understand the extent of Crisa's **resources** and how many global managers are needed to lead the global strategy. A global company does not need all of its the managers prepared for a global assignment; it does need a small group of global managers to leverage, encourage, and convince the organization to follow the global strategy. Developing global managers is expensive and companies need several decades to get all their managers trained.

- An important role is **identifying and developing global leaders**, understanding their training needs, and preparing the right programs to work with the global management skills and cultural issues of different countries. Cultural training is very important because most failures come not for lack of managements skills but for lack of cultural integration.

- Companies desiring to globalize need to identify the number of global managers needed to lead the strategies. Companies do not need all their managers to have a global mindset, but they need a few who have the power to convince the organization to go global. When HR and top management have identified the skills, the number of people needed, and potential candidates, they can start working on strategies to

develop them.

- Once the global managers or leaders are identified HR should start the **recruitment and hiring process** on a global basis, looking for candidates from around the world.

- Training programs must be aligned to the global strategies and have their goals and objectives identified. But global managers are not developed only with training programs in a classroom. Rather, global managers must have the hands-on experience of managing in different cultures, dealing with social and political environments that are radically different from their home country. The best way to develop this experience is by sending expatriates to international assignments. Crisa does not yet have international operations but it can begin sending managers to work with its joint venture in the U.S.. HRM must consider this alternative to developing managers and leaders that will be needed to take Crisa global. When Crisa decides to place operations facilities outside Mexico and the U.S., together Crisa and Libbey can put together a group of global managers to create a team of expatriates.

- **Managing expatriates** is a real challenge for organizations, but the best alternative is to create and develop global managers. More was said about this topic in Chapter 7, however Crisa will realize many benefits if HRM handles expatriates the right way. The company will attract and retain talented people who will maximize the investment. Expatriates bring diversity and culture to the organization as well as global knowledge and better networking.

- **The performance appraisal and the compensation systems** must be aligned with the global strategy, and different departments will need to interact to achieve the goals. Every area should have a goal and strategy aligned to the global strategy. Crisa

has an excellent performance appraisal process, but HR must confirm and guarantee that all areas take advantage of this process and handle it the best way possible. HR must use these tools to develop career paths, retain high-quality global managers, and create a global compensation system.

- The HR department must have **global-oriented staff** working in the department in order to identify, recruit, and hire suitable people when Crisa goes abroad.

➤ *Marketing* is key player, responsible for identify the right strategies to go global. In addition to the strategy of identifying global products and how to penetrate new markets, there are other marketing strategies that Crisa should follow.

- First, Crisa needs an International Marketing section and at least one person assigned to start working on international strategies and understanding of the markets.

- Crisa could be a good **global brand** and Marketing should try to position it worldwide as the umbrella brand. Then all the global product lines will be always identified with Crisa.

- The **pricing strategy** is one of the most difficult to develop. Normally companies want to have a global price for their products but this is virtually impossible. There are many factors that affect price, like distribution, taxes, local competitors, customs, market share, market segment, and so on. In order to understand all these factors Crisa needs the International Marketing department just suggested. I believe prices must be established based on the market, country, and customers; yes, it is important to have a general pricing strategy with minimum global profitability requirements, but there will be markets where Crisa must reduce its prices in order to penetrate and there will be markets where Crisa can sell at a higher price. There is a quote the

Mexicans use: "The size of the stone depends on the size of the frog."

- Crisa must have a **global advertising** campaign to support its strategy, but this campaign must be generic and easy to adapt in different cultures. The campaign should communicate information and persuade customers to buy Crisa products around the world. But the campaign must be wary of the nuances of different cultures, languages, religions, lifestyles, history, market segments, politics and buying patterns.

- Marketing must be in charge of the **product development** process and understand trends and innovations around the world so it can design new products. In my opinion, Crisa should standardize its products with minimum variations for the local markets. All products must be developed with the high-quality standards based on the certification of ISO 9002 which Crisa received several years ago. Also Marketing must be aware of cultural issues, purchasing behaviors, potential customers and their values.

