

# Implications of Globalization for International Business Strategy: A Multi-Sectoral Approach

Ericlee Nyaga Muciimi<sup>1</sup>, Evanson Mwangi Ngumo<sup>2</sup>

<sup>1</sup>Lecturer-School of Business: Jomo Kenyatta University of Agriculture and Technology, Zetech's centre  
P.O Box 15726-00100, Nairobi, Kenya

**Abstract:** *Much of the debate on the alleged evils and merits of globalization has been based on after the fact argument. This paper takes an approach that globalization has implications for international business strategy and delve into these implications. The paper utilized library survey, which analyzed the available literature on the implications of globalization on international business strategy. The appropriateness of this method to the study was the ability to review a wide variety of secondary literature that is relevant to the research area. In this regard, four empirical cases were selected using Purposive sampling technique which enabled the researchers to select cases that had the desired information or the required characteristics that were useful in achieving the objective of the study. Content analysis method was used in view of the qualitative nature of much of the data collected. Findings indicate that globalization and especially the entry of Chinese firms significantly changed market contexts in Brazil. Brazilian executives responded to changes in market contexts by shifting from production to customer orientation, building brand equity, developing new products, and differentiating offerings. Further, the rapid spread of globalization and enormous developments in information technology (IT) has led to dramatic changes in the business environment and business education needs to be responsive to these changes. Moreover, the results confirm that the globalizing internationals, i.e. companies that first internationalize after the domestic period and then globalize their operations outside the domestic continent, develop towards standardized product strategy alternatives, wider product assortment and advanced product categories and that corporate real estate needs to develop new capabilities to support global business strategies. These include flexibility, network organization and managerial learning capabilities. The study contributes to the literature by showing that globalization has implications for international business strategy and that only those businesses that are able to appropriately respond to the global changes will be able to survive and flourish in the long term. Findings from this library survey can provide useful theoretical and strategic insights into how MNCs can cope with pressures emanating from globalization*

**Keywords:** Globalization, International business strategy, Multi sectoral approach, Global competition, Glocalization, industrial organization theory, resource based theory, standardization strategy, localized strategy, modified strategy

## 1. Introduction and Back Ground

Globalization has fundamentally changed how business is visualized and conducted. The impact of globalization on business operations is both pervasive and extensive requiring, therefore, a review of existing business approaches and the historic rules of thumb (e.g. standard operating procedures) used in business. For example, a globalised business means that business planning at all levels will now require knowledge that is local and global. Understanding of local regulatory requirements is as needful as global consideration of economic activity when setting out the strategic corporate goals. In addition, cultural practices and local customs must be acknowledged when setting in place business operations and procedures. Failure to modify the strategies of conducting business may result in significant impact on performance. Further, contemporaneously influential events, opportunities, constraints and strategic options relative to strategic decisions need to be considered when businesses go global (Rhinesmith, 1993; Akhter, 2003; Mayer, 2002).

Globalization has been defined in various ways (Hirst and Thompson, 1996, 1999; McGrew and Lewis, 1992; Sander, 1996; Scholte, 2000). The definitions and explanations of globalization include economic, political, and sociological perspectives. Similarly, there has been debate on whether globalization is happening and the degree to which it is impacting on individuals and societies (Albrow, 1997; Giddens, 1990, 2000; Guillen, 2001; Held et al., 1999; Hirst and Thompson, 1996; Krugman, 1994). However, regardless of how globalization is defined and whether it is or it is not

happening, the recent socio-economic and technological phenomenon has had a significant impact on individuals and societies at large.

All these changes partly due to globalization have impacted on international businesses operations and hence strategies must be designed to help MNCs to survive and flourish in the global market place. According to Thompson and Strickland (2003), strategy is management game plan for strengthening the organizations position, pleasing customers and achieving performance targets. According to Johnson and Scholes (1993), strategy is the direction and scope of an organization over a long term which achieves advantages for the organization through its configuration of resources within a changing environment to meet the needs of market and to fulfill stakeholder expectations. Strategy is a well defined roadmap of an organization. It defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize organizations strengths and to minimize the strengths of the competitors. Strategy is a management game plan that's aimed at creating a fit between the organization and its environment. Creation of a fit is important in order for the organization to remain relevant.

## 1.2 Statement of the Problem

Globalization has elicited a lot of interest from most researchers since literature in this field is still in its formative stages. A lot of research which have been conducted in this area focus on the implications of globalization on international business and only a few focus on how globalization affect international business strategy. In fact,

none of previous studies in this area address implications of globalization on international business strategy using a multi sectoral approach a gap that this study will fill

### 1.3 Objectives of the study

The general objective of the study is to identify the implications of globalization on international business strategy using a multi sectoral approach. The specific objectives are:

- a) To establish the implications of globalization on International Business Strategies of ICT manufacturers
- b) To determine the strategies embraced by Brazilian firms to withstand pressure from Chinese firms due to globalization
- c) To identify the effect of globalization on corporate real estate strategies
- d) To establish the strategic responses to global challenges in business education

## 2. Literature Review

### An overview of the global strategy literature

In academia, interest in global strategy and organization has been strong in the last two decades. Numerous perspectives have been proposed to examine the issue, and so have numerous prescriptions for businesses facing global competition. On the one hand, these perspectives have enriched our understanding of the complexity of competing globally. On the other hand, the diversity of perspectives creates a great deal of ambiguity and confusion about how to compete worldwide, about the definition of a global strategy, about why a business chooses a global strategy, and about the implications of that choice.

Without a unified framework to integrate these diverse perspectives, ambiguity and confusion are likely to persist, leading to contradicting theories and discouraging practical application of knowledge. In an influential article, Levitt (1983) argues forcefully that advances in communication and transportation technologies and increased worldwide travel have homogenized world markets. Increasingly, consumers in different parts of the world tend to demand the same products and have the same preferences. In this new era, the strategic imperative for businesses competing globally is to achieve the economies of scale which the global market affords.

