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Global competitive advantage: Success on the world stage

Book Review for:

Anil K. Gupta, Vijay Govindarajan, and Haiyan Wang. 2008. *The quest for global dominance: Transforming global presence into global competitive advantage* (2nd ed.). San Francisco, CA: Jossey-Bass. 320 pages. ISBN: 978-0-470-19440-9.

Today's business environment is increasingly offering potential opportunities and avenues for companies to internationalise. This is exemplified in globalisation processes with declines in trade barriers, advances in communication technology (e.g. the Internet), shifts in global value chains, and more economic and faster transportation that led to new classifications of the world, such as 'global village'. The world is becoming globally integrated and the recent global financial crisis and its wide-ranging impacts on many countries underline how interconnected the world has become not only in terms of the flow of goods and services internationally, but also in terms of financial markets. As a result of this highly integrated nature, it is increasingly imperative for firms, including small and medium-sized enterprises (SMEs), to pursue a global strategy and expand internationally, in order to survive and maintain competitive in the marketplace.

Analysing these developments, Anil K. Gupta, Vijay Govindarajan and Haiyan Wang describe in their book *The quest for global dominance: Transforming global presence into global competitive advantage* how firms are able to exploit the globalisation of their industry, thus achieving global competitive advantage. The book is structured and built around four key tasks required to create and maintain a globally dominant player: (1) establishment of global presence in key markets, (2) conversion of global presence into global competitive

advantage, (3) cultivation of a global mindset, and (4) leveraging on the rapid growth of emerging markets, in particular, China and India. In addition, the book contains two complementary chapters that are related to early and rapidly internationalising firms and the dynamics of global business teams. These two chapters are newly included in the second edition of the book along with the chapter on leveraging China and India and updated and new case studies.

Based on the assumption that “every industry should be considered a global industry and every business a knowledge business” (p. 2), the authors provide the background for the subsequent analysis in the first chapter of the book. They offer a definition of globalisation as the “growing economic interdependence among countries as reflected in increasing cross-border flows of three types of entities: goods and services, capital, and know-how” (p. 5), and discuss its drivers, such as the free market ideology adopted by numerous countries. In addition, Gupta et al. emphasise the complexity of today’s globalisation with the geographic dispersion of internal value chain activities of intermediate goods and services. Concluding the chapter, the authors describe implications for companies, including building global presence, capturing comparative advantages of countries for undertaking value chain activities and optimising location choices, as well as developing a global mindset.

In Chapter 2, the authors introduce the foundation for becoming a globally dominant firm: building global presence. Six different key issues for accomplishing this stage are outlined. This involves the appropriate choice of products for internationalisation (includes analysis of globalisation imperatives), choice of strategic markets (influenced by the importance of specific market and the level of the firm’s ability to exploit this market), and entry mode choice (primarily determined by level of ownership and control and the degree of reliance on exporting versus local production). Furthermore, it includes transplanting the corporate DNA (i.e., transfer of the firm’s core beliefs and practises to the new subsidiary),

winning the local battle (i.e., managing relationships with key stakeholders, such as host country government, customers and competitors) and speed of global expansion. Chapter 2 concludes with a managerial checklist covering the six issues of establishing global presence as outlined above.

The next chapter illustrates the task of building global presence on the example of Wal-Mart. Based mainly on the company's annual reports and corporate website, the authors describe Wal-Mart's internationalisation strategy very comprehensively, outlining both its successes (e.g., Latin America) and difficulties (e.g., South Korea, Germany) in global markets. Gupta et al. conclude that there is no universal entry mode for foreign markets/countries and emphasise the importance of the industry structure (e.g., multi-domestic and globally integrated) in implementing an internationalisation strategy. In addition, the authors argue that a company must manage two different, and often conflicting, goals of transplanting corporate DNA to its subsidiaries, and giving enough autonomy to country managers to adapt to local processes.

Chapter 4 describes the conversion of global presence into global competitive advantage. Here, the authors stress that global presence in itself is not a guarantee for international success. Instead, firms must strive to exploit their global presence and transform it into global competitive advantage to become a globally dominant player. Gupta et al. mention six sources for creating global competitive advantage: (1) responding to local market differences, (2) exploiting economies of scale, (3) exploiting economies of scope, (4) selecting most optimal locations for activities and resources, (5) maximising knowledge transfer across different locations, and (6) playing the global chess game (i.e., a metaphor for identifying a specific target and attacking it in a coordinated manner by mobilising all necessary resources). The authors conclude that capturing these sources of competitive

advantage requires firms to optimise the organisation and management of each individual value chain activity (e.g., R&D, manufacturing etc.) on a global basis.

The next chapter moves the discussion from the previous “content” issues (e.g., entry mode choice and market selection) to “process” issues. The first process relates to cultivating a company’s global mindset. Defining it as an “openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity” (p. 122), the authors argue that a global mindset is critical in establishing intelligence for interpreting challenges and opportunities in a dynamic world. In addition, Gupta et al. discuss comprehensively the benefits of a global mindset that include the speed and accurate response to international issues, such as faster rollout of new products, and lower failure rate in expatriate assignments. These benefits appear to be very relevant in light of the fact that many multinational enterprises (MNEs) regard the development of a global mindset as suboptimal as indicated by the authors. Furthermore, several measures for cultivating a global mindset are presented, including cross-cultural training, and the formation of cross-border teams.