➢ *The International Sales Department* is vital. It should work on Crisa's strategies together with Marketing to penetrate new markets and find good customers. To better identify these managers, the Global Chessboard tool can be used to understand the market potential and define priorities. But International Sales must also work on understanding local cultures, social views, business practices, religions, currencies and political situations around the world to find the best strategies for selling in a global environment.

- Building trust is a key factor in most cultures, so sales personnel must work hard to build good personal relationships that will help them to better understand the

customers and sell more products.

- It is important for Crisa to build a global team that works together and shares information to create synergies in the markets. The large sales rep organization does not work as a team. This may be caused by the internal Crisa organization that has not been able to adapt these representatives as part of the company. I am not advocating the hiring of all these people and putting them on the payroll, but rather establishing policies and procedures that motivate people to work as a team. Working on a global team there will have be diverse backgrounds that will help managers to understand the marketplace on a global basis. Also they can create synergies by sharing different approaches they are using with their customers in different markets.

➢ *International Customer Service* (CS) must listen to and understand the needs of the customers. The quality of this customer service is as important as product quality. The ISO 9000 stamp of quality is a definite advantage for the Crisa CS department. It means all procedures have been specified and processes prepared, so the only thing CS must do is understand its customer needs and expectations and share that information with other areas in order to create strategies and services needed in the global marketplace. CS must have the authority and responsibility to make decisions, and it normally has to do this rapidly in order to answer a customer inquiry or meet a requirement.

Maintain Realistic Expectations

It is important that every functional area in the organization understand that this strategy is the right one so they will not expect huge sales and profits at the beginning nor will they expect large production runs or large shipping programs with one product per

container. This is an introductory strategy to develop new customers and penetrate into new markets, with the intention of helping the company establish a global presence and build economies of scale; then identify potential markets for investment. It is imperative to invest beforehand in order to obtain good information from the markets, but this investment will be insignificant compared with the benefits reaped by making the right investment in the right market.

Create a New Corporate Culture

Crisa needs to build a global organization with all the requisite components. It has to create a global **corporate culture**—one of the most important things to be done and one of the most difficult to accomplish. It is easier to change external factors, but changing values and the way people think and act is much more difficult. The Corporate Culture must have a Global Vision, Global Mindset, Global Values, Global training and systems, and Global Leaders to guide the company.

To build this Corporate Culture it is important to instill a strong sense of urgency throughout the company, a strong desire to BE a global company. Crisa has to act quickly to implement this change, because the global environment is moving quickly and if companies do not move equally fast, the changes will be obsolete before the process is complete. For this transformation, Crisa will need strong leadership guidance to promote the change after acquiring an understanding of the competition, market position, technological trend, and financial performance.

This changed culture and the path to globalization may take some time and managers need to be aware of this. Crisa may fail this challenge if its managers have no patience or if

they underestimate how hard can it be to change a corporate culture and the way people think. Top management must be really committed to making these culture changes and developing and implementing a globalization strategy, and they have to act firmly and not allow resistance to gain a foothold. Also they must convince a broad group of employees, gain their help with the changes, for it is impossible for top management to do this alone; they need the commitment of the rest of the organization. Top management must "walk the talk" and they must incorporate the vision into their day-to-day activities, and this will leverage on the rest of the organization.

Develop Teams

The most important thing that Crisa needs is to work as a team; yes, all the functional areas must work on their strategies to support a corporate strategy, but if they are not working as a team and sharing information and responsibilities, achieving the goal will be almost impossible. This team must begin with the board of directors who are must the role model for the organization. It will not be possible to build teams within the company if Top Management is not a team. After Top Management begins to work as a team, then Crisa can create multifunctional teams to lead projects and strategies, to achieve global goals, and to evaluate potential alliances, joint ventures, or acquisitions outside Mexico.

As I mentioned in all the examples above, there are many things to do before Crisa can become a global company. These suggestions are some of the many things that Crisa should consider as they begin to think about a global strategy. They are based on actual circumstances within Crisa and therefore I believe they are completely achievable.

Top management must remove all the obstacles that prevent Crisa from becoming a global organization. There are several obstacles within Crisa that should be removed in order to facilitate reach its goals. The following are some of the obstacles I have identified:

- *Individualism*. Crisa must promote teamwork and create multifunctional teams to work together toward its objectives.