Thus, multinational corporations which treat individual country markets separately are likely to disappear and be replaced by global corporations which sell standardized products the same way everywhere in the world. A major source of competitive advantage has become the ability to produce high-quality products at lowest cost, since global consumers will sacrifice their idiosyncratic preferences for the high-quality but low-priced products. According to Levitt (1983), the optimum global strategy is to produce a single standardized product and sell it through a standardized marketing programme.

Hout *et al.* (1982) disagree, however, arguing that an effective global strategy requires not a single approach, such

as product standardization, but a bag of many tricks. These include exploiting economies of scale through global volume, taking a pre-emptive position through quick and large capital investments, and managing interdependencies to achieve synergy across different activities. According to them, the global strategic imperative is to leverage a competitive edge across the interdependent country markets to change the scale and scope of competition.

In contrast to Levitt's single standardized product, a broad product portfolio is recommended by Hamel and Prahalad (1985). They believe a global strategy requires several product varieties, so that investments in technologies, brand names and distribution channels can be shared. The global strategic imperative is to seek cross-subsidization across product lines and markets, world brand domination, and strong worldwide distribution systems. The strategic logic behind Hamel and Prahalad's (1983; 1985) prescription is that firms can attack rivals and defend their market shares by leveraging proprietary technology through proprietary distribution channels.

Kogut (1985) emphasizes strategic flexibility in his perspective of global strategy; that is, it must create options to turn the uncertainties of an increasingly volatile world economy to the business's advantage. The strategic imperative is to exploit multiple sourcing, productions shifting to profit from changing factor costs and exchange rates, and arbitrage to take advantage of imperfections in financial and information markets and economic disequilibria.

Kogut (1985), believes that a business should surrender strategic fit for strategic flexibility in order to gain comparative advantage. Porter (1986) recognizes the interdependency among various country markets and contends that a global strategy has two basic dimensions: configuration of value-adding activities and co-ordination of the activities across markets. He maintains that the strategic imperative in global markets is to concentrate value-added activities to exploit factor cost differentials and extend competitive advantages by co-ordinating interdependencies among markets. Hence, success demands achieving integration of the firm's competitive position across markets.

In contrast, Quelch and Hoff (1986) emphasize the importance of being responsive to local market conditions. They view the strategic imperative as the efficient global use of good marketing ideas rather than standardization, and an organization structure which encourages transfer of information. They believe global operations should be tailored to maximize efficiency in concept development and effectiveness in local market delivery. That is, a business must "think global" but "act local".

Ghoshal, (1987) developed an organizing framework for global strategy which maps means and ends. He maintains that the key to a successful global strategy is to manage the interaction among different goals and means. He classifies the goals of a business organization into three categories: achieving efficiency in its current activities; managing the risks which it assumes in carrying out those activities; and developing internal learning capabilities to bolster innovation and adaptation to future changes. He also classifies the

strategic tools for reaching these goals into three categories: exploiting the differences in input and output markets; achieving scale economies in different activities; and exploiting synergies or economies of scope. The strategic task of managing globally is to use these strategic tools simultaneously to achieve the strategic goals.

Bartlett and Ghoshal (1988; 1991) contend that globalizing and localizing forces work together to transform many industries, and success depends on whether a business can achieve global efficiency and national flexibility simultaneously. They use the term “transnational capability” to describe the ability to manage across national boundaries, retaining local flexibility while achieving global integration. They claim this is the critical requirement of competing globally. Thus, the optimum global strategy is to develop national competence but at the same time maintain a world perspective.

## **2.1 Current theoretical approaches to global strategy**

### **2.1.1 The industrial organization-based theory**

Similar to writings in mainstream economics regarding strategy, the literature on global strategy in the past has been dominated by the industrial organization perspective (Bartlett and Ghoshal, 1991). In particular, the structure-conduct-performance (SCP) paradigm of Bain (1951; 1956) has been the most popular theoretical framework. According to this paradigm, external industry structure determines firms’ strategy (conduct), which in turn determines their economic performance (Scherer and Ross, 1990).

The IO-based theory of strategy is best captured in the “principle of coalignment” (or contingency or consistency), which states that the “fit” between a business’s strategy and its environment has significant implications for performance (Venkatraman and Prescott, 1990). The general requirement of coalignment between environment and strategy is understood implicitly rather than explicitly in the literature, however, because it is a direct corollary of the dominant SCP paradigm (Scherer and Ross, 1990; Venkatraman and Prescott, 1990).

Barney (1991) identified two underlying assumptions in the IO-based theory of strategy. First, firms within an industry or a strategic group are identical in terms of the strategic resources they control (Porter, 1981; Rumelt, 1984). Second, if resource heterogeneity should develop in an industry or a strategic group, perhaps through new entry, this heterogeneity would be very short-lived because the resources which firms use to implement their strategies are highly mobile (Barney, 1986; 1991). These two assumptions in effect treat the firm as an abstract economic entity and often as a black box, not as a social institution with an economic purpose (Bartlett and Ghoshal, 1991). Thus, the external environment imposes requirements to which a business must adapt (Hannan and Freeman, 1976), and the role of internal organizational factors in making strategic choices becomes far less relevant.

In the IO-based model, competitive advantage is viewed as a position of superior performance that a business attains through offering undifferentiated products at low prices or offering differentiated products for which customers are

willing to pay a price premium (see Porter, 1980; 1985). Strategy is conceived as a firm’s deliberate response to the industry/market imperatives, while competitive advantage can be sustained by business strategy, such as erecting barriers to entry; seeking the benefits of economies of scale, experience or learning curve effects, product differentiation, and capital investments; and raising buyer switching costs (Porter, 1980). Businesses which adapt successfully to these pressures through formulating and implementing a strategy will survive and prosper, whereas those which fail to adapt are doomed to failure (Collis, 1991).