In Chapter 6, the criticality and centrality of knowledge within a MNE are discussed as the second “process” issue. In doing so, the authors identify two key areas of knowledge accumulation (i.e., knowledge creation, acquisition, and retention) and knowledge mobilisation (i.e., knowledge identification, transmission, inflow, and outflow). In addition, the barriers and pitfalls to each of these areas are discussed, such as complacency (barrier for knowledge creation), inability to integrate and apply external knowledge (knowledge acquisition), employee turnover (knowledge retention), “garbage in, garbage out syndrome (knowledge sharing), “how does it help me?” attitude (knowledge outflow), multiple links in transmission chain (knowledge transmission), and the “not invented here” syndrome (knowledge inflow). Potential solutions on how to overcome these barriers are outlined and

illustrated with an excellent case study of Nucor, which is one of the world's largest steel companies. This firm adopted, for example, innovative group-based incentive systems and fostered a social community within the company characterised by open communication, mutual trust and honesty, in order to ensure maximum knowledge transfer and sharing in the organisation.

Chapter 7 discusses global business teams (GBT), which are an increasingly important form within a firm's organisational structure. After outlining unique reasons for the failure of GBTs, e.g., communication barriers due to differences in language, culture, and physical distance, the authors propose a framework for managing GBTs. This includes the team charter (i.e., understanding the *raison d'être* of the team), team composition (e.g., integration of cognitive diversity in team), team size (e.g., core team and adhoc team members), team leadership (e.g., external coach), and team process (e.g., open and rich communication within the team). In addition, Gupta et al. present some suggestions for overcoming the barriers of GBTs through measures, such as language courses, face-to-face meetings, building of social capital, and rotation and diffusion of team leadership across countries.

In Chapter 8, the authors describe the growing phenomenon of firms that internationalise very early after their inception. Examples of such firms include Google, Skype and TutorVista. Gupta et al. outline the potential benefits of early globalisation, such as enabling rapid growth, accumulation of global competitive advantage and the learning effects from early globalisation. On the other hand, there are also potential challenges associated with early entry into international markets, such as lack of financial, managerial resources, and lack of market knowledge and relationships in international markets. The authors present a framework that determines the speed and extent of early globalisation. The constructs of the framework involve industry imperatives (e.g., globalisation of customers),

industry constraints (e.g., need for local adaptation and infrastructure), and organisational capability (e.g., global mindset, previous international experience, and global relationship capabilities).

The final chapter of the book focuses on China and India as countries that are moving towards becoming the largest economies in the world in the near future, thereby providing immense business opportunities for firms to invest. In particular, Gupta et al. emphasise four characteristics that both countries offer simultaneously: mega-markets for almost all products and services, platforms for global cost reduction, platforms to boost the company's global technology and innovation base, and springboards for the emergence of fearsome new competitors. The authors outline the similarities and differences between both countries and discuss some of the challenges that firms can encounter when entering these markets. In addition, Gupta et al. provide advice on developing successful strategies for both countries, including a beachhead approach, market rather than market-share development, market segmentation, development of network relationships, and viewing the countries as global hubs.

To conclude, the book provides an extremely thorough and up-to-date analysis on how to create and exploit global presence, in order to become and maintain a globally strong firm. In addition, it covers the increasingly crucial topics of early internationalising firms and global business teams. The book has a clear structure and is very readable for both academics and practitioners. In this respect, the authors avoid too much academic jargon, which may be appealing to managers looking to get advice for successfully developing their business in international markets. The content of the book is very relevant, and offers an excellent combination of important theoretical frameworks and numerous, highly suitable examples from MNEs, such as IBM, Hewlett-Packard and Ikea. The book is extremely well-researched based on leading scholars' and the authors' own extensive work and incorporates a wide

range of sources. In addition, there are very useful tables for illustration purposes as well as checklists for managers to condense information in a compact manner and allow self-evaluations of businesses.

Apart from the benefits, there are a few limitations of the book. For example, the conclusions regarding international market strategy, entry mode choice and location decisions of Wal-Mart are mainly derived from the company's annual reports and website. Additional interviews with Wal-Mart's CEOs or senior managers may provide deeper insights into the dynamics of and motives behind these strategic decisions and make the conclusions more robust and convincing. Another limitation is the repetitive nature of some of the examples mentioned in the book. For instance, Microsoft's technological R&D centres in China are stated repeatedly which may be somewhat tedious to the reader. In addition, the argument that firms "must" (p. 255) think of China and India as core to their global strategies appears to be rather strong and unbalanced. Leveraging on China and India may be firm-and context-specific and may not be equally applicable to all industries. As a result, the location decision is possibly more complex than portrayed by Gupta et al.

Notwithstanding these minor limitations, the authors are to be commended for the breadth and wealth of the analysis and the pragmatic approach which is embedded in their engaging and extremely informative writing style. In sum, the book is an exceptional resource that comprehensively examines the key topic of achieving global competitive advantage in a globalised world, and is highly recommended to academics and business managers alike.