- *Command and Control*. Crisa must become a better learning organization, empower people to make decisions, and encourage managers to delegate responsibility to lower levels. This will help Crisa to work as a team with a good flow of ideas.

- *Poor Communication*. Crisa must improve communication throughout the organization and share strategies, opportunities, and problems with its employees instead of retaining all the information with top management team.

- *Hierarchy*. Crisa must get rid of the top-down flow of ideas, instead encouraging people to develop and share new ideas and encourage managers to let the ideas flow.

- *Protectionism*. Crisa must get rid of people who are simply protecting their own turf.

- *Bureaucracy*. Discard all policies, procedures, regulations, forms, that affect the organization's decision-making process.

Removing all the obstacles will send a message to the organization that the global strategy is real and will give credibility to all the talk that has been made.

Obviously, Crisa needs a set of skills, practices, and tasks that they can implement to accelerate the process of globalization. I have mentioned a number of them above, but below

are some generic ones that Crisa needs too:

- Identify and use the Key Success Factors that work for Crisa, which will facilitate the process of globalization.

- Identify the drivers in the industry.

- Update global information regularly by joining professional associations and attending meetings and conferences about global issues, reading publications like *The Economist* in Europe, *The New York Times, The Financial Times*, etc.

- Continually analyze mergers and acquisitions in other industries as well as in the glassware industry; analyze the global environment by checking international trades, economies, and political changes.

- Establish ongoing reviews of strategies and strategic directions, as well as customers and competitors.

- Improve the decision-making process, make faster decisions even when not 100% certain that a decision is the right one. Be more intuitive and trust your intuition.

- Understand the host country values and culture; remember that Crisa is a guest in those countries.

CHAPTER
10
Conclusion

Globalization is a reality and is here to stay; it is not a fashion of doing business that will vanish in few years. The borders among countries are disappearing, making way for an enormous common marketplace. Countries are liberating trade and removing all the regulations and protectionism that has been in place for so many years. Considering these changes, companies and organizations around the world must reconsider their strategies, restructure, and adapt to the new global era. Firms that do not change their ways of doing business sooner or later close their doors and disappear.

There is a need to change and refocus strategies in companies. It is not possible to rely on one domestic market any more, so companies must go beyond their borders to look for new business. They must change their corporate culture and aim high enough to conquer new markets and be a strong player in this global era.

Companies cannot do this alone; people run companies, and these people are the leaders and managers who will take the company from domestic, to multinational, to global. These managers think beyond their cultural and social environment, working instead from a global perspective. Of course, global managers are not born with this mindset; they have formed this way of thinking over their life and through all the varied experiences they have encountered. Companies need global managers to develop strategies, implement practices,

task and actions, and establish a new culture in the organization—yes, it probably necessary to change the corporate culture in order to open eyes and minds for this globalization challenge. If organizations are not willing to change their culture, it will be difficult for them to change and reorient their strategies to this new global market.

It is well established that a corporation's culture is one of the main challenges facing an organization when it wants to globalize. To change the culture of a company, more is required than an idea with a plan; it requires real commitment from the people promoting change. This change should be considered as a gradual thing and not immediate, for changing culture is like changing how people think. The process may take years before the company begins to see the benefits, but it is important that those driving these changes are aware of this time frame, maintain their patience, and never stop fighting.

Organizations must identify the analytical and strategic skills that a global manager needs in order to establish training programs for developing potential global leaders and managers. Identifying these skills, organizations can look for potential global managers to develop and train them for the global world. Developing global managers means more than just sending them to training programs and seminars; to really develop global managers may take two decades.

In addition to training programs, seminars, and theoretical learning, managers need to live the experience and understand different cultures. By living the experience, I mean companies must send their managers out on international assignments and move them from one place to another, keeping them in one location at least two years. In this way, they will have time to really learn about the country and its culture, how to conduct business, and how to help the organization do business.

HRM plays an important role, working with top management to identify potential global managers and aligning their training and developing strategies to the corporate or global strategy. In the same way, HRM must work with management to review their strategies and align the compensation system to achieve those strategies.