### **2.1.2 The Resource-Based Theory**

The IO-based theories are under increasing challenge from both market reality and the emerging resource-based view of strategy and competitive advantage. Empirical evidence repeatedly suggests that industry structure is not the sole determinant of competitive strategy and performance. The search for other factors led a group identified as the “resource-based theorists” to conclude that differential endowment of strategic resources among firms is the ultimate determinant of strategy and performance. The notion of differentiated internal resource portfolios is gaining rapid acceptance in the academia (for example, Barney, 1989, 1991; Collis, 1991; Conner, 1991; Grant, 1991; Mahoney and Pandian, 1992; Prahalad and Hamel, 1990; Wernerfelt, 1984; 1989). This view promises to be the richest theory of competitive advantage and strategy (Barney, 1991; Conner, 1991), especially in the context of global strategy (Bartlett and Ghoshal, 1991; Collis, 1991; Prahalad and Hamel, 1990). The term “resource” is used in a very broad sense by the theorists. Following Daft (1983), Barney (1991), defined internal organizational resources as *all* assets, capabilities, organizational processes, business attributes, information, knowledge, and so forth, controlled by a firm and enabling it to conceive of and implement strategies which improve its efficiency and effectiveness. He further classifies the numerous possible internal organizational resources into three categories: physical capital, human capital, and organizational capital. Not all of these are strategically relevant, however. As Barney (1986) points out, some may prevent a business from conceiving of and implementing valuable strategies, others may lead to strategies which reduce its performance, and yet others may have no effect on a firm’s strategic choice. The most critical resources are those which are superior in use, hard to imitate, difficult to substitute for, and more valuable within the business than outside (Porter, 1991). According to Porter (1991), such resources can arise either from performing activities over time which create internal skills and routines or from acquiring them outside the firm for less than their intrinsic value because of factor market imperfection, or a combination of the two. The most appropriate types of resources to examine in strategy research are the skills and organizational routines which drive business activities. As Porter (1991) argues, underlying the firm’s ability to link activities or share them across units are organizational skills and routines.

According to Barney (1991), the resource-based theory is grounded on two fundamental assumptions in analyzing sources of competitive advantage and business strategy. First, firms within an industry or a strategic group may be heterogeneous with respect to the strategic resources they



control. Second, since these resources may not be perfectly mobile across firms, heterogeneity can be long lasting. In the resource-based models, competitive advantage is said to reside in the inherent heterogeneity of the immobile strategic resources which business controls. Strategy is viewed as a firm's conscious move to capitalize on its idiosyncratic endowment of strategic resources (Barney, 1991; Lado *et al.* 1992; Wernerfelt, 1984). Following this logic, the principal drivers of competitive strategy and performance are internal to the business, a view in sharp contrast to the IO-based theory. While the resource-based theory recognizes firms' physical resources as the important drivers of strategy and performance, it places particular emphasis on the intangible skills and resources of the business as the main driver of competitive choice (Barney, 1986; Collis, 1991).

Like the IO-based theories, the resource-based theory sees above-normal returns as the firm's ultimate goal (Wernerfelt, 1984). Obtaining such returns requires either that the firm's product be distinctive in the eyes of buyers in comparison to competing products or that the firm sell a product identical to that of competitors at a lower cost (Porter, 1985). Thus, the critical problem is how to maintain product distinctiveness or low cost without making excessive investments. Unlike the IO-based theory, which argues that competitive advantage can be sustained by the firm's conduct in response to industry structure, the resource-based theory contends that product distinctiveness or low cost are tied directly to distinctiveness in the inputs (resources) used to make the product (Conner, 1991). In fact, it is hard-to-copy resources rather than monopoly power or market position which bring persistent, above-normal earnings to the firm. Moreover, the distinctiveness of those resources results from the firm's acumen or luck in acquiring, combining and deploying them, not from the forces related to industry structure, such as the number of sellers, barriers to entry, product differentiation or market growth

### 3. Research Methodology

This study was a library survey, intended to analyze the available literature on the implications of globalization on international business strategy. The appropriateness of this method to the study was the ability to review a wide variety of secondary literature that is relevant to the research area. Population of the study comprised of four empirical cases: ICT manufacturers strategies to cope with globalization, strategies employed by Brazilian firms to survive the Chinese challenge due to globalization, Globalization and corporate real estate strategies and business education strategic response to global challenges Purposive sampling technique was used. This method enabled the researchers to select cases that had the desired information or the required characteristics that were useful in achieving the objective of the study. All these cases were drawn from different sectors in accordance with the research topic.

The study made use of only secondary data which was extracted from various published sources as well as the internet. These included books, journals or periodicals among others. Content analysis method was used in view of the qualitative nature of much of the data collected. The method was quite appropriate in the analysis of the contents

of documentary materials such as books, journals and internet resources.

## 4. Discussions and Analysis

### 4.1 Implications of globalization on International Business strategies of ICT Manufacturers

In a study titled "*Globalizing internationals: product strategies of ICT manufacturers*" by Peter Gabrielsson (2006), the researcher sought to relate how international Information and Communication Technology (ICT) manufacturers from small and open economies (SMOPECs) can meet the huge globalization challenge of developing products and managing them during global expansion.

In particular, how do product strategies change when these companies move from international to global and why? Building on McGrath's (1995), and Takeuchi's and Porter's (1986) product strategy categorization, the following product strategy alternatives can be developed for globalizing internationals:

**Localized product strategy.** The company may decide to develop products for only one country or a limited area. This is inefficient, as it does not leverage the often high development costs in the high technology area. However, it allows adaptation to market requirements.

