

# DESIGNED TO WIN

STRATEGIES FOR BUILDING A  
THRIVING GLOBAL BUSINESS



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*Strategies for Building a Thriving  
Global Business*

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Hiroaki Yoshihara  
Mary Pat McCarthy  
November 2005

# *Introduction*

**T**he only constant is change, so goes the adage. That being so, a corporate leader must nimbly navigate its currents. Management has always required this degree of skill and dexterity. What is different and inherently more challenging about today's business environment is that not only is the operating environment changing, but so too the modes of operating within it. It is a difficult but exciting time for global executives.

Globalization is choreographing much of the sea change. There are more market participants, more products, more competitors, more opportunities for success and an equal number for failure. The rise of China and India is testing the traditional hegemony of the west while emerging competitors are challenging conventional wisdom about expanding and marketing in the developing world. Which strategy will serve one's market entry and operations purposes best? Business leaders face complex choices in determining the answer, with foreign direct investment, joint ventures, outsourcing, mergers, acquisitions and other forms of partnership among the many available options.

The increased connectivity and interdependency of the global marketplace places additional responsibilities in the

hands of business men and women. They must be commercial diplomats as well as corporate leaders. They must deliver value to their shareholders and demonstrate strong social commitment to their communities. They must provide globally consistent quality while satisfying a multiplicity of customer needs. They must promote a uniform global brand while presenting a local market face. They must drive financial and operating efficiencies across their enterprise while at the same time adapting to new opportunities and changes in the market.

In light of these dizzying responsibilities, the primary global leadership challenge may well be to maintain discipline and focus in the midst of chaos. Such unflappability is a demonstrated prerequisite for those who serve at the senior ranks of any multinational company. As they and managers everywhere confront the changing face of competition, this book offers guidance on what it takes to build a strong and enduring global business, a business that is *Designed to Win*.

We hope you enjoy.

Sincerely,  
Hiroaki Yoshihara  
Mary Pat McCarthy  
November 2005



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# Winning in the Global Arena

*"The driving force behind globalization is free market capitalization—the more you let free market forces rule and the more you open your economy to free trade and competition, the more efficient and flourishing your economy will be. Globalization means the spread of free market capitalization to virtually every country in the world."*

—Thomas L. Friedman,  
author of *The Lexus and the Olive Tree*

Technology, trade and economic liberalization, each formidable in their own right, have combined to exact an extraordinary pull on the average multinational corporation. Free market policies, formerly the purview of developed nations, are lapping onto the shores of other nations, increasingly those found in the developing world. Trade regulation is loosening the still firm north-south divide. Protectionism, ever present, is falling into wider disfavor.

Together, the forces of globalization are propelling a new age of radical competition. The way in which companies innovate, source materials, and distribute and market goods and services is altering the manner in which skilled competitors, both entrenched and new, are arriving at cheaper, faster and better products and services.

What does it take to win in our new global arena? What characteristics will define the likeliest survivors and what will be the shape of the radically evolving environment in which they operate? These are the questions this book seeks to address, equipped with our own experiences in serving multinational corporations and, importantly, supplemented with commentary from the business leaders charged with steering them forward.

As a backdrop to these questions, this chapter looks at the impact of globalization on the world's economy and its emergence as a primary force in shaping modern competition.

## EARLY ROOTS OF GLOBALIZATION

The earliest "globalists" and traders were soldiers, sailors, prophets and enterprising wanderers. In some cases, their motivation tied to human desires for stability and comfort, and in others, the pursuit of knowledge and prosperity. Collectively, these needs have spurred interest in travel, adventure and conquest since the dawn of time.

Evidence of active trading in spices, gold, textiles and

other precious commodities has been found along the Arabian Peninsula as early as 3000 BC. In the Canadian province of Manitoba, copper from Lake Superior and shells from the Gulf of Mexico were found dating back to 500 BC. In the second century, well-worn routes along the east coast of Africa were regularly plied by traders exchanging goods. In time, expanding empires from the Assyrians to the Romans allowed the influx of culture to flow across borders.

The industrial age ushered in a new desire for raw materials sourced from far flung global outposts. In Europe, rubber from South America and Asia was turned into waterproof clothing, equipment and consumer products. Later, this same rubber was "vulcanized" by the American Charles Goodyear, and molded into tires, changing forever the course of modern transportation. Other valuable goods, such as copper ore, lumber and oil, fueled a groundswell of industry, bolstered trade and strengthened international ties.

## EMERGING POWERS

Over time, reliance on key supplies and customers led to a growing interdependence between nations and a shift in power structures. In the rapidly developing Western world, wealth grew, cities expanded and business prospered. The rise of the middle class and improved forms of transportation, from shipping to the automobile, fostered strides in economic growth and increased consumption of globally produced goods.