It may take decades to develop global managers, and this can become an issue in organizations because they often underestimate the time and effort needed. Most failures occur because managers underestimate the resistance of people who do not want to move from their comfort zone or because managers are afraid to take the risk of leading and changing the organization in its corporate culture, strategies and structures.

HR must work on a compensation system to schedules bonuses and incentives for the short and long term. This will motivate managers to keep on pushing for change. Performance appraisals should be clear. Companies should not be afraid to overcompensate managers who are leading change if the assignments are difficult, such as with expatriates.

Is it really better to develop global managers and spend all that time, or is it better to hire them? Companies may raise that question occasionally, usually when they have spent time and money developing people and then lose them to another company. That is a valid point, and it is difficult to know a single correct answer. However, developing managers gives a company the competitive advantage of having people who know the company well and its internal operations, and who can prepare global strategies based on the strengths and weaknesses of the company.

If a decision is made to hire a global manager who has been trained in another company, there is a risk that a lack of knowledge may mislead the strategies. On the other hand, hiring external global managers can help bring in new ideas from other companies that

can leverage the way business is being done. This is a difficult decision, but either one can bring benefits to the organization on the path of globalization.

As I have mentioned throughout this thesis, the world has become more competitive as a result of market globalization, and this globalization is here to stay. Companies that do not want to globalize will sooner or later disappear. But all the companies that want to change and grow will need to implement a global strategy to open new market opportunities. They have to see the world as one big marketplace and focus their strategies on conquering this market. All these companies are searching for the right global pathway, and they need the help of people who think beyond their cultural, social, and political boundaries, people with global mindsets that focus on the world as the primary market, people who manage and lead changes and strategies in their organizations.

People are the key players in this culture change: leaders who must gain the confidence of the organization in order to attract their interest and pull them into the team. And once again, global managers who lead organizations are responsible for changing the company's route. That is why companies develop and train their people to carry the torch into the globalization path. As mentioned above, "Global Managers are made, not born" and they can be formed and developed by the organizations. Those people are GLOBAL MANAGERS!

APPENDIX

The Capability and Readiness Profile Tool

I. Global Culture

In this organization . . .

1. _____A global vision is shared by top management and employees.
2. _____There is a global mind-set through which we see the world without boundaries or cultural biases.
3. _____Global ideas of cultural sensitivity, customization, timeliness, and worklife quality are valued.
4. _____We participate regularly in global conferences and read global publications.
5. _____We search worldwide to identify global best practices.
6. _____Policies and procedures enhance global thinking and global action.
7. _____Company heroes and leaders share global experiences and model global behavior.

_____Global Culture Score (sum of answers to Global Culture questions)

II. Global Human Resources

In this organization . . .

1. _____"Glob-able" competencies have been identified for management and non-management positions.
2. _____We recruit worldwide for the best people.
3. _____Training programs are offered in cross-cultural communication, global issues, and languages.
4. _____The global activities of the company are highlighted in company meetings and publications.
5. _____Overseas experiences are valued and supported by predeparture and repatriation programs.
6. _____Future company leaders receive global assignments as part of the global career path.
7. _____Performance and reward systems are globally standardized and locally tailored.

_____Global Human Resources Score (sum of answers to Human Resources questions)

III. Global Strategies

In this organization . . .

1. _____There is a clear global mission built on global values and norms.
2. _____We systematically undertake an analysis of global opportunities and threats.
3. _____Specific global goals and performance targets are established.
4. _____We identify global alternatives and make strategic worldwide choices.
5. _____Global plans with possible contingencies and global alliances are regularly developed.
6. _____Implementation of the global strategy is accomplished through alignment and integration of resources and organizational units.
7. _____We continuously evaluate, modify, and reapply our global strategy.

_____Global Strategies Score (sum of answers to Global Strategies questions)

IV. Global Operations

In this organization . . .

1. _____Research and development is centralized near world-class research sites.
2. _____Flexible-manufacturing systems allow us to integrate global production.
3. _____Product development strategies are made to accommodate for diversity, innovation, scope, and design.
4. _____Service and product quality is benchmarked against global standards.
5. _____Financial planning is built on worldwide access to capital, favorable tax exposure, flexibility, and speed.
6. _____We market and advertise global products and services that are customized to meet the local cultural expectations.
7. _____There is an appropriate mix between global and local distribution systems.