**Modified product strategy.** The company may develop a common product platform that is used across the globe, but allows for product adaptations based on regional or country specific requirements. The cost advantages and leverage of R&D investment worldwide may bring significant competitive advantages compared with competition.

**Standardized product strategy.** The company may pursue a strategy to develop a fully standardized product across the globe. This provides the highest leverage in both development and manufacturing. It is viable when the products require relatively few or no modifications. There are two basic approaches to developing a standardized product according to Takeuchi and Porter (1986). The first option is to develop a product that represents the greatest common denominator, including as many feature requirements as possible in the same product. The second option is to develop a product with an optimized set of functions and features that balance market needs and costs.

#### 4.1.1 Cross case analysis of evolution of product strategies

An analysis of the evolution of the product strategy dimensions in all the case companies investigated in this study revealed four main patterns regarding *product platforms, product lines, and individual products during globalization*.

**From local to global product platforms.** The product platforms of the case companies had developed from local to global platforms with increasing modularity in all the cases. In the beginning of the 1990s, NMP started to see how the same components, designs, and user interfaces could be used in different units and mobile telephones designed for different technology standards across the world. This new

platform thinking was first used in analog products followed by the digital DCT platform, which was able to support GSM, TDMA and PDC standards. Also NET's infrastructure products have increasingly used global product platforms across countries as bases for deriving individual products. A highly successful platform has been the DX 200, which has evolved to become the basis for Nokia's mobile and fixed network switches and base station controllers followed by ATM and IP-based platforms. In the late 1980s, Salcomp's products were built on the basis of customer specifications. As the mobile charger products were introduced, development of the first product platforms was started. The nature of the product platforms has evolved to become global in the sense that the same product platforms are currently used for products delivered all around the world. Finally, Tecnomen's systems are increasingly based on platforms. Messaging solution products are built on the Tecnomen eZoner service platform, which consists of software and hardware designed by Tecnomen and third-party equipment.

**Widening of the product range during globalization.** A few international product lines and products in each line were selected for global entry in all of the cases. Along with the advancement of globalization, the number of product lines and products in each line increased. The new product lines were highly related. NMP had a number of separate terminal product lines targeted at different telecommunication standards in the world and it also produced other products. At the end of 1980s, NMP focused entirely on terminal manufacturing. As the company globalized further, the number of product lines was increased and the scope broadened, first from business users to consumers and then in the late 1990s from voice centric telephony to new areas like games, music, and imaging. The global entry of NET was made by focusing on the GSM standard in the early 1990s and providing core elements for these systems such as switches, base stations, and transmission equipment. As the company globalized, it gradually expanded from conventional network-infrastructure product lines to providing, e.g. packet data networks, multimedia platforms, and service-enabling equipment. Salcomp had a large number of product lines at the end of the 1980s, ranging from power supplies to different types of subcontracting. It focused on switch mode mobile phone chargers and entered the global markets with these. Later in the globalization process, it expanded first to linear chargers and then also to other personal handheld device chargers. Finally, Tecnomen had a number of product lines at the end of the 1980s in telecommunications, industrial automation, and data collection systems. It decided to focus on telecommunication in the early 1990s and then gradually expanded the number of product lines to five when globalization intensified.

**Evolution towards more advanced product categories during globalization.** As the companies globalized, they initially selected a product category from which they had experience and then expanded to more advanced product categories during globalization. NMP sells a large range of different mobile telephones, so the individual products are mainly physical goods. However, since the end of the 1990s, the company has also developed services and offered them through Nokia WWW- pages to consumers. Nokia has also started to sell licenses (know-how) for their Series 60

software platform to their competitors. NET's products have evolved from single network components towards providing complete network systems, and a number of new types of maintenance services and management know-how. Salcomp's products are physical goods by nature. The company does not offer services, know-how, or systems for sale. The focus has been on managing fast growth in the mobile charger business. However, the company has constantly developed the chargers further by frequently introducing new charger models for mobile telephones and more recently chargers for other wireless devices as well. Tecnomen supplies its customers with total system packages that include equipment (goods), software licenses (know-how), installation and training services, and maintenance and support. Since the beginning of the 1990s, their scope has now enlarged from single solutions like voice mail to larger entities like messaging. Hence, one can say that the product nature has evolved towards more demanding and bigger deliveries in the global stage.

**Increasing standardization of the product strategy during globalization.** The standardization of product strategies of the case companies evolved from localized towards modified (Salcomp, Tecnomen) or standardized (NMP, NET) during globalization. It was found that NMP evolved from region specific platforms and products first to global product platforms and then towards a standardized product strategy during the 1990s. NET entered and penetrated Europe in the 1980s with the NMT standard. The company's focus on GSM, and now recently on the 3G standard, enabled it to align strategies worldwide since the beginning of the 1990s. Salcomp entered the international markets with a highly adapted product strategy making fully localized electronic modules for its customers. At the end of the 1980s and the early 1990s, it developed mobile phone chargers and evolved towards standardized product platforms. The products were still customized to some extent as to the enclosure and also part of the electronics. Tecnomen entered and penetrated the international markets at the end of the 1980s and the early 1990s. It used a localized product strategy in which it tailored industrial automation systems to its customers. During the 1990s, it realized that a more standardized approach is beneficial and as a result a modified product strategy has been implemented that uses globally standardized product platforms and modularity to a great extent.

