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## Preface

This book looks at the opportunities and risks associated with staking out a global competitive presence and introduces the fundamentals of global strategic thinking. We define crafting a global strategy in terms of change—how a company should change and adapt its core (domestic) business model to achieve a competitive advantage as it expands globally. The conceptual framework behind this definition has three fundamental building blocks: a company’s core *business model*, the various *strategic decisions* a company needs to make as it globalizes its operations, and a range of *globalization strategies* for creating a global competitive advantage.

We use Pankaj Ghemawat’s well-known “AAA Triangle” framework to describe three generic approaches to global value creation. *Adaptation* strategies seek to increase revenues and market share by tailoring one or more components of a company’s business model to suit local requirements or preferences. *Aggregation* strategies focus on achieving economies of scale or scope by creating regional or global efficiencies; they typically involve standardizing a significant portion of the value proposition and grouping together development and production processes. *Arbitrage* is about exploiting economic or other differences between national or regional markets, usually by locating separate parts of the supply chain in different places.

A *business model* is simply a description of how a company does business. It has four principal components: (a) *market participation*, that is, who its customers are, how it reaches them and relates to them; (b) *the value proposition*, or, what a company offers its customers; (c) *the supply-chain infrastructure*, that is, with what resources, activities, and partners it creates its offerings; and finally, (d) its *management model*, or, how it organizes and coordinates its operations.

Globalization requires a company to make strategic decisions about each component of the business model. *Market participation decisions* include choosing which specific *markets or segments* to serve, domestically or abroad; what methods of distribution to use to reach target customers; and how to promote and advertise the value proposition.

A company’s *value proposition* composes the core of its business model; it includes everything it offers its customers in a specific market or segment. This comprises not only the company’s bundles of products and services—it also affects how it differentiates itself from its competitors. Globalization decisions about the value

proposition therefore touch the full range of tangible and intangible benefits a company provides to its customers (stakeholders).

The *value chain infrastructure* dimension of the business model deals with such questions as, what key *internal resources and capabilities* has the company created to support the chosen value proposition and target markets; what *partner network* has it assembled to support the business model; and how are these activities organized into an overall, coherent value creation and delivery model?

Finally, the *management* dimension is concerned with a company's choices about a suitable global organizational structure and decision-making process. Creating a global mind-set is a key determinant of global success.

## Organization of the Book

The book is organized in two sections. Chapter 1 "Competing in a Global World" through Chapter 4 "Global Strategy as Business Model Change" make up the first section. Chapter 1 "Competing in a Global World" assesses how global the world economy has become and what implications that has for companies. Chapter 2 "The Globalization of Companies and Industries" looks at globalization at the industry level. It asks the following questions: What is a global industry? What are the driving forces behind the globalization of industries? and What explains the dominance of particular countries or regions in global industries? Chapter 3 "Generic Strategies for Global Value Creation" looks at generic strategies for creating a global competitive advantage, ranging from adaptation to aggregation to arbitrage. Chapter 4 "Global Strategy as Business Model Change" introduces the concept of a business model to define global strategy formulation as *changing or adapting a company's core (domestic) business model to achieve a competitive advantage as it globalizes its operations or presence*.

Chapter 5 "Target Markets and Modes of Entry" through Chapter 10 "Globalizing the Management Model" make up the second section of the book. Each chapter looks at the globalization decisions that have to be made about a particular component of a company's business model or discusses a core competency associated with that component. Chapter 5 "Target Markets and Modes of Entry" looks at decisions regarding which foreign markets to enter and why, when, and how to enter them. In other words, the chapter is about target-market selection and the timing and mode of market entry. Chapter 6 "Globalizing the Value Proposition" discusses the globalization of the company's core offerings and introduces the concept of a value proposition globalization matrix to guide strategic thinking. Chapter 7 "Global Branding" addresses a related core competency: global branding. Chapter 8 "Globalizing the Value Chain

Infrastructure" looks at the globalization of the value-chain infrastructure, from research and development, to product development, to manufacturing, to distribution, to after-sale service. Chapter 9 "Global Supply-Chain Management" follows this discussion with a survey of a closely related core competency: supply-chain management. Chapter 10 "Globalizing the Management Model" rounds out the business model framework by looking at the globalization of a company's management model.

## **Minicases and Appendices**

Each chapter features a number of minicases—vignettes about real companies struggling with the issues raised in the main body of the text. They are included to provide context for the various concepts introduced, to create variety in presentation, and to challenge students to link theory to practice.

Two appendices are included in the book. The first surveys the various doctrines and regulatory frameworks that guide global trade. The second consists of suggestions for suitable case studies to accompany each chapter of the book.