8. _____Global sales include customer education and world-class customer service.

9. _____There is a standardized global communication system for gathering, processing, and distributing information.

_____Global Operations Score (sum of answers to Global Operations questions)

V. Global Structure

In this organization . . .

1. _____We globally integrate functions and operations on a worldwide basis.

2. _____Many programs are implemented by global project teams.

3. _____Acquiring, storing, and distributing knowledge is globally valued.

4. _____Our structure is boundaryless, streamlined, and seamless.

5. _____The location and layout of facilities recognize the importance of culture, costs, workforce quality, and market.

_____Global Structure Score (sum of answers to Global Structure questions)

VI. Global Learning

In this organization . . .

1. _____Learning is encouraged and rewarded at the individual and group levels.

2. _____We build learning into all global business goals and operations.

3. _____Technology is utilized to enhance both learning and knowledge management for staff on a worldwide basis.

4. _____We acculturize and globalize the design, delivery, and evaluation of our training programs.

5. _____Learning materials, including videos and software, are developed to be effective in different cultural settings.

_____Global Learning Score (sum of answers to Global Learning questions)

_____TOTAL SCORE FOR 6 DIMENSIONS OF GLOBALITY

Profile Results and Interpretation

141–160 = Global Status

101–140 = Multinational Status

61–100 = International Status

Below 61 = Domestic Status

© Global Learning Associates

This tool was created by Global Learning Associates and is published in Marquardt (1999). For further information regarding this tool, contact Global Learning Associates at (703) 437 3725 or email: mjmq@aol.com .

REFERENCES

Bartlett, Christopher. "MNCs: Get off the Reorganization Merry Go Round." Harvard Business Review, March-April 1983.

Bartlett, Christopher & Ghoshal, Sumantra. Managing Across Borders: The Transnational Solution. Second Edition, Boston, MA: Harvard Business School Press, 1998.

Bartlett, Christopher and Ghoshal, Sumatra, "What is a Global Manager?" Harvard Business Review September-October 1992.

Brake, Terence; Medina, Walker; Danielle, Walker, Thomas. Doing Business Internationally: The Guide to Cross-Cultural Success. McGraw-Hill, 1995.

"British Airways: Using Information Systems to Better Serve the Customer." Harvard Business School 1994

"Euro Disneyland." Thunderbird, The American Graduate School of International Management, 1996.

"Gerber Products Company: Investing in the New Poland." Harvard Business School 1998.

Gregersen, Hal, Morrison, Allen and Black, Stewart. "Developing Leaders for the Global Frontier." Sloan Management Review, Fall 1998

Hout, Thomas; Porter, Michael; Rudden, Eileen. "How Global Companies Win Out." Harvard Business Review, September-October 1982.

Jeannet, Jean-Pierre. Managing with a Global Mindset. London, England: Pearson Education Limited 2000.

"LG Group. Developing Tomorrow's Global Leaders". Ivey Management Services, 1998

Marquardt, Michael. The Global Advantage: How World Class Organizations Improve Performance Through Globalization. Houston Texas. Gulf Publishing Company, 1999.

"Microsoft in the People's Republic of China." 1993. Harvard Business School 1995

Parsons, Andrew. "Nestlé: The Vision of Local Managers (An Interview with Peter Brabeck-Letmathe)" The MacKinsy Quarterly, 1996.

"PepsiCo in Mexico: Anatomy of an Affiliate's Exposure." Thunderbird, The American Graduate School of International Management, 1996.

Prahalad and Doz, "The Multinational Mission" (New York: The Free Press), 1987.

Rhinesmith, Stephen H. <u>A Manager's Guide to Globalization: Six Skills for Success in a Changing World.</u> Second Edition. McGraw-Hill, 1993, 1996.

Taylor, William. "The Logic of Global Business: An Interview with ABB's Percy Barnevik." <u>Harvard Business Review</u> March- April 1991

"Time Marches On: The Worldwide Watch Industry". Thunderbird, The American Graduate School of International Management, 1997.