#### **4.2 Strategies embraced by Brazilian firms to withstand pressure from Chinese firms due to globalization**

In a study titled: "Can Brazilian firms survive the Chinese challenge: Effects of globalization on markets, strategies, and performance" by Syed H. Akhter (2010), the researchers applied the structure-conduct-performance theory and the strategic fit concept to examine the effects of globalization on markets, strategies, and performance of business-to-consumer firms in Brazil. This study was in response to the growing need to understand how the perception of changes in market contexts influences strategic responses and performance of Brazilian firms. To protect the identity of firms, alphabetic designations were used.

#### 4.2.1 Furniture Industry

**Firm A.** For firm A, globalization had “no significant commercial effect” and neither competitive intensity nor competitive pressure had changed significantly. However, globalization positively affected the competitive environment by influencing firms to “improve product design and incorporate new technology.” Although Chinese firms had entered the market, the executive did not see their entry as a threat because of the Chinese practice of selling “standardized products at very low prices.” Their entry into the market, however, contributed to competitive uncertainty as they could initiate strategic changes after gaining a foothold in the market. Channel uncertainty had also increased significantly, as it was moving from multi-brand and large department stores, which competed on price, to specialized and exclusive stores and franchised stores, which competed on quality. Globalization created rivalry among firms because of increased capacity, but it also improved growth potential of the industry. Suppliers and buyers concentration was increasing, which increased their power

In response to market developments and changing buyer behavior, the firm imported production technology from Europe and made new product development its primary focus and initiated a plan to improve product design and quality. The executive indicated that “innovation was a constant” and that the firm “sold nothing it sold ten years ago.” Furthermore, “while production, with an emphasis on efficiency, continued to remain important, there was recently a shift to emphasize marketing and customer satisfaction.” To its high-end and premium-priced products, it added low-end products to compete on price. The addition of low-end products further improved the image of high-end products. To keep the two segments distinct, the firm sells the high-end products through exclusive stores and the newly added low-end products through multi-brand stores that compete on price.

**Firm B.** For firm B, both competitive intensity and competitive pressure increased moderately due to globalization. In the executive’s view, “China posed a big challenge due to its lax labor laws, which made its products price competitive.” Regulatory uncertainty had increased due to government policies related to tax and labor. There was also an increase in suppliers’ concentration which increased their power; power of buyers was also beginning to increase due to concentration. Globalization improved the “growth potential of the industry but created rivalry among firms because of increased capacity.” A major shift in the market was the increasing importance of builders who began buying in bulk to furnish the houses they were building. The firm developed its strategy on the principles of honesty, trust, customer satisfaction, and after-sale service. It targeted only the top segment and positioned its brands on “quality and differentiation.” To meet the special needs of its high-end segments and builders, it employed architects and skilled workers to provide unique pre and after-sale consulting services.

**Firm C.** For firm C, globalization did not have an impact on competitive intensity and pressure. Rivalry in the market was the result of cost differences. The executive felt that the potential of the industry was stable due to overcapacity and

that the economies of scale had created entry barriers. The firm found regulatory and customer uncertainty to be high “as policy makers had not made clear the directions they were going to take in formulating trade and labor policies, and as buyers did not place orders in advance, they created uncertainty about the demand situation.” Supplier power had increased due to concentration, and buyer concentration was emerging as well. The firm responded to the above market developments by making product and market development its primary focus and targeting both domestic and foreign markets. It strengthened its upscale high-priced brand, emphasizing differentiation and customer service, and distributing the brands through exclusive stores. Anticipating strong competition from low-priced Chinese products, it developed a new line of products to avoid being “eaten” by China. It positioned these new brands on price/value and adopted an intensive distribution strategy.

**Firm D.** For firm D, both competitive pressure and intensity increased due to globalization; however, globalization had also created growth potential in the industry. There was greater uncertainty in the competitive environment due to exchange rate fluctuations and competition from China. Uncertainty had also increased with respect to buyers who, the executive thought, “had not developed and were stuck in the past,” failing to adapt to the new competitive environment. Concentration of suppliers and buyers was also occurring, which increased their power. The firm implemented a combination of strategies, which included product development, market development, and diversification. It emphasized product development because of the “product life cycle becoming shorter.” It added more products to complete the product line and meet the needs of different segments.

#### 4.2.2 Shoe industry

**Firm E.** For firm E, both competitive intensity and pressure had increased due to globalization. The executive found that buyers who had visited fairs and trade shows in China came back highly price conscious and expected to buy in the domestic market at the same low price. Furthermore, economic uncertainty had increased because of the “invasion” of Chinese products, and regulatory uncertainty had also increased due to the government’s exchange rate policy. Market rivalry had increased due to competition with Chinese products in the low-price range; however, brand image of local products created entry barriers in the high-end product category. Globalization had stabilized growth potential. Both suppliers and buyers had increased their power, the former by threatening forward integration and the later by increasing concentration.

Strategically, the firm combined market penetration, market development, and product development to strengthen its competitive position. It divided the market into two segments based on age, over and under 35, and adopted a two-pronged positioning strategy: brand differentiation for high-end products and price competitiveness for low-end products to meet the Chinese challenge. It further differentiated itself by providing “fast delivery” of orders and improving service.

**Firm F.** For firm F, both competitive intensity and competitive pressure increased significantly due to globalization. A strong Brazilian currency increased imports



from China, which enjoys a cost advantage due to low labor cost. Imports from China found an attractive market among Brazil's low-income segments. Competitive uncertainty was increasing because China was beginning to enter the market with "good quality, high priced, branded shoes." The government created regulatory uncertainty with its tax policies, "collecting in excess and spending badly." Economic uncertainty had decreased compared to the past. Growth potential of the sector increased due to globalization. Economies of scale and high tariffs created some entry barriers, and suppliers and buyers were not seen as a threat. A combination of strategic approaches was adopted to meet competitive challenges. The strategies focused on product differentiation, premium pricing, cost containment, and improving efficiency to compete against Chinese imports. As buyers expected more varieties, the strategic emphasis was also on product development, product line expansion, and a commitment to selling products that the firm produced itself. Selling what it produced itself gave the firm more control over production and enabled it to provide better customer service and make it more "agile."