### *Globalization*

The term globalization took formal root in the English language in the early 1960s, but was popularized by Theodore Levitt, a Harvard Business School professor who used it as the basis of his 1983 article entitled, "The Globalization of Markets." The modern definition of globalization refers to increased economic integration and interdependence, as well as a rising volume of capital and trade movement brought on by lower transportation, communications and labor costs. The term also refers to the world's social organization and the growth of an emerging global consciousness.

The West's burgeoning military-industrial infrastructure and financial wealth led to a growing influence in global affairs. While the Cold War amplified the divergence between open-market and closed-market ideals, Western principles of democracy, representative government, free speech and free trade continued to spread. The collapse of the Berlin Wall and communism in Eastern Europe during the 1990s offered both symbolic and tangible evidence of the pull of capitalism and Western political thought, particularly among a repressed people. The wave of democracy building since then has allowed individuals around the world to have a greater say in national and global policy making. Today, 140 of the world's nearly 200 countries hold democratic, multi-party elections.

## TECHNOLOGICAL SEA CHANGE

With trade, democracy and free market ideals on the march around the world, it needed only the flashpoint of ubiquitous computing and communications to cause the

modern concept of globalization to explode onto the world scene. When Samuel Morse heralded the arrival of the telegraph with his famous question, "What hath God wrought?" he could have had no idea of the magnitude of future telecommunications on global society.

The availability of these technologies has literally altered the course of history. Witness the breaking of ENIGMA during World War II. The cracking of the sophisticated German machine cipher was one of the most profound events in the entire history of secret writing. The ability to decipher Axis code during the early years of World War II saved tens of thousands of Allied lives and played a major role in the winning the war.

The lack of technology also had severe consequences even further back. In the futile battle of New Orleans during the War of 1812, hundreds of lives were lost in a fight that could have been averted had news of the Treaty of Ghent, signaling the War's end, arrived more quickly. Instead, the news traveled by ship in a slow journey that took two weeks too long.

As a catalyst for commerce, democratization, cultural transformation and knowledge sharing, modern day communications have no rival. Since the early 1990s, use of the Internet worldwide has surged to over 800 million people. Now the availability of real-time, 24/7 information enables unprecedented productivity and collaboration, allowing previously unheralded partnerships of people to form globally. Technology has emerged as a primary force in the speed and scale of modern globalization. Indeed, as Princeton historian

Harold James observed, technology has rendered inefficient those markets with a purely national focus and has naturally encouraged the spread of commerce to other nations and markets.

## THE CONTROVERSY OVER MODERN-DAY GLOBALIZATION

In recent times, globalization has become a lightning rod, noted more for polarizing the world's citizenry than for uniting them. In the eyes of its detractors, globalization is viewed as the means by which powerful multinational companies, most Western, the majority American, enrich themselves at the expense of the poorer countries with whom they seek to open trade. Some of these corporations have also come under fire by critics who point to what they view as shoddy overseas labor practices and negligence with respect to social and environmental obligations.

Intergovernmental bodies like the World Trade Organization (WTO), the International Monetary Fund (IMF) and the World Bank are also in the eye of the storm, even as their member nations grow. One of the more recent examples of a groundswell of opposition to globalization was the unexpectedly violent and disruptive protests at the 1999 Seattle World Trade Organization Ministerial Conference. Critics accuse these organizations of playing into the hands of wealthy nations and failing to adequately deliver the promised benefits of globalization to the developing world.



In this uneven and sometimes rocky fashion, globalization has emerged to take its modern form. Bit by bit, the lines of polarization between supporters and opponents of globalization are softening. Emotional responses are becoming less strident and, to a degree, more irrelevant. As it sheds its thornier edges, globalization is being seen more clearly for what it is—part of a natural, if turbulent, process that will not be turned back.

This being so, the question then becomes not whether globalization is good or bad, but how can it be improved? As a disturbing force, globalization creates a sometimes uncomfortable transparency for both rich and poor, contrasting the dramatic wealth of the developed world with the suffering and poverty of emerging nations. The gap reveals a wide ranging set of issues to be addressed by the global community, from business and economic to social issues.

## GLOBALIZATION AND GLOBAL COMPETITIVENESS

Imagine that you are the CEO of a powerful multi-national corporation. In that position, you would rightfully wish to deliver a satisfactory return to your shareholders. Because your company is already very large, double-digit growth is hard to sustain, albeit still an attractive goal. You have operations, joint ventures, contractors, distributors and outsourcers in many foreign locations. Though it is challenging to keep everything and everyone humming the same tune,