**Firm G.** For firm G, both competitive intensity and competitive pressure increased significantly as globalization "had a significant commercial effect on the footwear industry in Brazil." The exchange rate policy was also having a detrimental effect on the industry by making imports cheaper. The pressure was mostly coming from China, which had a cost advantage because of low labor cost. Overall, competitive uncertainty had increased due to competition, mostly from Asia. Furthermore, local tax laws penalized Brazilian producers who were finding it difficult to compete against imports. The executive saw the potential of the industry in Brazil as declining, as the footwear industry was "migratory" and moved to places where "labor cost is cheap." A major change had occurred in consumer expectations, as they had become "more demanding." In response to market developments, the firm focused on its competency in marketing. It made product development its primary focus. It sold only one brand

#### 4.2.3 Plastics industry

**Firm H.** For firm H, both competitive intensity and competitive pressure increased. Competitive uncertainty had also increased due to imports from China where "labor cost was lower" than in Brazil. This was also encouraging Brazilian firms to increase their outsourcing activities in China. Globalization, however, had improved growth potential, and brand image created some entry barriers. Concentration among buyers and suppliers had also increased, which increased their power. A major shift had occurred in consumers who were now "more informed" and expected "value for money." The firm responded by focusing on R&D and launching new products. It made product design an integral component of differentiation and developed its marketing strategy around brand positioning and distribution management.

**Firm I.** For firm I, both competitive intensity and competitive pressure had decreased as the government had imposed anti-dumping duties on Chinese imports. The executive expected this scenario to change with the expiration of duties, which would prompt a major "Chinese invasion" of "low priced, poor quality products" into Brazil.

There was uncertainty in the regulatory environment due to a lack of clarity on how the government would respond to market developments. Overall, the industry potential was declining because of globalization, especially due to outsourcing. There was excess capacity in the industry, which increased rivalry among firms, and supplier and buyer power had also increased. Brand image provided some entry barriers in the industry. To respond to the above developments, the firm integrated product development and made marketing its primary focus. It developed "new products for new segments."

To compete on price against Chinese and domestic competitors, it began importing components from China with the goal of providing quality at a competitive price. It also expanded its distribution and emphasized product differentiation.

#### 4.2.4 Electronics industry

**Firm J.** For firm J, competitive intensity and pressure did not change due to globalization. Product certification required by the government worked as "a barrier to entry" of foreign firms. The executive, however, expected China to become a major threat as globalization resulted in greater openness. Regulatory uncertainty was high due to the ambiguity in the role of the government in protecting the industry. Globalization, however, had declined the manufacturing potential of the industry because of outsourcing and off shoring to China. Concentration of suppliers increased and buyers increased their power by sourcing internationally. A major concern was that globalization had increased the significance of innovation, and the executive felt that this was a problem because his firm was a "technology follower." In response to the market developments, the firm focused on maintaining product quality and reducing cost. It targeted small- and mid-sized retail outlets through intensive distribution with emphasis on value (cost/benefit) positioning. For one product line, it pursued market penetration, for the other, it pursued market development. To maintain margins and to remain competitive, it also began importing products

#### 4.2.5 Cutlery industry

**Firm K.** For firm K, competitive intensity and competitive pressure had increased mostly because of competition from China. Customer uncertainty had increased because of declining loyalty, and competitive uncertainty had increased because of outsourcing and off shoring to China, India, and Vietnam. Regulatory uncertainty was also high because of "sudden policy changes" by public policy makers. An increase in buyer and supplier power was occurring and cost differences in the industry had also increased. Economies of scale and brand image, however, provided some entry barriers. Although globalization had increased the growth potential of the industry, it also led to the acquisition of local firms by multi-nationals. In response to market developments, the firm not only consolidated its domestic market position but also expanded internationally. The firm made "quick changes in product design and style" to remain competitive. It strengthened its national coverage by building distribution centers throughout the country, assigning each distribution center a specific territory. It increased the range of products for its customers and positioned them on quality and innovation.

### 4.3 Effects of globalization on corporate real estate strategies

In another study titled *Globalization and corporate real estate strategies* (Linda Too, 2010), the researchers sought to examine the impact of globalization on corporate real estate strategies. Specifically, the study sought to identify corporate real estate capabilities that are important in a hypercompetitive business climate due to globalization.

#### 4.3.1 Corporate real estate capabilities

##### a) Flexibility capability

As more organizations attempt to compete in the time-sensitive global marketplace, one reoccurring issue appears to become a central edict of their global business strategy: increasing/maintaining corporate strategic flexibility. The rate of globalization and the advent of hyper competition necessitates that managers develop more flexible organizational platforms to address the accelerating rate of change.

##### b) Network organization capability

In the wake of the forces of globalization, organizations have converted the locus of their strategic game plan to include the concept of economies of scope, i.e. how to effectively and efficiently compete in a large number of geographically diverse countries with significantly different economic, cultural and legal environments (Garten, 1996, 1997). To attain/gain economies of scope, many global organizations are utilizing a strategic real estate network perspective to enable their rapid expansion into a large number of diverse markets simultaneously. The dynamic power of global networks is evidenced by the rate of mergers and acquisitions taking place in the marketplace and at the same time the increasing number of global strategic alliances being formed. The formation of relational organization structures such as joint ventures, strategic alliances and formalized cooperative real estate relationships can have a dramatic impact on the type of real estate demands/needs of multinational corporations (MNCs; Khanna et al., 1998; Gulati et al., 2000). This strategic cooperative orientation allows organizations to rapidly expand in geographically disperse locations while conserving capital spent on real estate and at the same time, maintaining the greatest level of strategic stability and flexibility (Lippman and Rumelt, 1982; Dyer and Singh, 1998; Hitt et al., 1998; Ahuja, 2000).

##### c) Managerial learning capability

Globalization, deregulation and advances in information and telecommunication technologies have intensified pressures upon MNCs to change their standard ways of organizing and managing corporate real estate activities (Hitt et al., 1998). One of the most critical issues is the development of managerial capabilities that are unique and can be used to differentiate strategic thrust of the organization (Collins and Montgomery, 1995).

It is widely agreed that, in hypercompetitive environments, corporate real estate strategies need to be developed that provide organizational agility (i.e. flexibility and responsiveness to the continuing flux of strategic issues). The flux of internal and external strategic issues (i.e. strengths, weaknesses, threats and

opportunities) becomes turbulent under hyper competition conditions (Brown and Eisenhardt, 1998).

To cope with the rapid changes, real estate managers over time develop a familiarity with the traits of these intervals and competence by learning not only their occurrence and relevance but also the characteristics of their reciprocals (individual project rates) (Thomas and D'Aveni, 2004a, b). In other words, they learn the contingency of whether-to-respond and when-to-respond decisions. The essential capability to support organizational agility is the learning of the contingency between the varying rate of issue emergence and some underlying state of affairs in the hypercompetitive environment (Bogner and Barr, 2000).

### 4.4 Strategic responses to global challenges in business education

In the study titled: *Optimizing business education: a strategic response to global challenges* (Ehab K.A. Mohamed, 2009), the researcher sought to identify the challenges facing business education in providing students with the knowledge and skills that raise their competency level to meet that required by the market. Emerging globalization, new economic challenges, rapid increase of information technologies (IT), and the requirements of multi-lingual proficiencies are only some of the challenges facing businesses today. These rapid changes mean that graduates are prepared for an environment that has changed. Globalization and the dramatic developments in technology have reduced many of the constraints to information.

#### 4.4.1 Strategies for bridging the gap between acquired and required market requirements

The rapid changes in the business environment have created a gap between the rapidly growing changes in the market environment and the slow changes in the business education curriculum. Some of the global market requirements have little to do with business education at the university level. For example, acquiring communication skills, computer skills, being a multi-lingual are all inputs to the university stage.

Hence, any deficiency in these skills should be strategic issues for the pre-university school system. The higher the quality of the graduates from the high school the higher the quality input to the university level. At the university level, analytical, critical thinking, analysis of financial information can be acquired. Business educators must understand what type of services their university graduates will perform in the future

To close the gap between the acquired and required skills, several market-driven strategies must be applied to the curriculum, pedagogy, skill development, use of technology, faculty development, and the use of strategic planning to the business program.

##### a. Curriculum development strategy

The curriculum for undergraduate programs should not include courses taught as a series of technical rules and should not focus on professional examination. Instead, the curriculum should expose students to broader businesses practices by using real-world examples and emphasizing



global perspectives. Educators need to teach more of what business graduates should do in the future, such as analysis, not just recording data. Educators should also emphasize the current use of technology and how it alters the work of business graduates. The curriculum should include courses in values, ethics, and integrity. The following strategies are useful and practical for a business education curriculum development:

- Business school curricula should be flexible enough to provide major and minor programs, with the major program providing a focused in-depth training in a specialized area, and the minor providing training in multi-disciplinary areas.
- Updating the curriculum to keep pace with the advancements is imperative due to the rapid change in technology. One effective strategy is developing a change-driven curriculum where its design and learning paths are periodically reviewed depending on the market needs (yearly reviews prove efficient).
- Elective courses should be directed towards international business issues.
- The curriculum should emphasize case studies to simulate real life problems and also develop skills and approaches to solve business problems.
- Internship programs should not be treated as mere training programs but as opportunities to contribute towards businesses by working on the real problems facing businesses.
- The business community should have a representation in the curriculum design committees and course delivery in order to enhance the client-focus of business education.
- The curriculum should include courses in negotiation skills, conflict management and crisis resolution.

#### **b. Pedagogy strategy**

Instructors should adapt a creative learning process that does not depend on memorization and extensive use of textbooks. This creativity should be based on team work and should assign students actual case studies of real companies, as well as oral presentations and team teaching. The quality of business education depends on a process that prepares business graduates to meet changing practitioners' demands. Prior research reveals the use of real-life business press articles provides great benefits in developing required skills.

#### **c. Skill development strategy**

Educators should adapt a strategy that develops skills such as analytical/critical thinking, written communication, oral communication, computer technology, decision making, interpersonal skills, continuous learning, teamwork, leadership, risk analysis, and negotiation. The use of technology in teaching becomes necessary for business graduates because of the on-going, rapid advancement in technology. These advances make business models and transactions more complex, shorten product life cycle, and become the enabler of dynamic changes in the business community.

#### **d. Staffing strategies**

The quality, expertise, and professionalism of the faculty and support staff are crucial factors in establishing the quality and effectiveness of a business institution. The faculty must be capable of designing and delivering course subjects,

which reflects the real conditions in a business environment. The most efficient strategy for staffing is the creation of a flexible organization consisting of professionals who are able to follow future trends, have fast and flexible recruitment, and maintain close relationships to research and industry in order to gain immediate and direct impressions about future patterns.

#### **e. Business education positioning strategies**

The main idea under business education positioning strategy should be identifying major potential areas where the graduates are going to work so that business schools can position their business education in such a way as to impart relevant skills:

- Industry. Whether the graduates will to serve industries such as consumer products, petroleum, electronics, and aerospace.
- Sector. Whether the graduates will work in manufacturing or service sector.
- Functional. Whether the graduates will work in areas that are identified on the functions performed, such as production, materials, quality assurance, project management, and maintenance.
- Hierarchical. Whether the graduates will to work as professionals, supervisors, middle management, or top management.

#### **f. Business education delivery strategies**

**Facility strategies.** Although good education facilities may not guarantee output from the educational system, poor facilities certainly affect the quality of educational output. Business schools must recognize the human needs of both learners and knowledge providers when setting and designing their facilities.

**Location strategies.** Benefits of centralized education include opportunities for graduates to work with students from diverse backgrounds, cultures and values; efficient use of instructors and training facilities; efficient use of high cost laboratories and simulation equipments; and a better control over education quality. Disadvantages include the high costs of students' travel, the difficulty in adapting to local geographical needs, and the inadequate capacity problems to handle student volumes.

Decentralized education through regional or branch campuses. Benefits of decentralized education include lower costs of travel, adaptation to local differences and a manageable size. Disadvantages include less quality control over education, underutilization of instructional resources, facilities and capital intensive labs, not interacting with peers from different backgrounds and, hence, less tolerance of other cultures, values, and backgrounds.

## **5. Conclusion**

Based on the findings of the study, it is apparent that globalization has implications on international business strategy. Based on the objectives established for the study it may be concluded as follows:

- i. Findings from the study on product strategies of ICT manufacturers from Small and Open Economies

(SMOPECs) indicated that one of the most important factors affecting product strategy has been the diffusion of global technology standards

- ii. As the technology standards become global, it drives strongly towards a standardized products strategy across the globe (NMP, NET).
- iii. In the cases where the technology standards were still relatively fragmented the modified product strategy was selected (Salcomp, Tecnomen).
- iv. Furthermore, the analysis revealed that homogenization of customer needs has affected the products strategies. Customer needs have become more similar in the cases that had developed towards standardized strategy.
- v. The experiences of Brazilian firms parallel the finding in a recent study that show that the most prevalent strategy for Chinese exporters is the low-price strategy (Brouthers and Xu, 2002). As expected, Chinese firms mostly competed on price in Brazil by exploiting their advantage in cost structures. This strategy also fits well with the springboard approach (Luo and Tung, 2007) and the image that Chinese products have cultivated over time, and which Chinese firms continue to exploit in international markets.
- vi. Globalization and the entry of Chinese firms not only created opportunities for firms to improve their competencies and performance, but also increased competitive intensity in the local markets and applied pressure on profitability of some of the firms. These findings are in line with the view that globalization can have both beneficial and detrimental effects on local firms (Daniels, 2000; Garrett, 2004).
- vii. Faced with stiff competition from Chinese firms, Brazilian firms responded by becoming more customer oriented, and by developing brand equity and differentiating their products on non-price elements. They also expanded the product lines to meet the needs of different segments and launched new products at different price points.
- viii. The responses of Brazilian firms show that pressures from globalization may induce businesses to move up on the value chain by being responsive to evolving market changes (Knight, 2000).
- ix. From the study on Corporate real estate strategies it may be concluded that managers are becoming aware of the need to conceptualize globalization as being location-responsive customizing real estate to country/customer needs to effectively compete with a wide variety of competitors (Begley and Boyd, 2003; Friedman, 2005; Harvey and Novicevic, 2006). In this regard, managers must think globally but act locally, i.e. "glocalization" in order to develop a well-articulated corporate real estate perspective. Specifically, globalization necessitates the development of new corporate real estate capabilities that reflect a global mindset which can then evolve into a pluralistic management capabilities in relation to corporate real estate decision making (Parayre and Hurry, 2001).
- x. From the study on strategic responses to global challenges in business education it may be said that globalization and advancements in IT have placed the role played by business education in enhancing the knowledge base of a country under a sharper focus.
- xi. To cope with the new challenges posed by these emerging technologies, business schools must look at

business education from a client-oriented perspective applying a deep learning approach and taking a strategic view to better align business education with the requirements of the global markets

Thus, the implications of globalization on international business strategy vary from one sector to another. For instance, the strategic responses to globalization by ICT manufacturers vary from that of corporate real estate, business education and firms in Brazil respectively. Hence no single strategy can help MNCs survive and flourish in the global business environment

## 6. Suggestion for Further Studies

Based on these findings mostly from developed countries, the researchers recommended a further study on the implications of globalizations on international business strategies of SMEs in developing countries

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## Author Profile



**Mr. Ericlee Muciimi** holds a Masters of Business Administration (MBA) degree in International Business Management from the University of Nairobi and Bachelor of Commerce degree from the Catholic University of Eastern Africa and is currently pursuing Doctor of Philosophy (PhD) in International Business Management at Jomo Kenyatta University of Agriculture and Technology. He is currently a Lecturer at Jomo Kenyatta University of Agriculture and Technology Zetechs' centre- School of Business, part-time lecturer at Kabarak University (Nairobi campus) and Swiss Management Academy- SMA (Nairobi).

**Mr. Muciimi** has developed learning modules in International Business Management, Cross Cultural Management, Principles of Management and Strategic Management.



**Mr. Evanson Ngumo** holds a Master of Business Administration Degree in Strategic Management and Bachelors of Commerce in Marketing from the University of Nairobi and he is currently pursuing Doctor of philosophy (PhD) in Business Administration (Marketing Option) at Jomo Kenyatta University of Agriculture and Technology. He is currently a lecturer at Jomo Kenyatta University of Agriculture and Technology Zetechs' Centre, part time lecturer at Mount Kenya University and St Paul University.

**Mr. Ngumo** has participated in preparing e-Learning modules in Industrial Marketing, International Marketing, Marketing Management, Advertising, Sales Management and Marketing Planning & Control for Mount Kenya University and Inoorero University in Kenya