

## The New Face of Global Competition

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### ABSTRACT

*'Global'/'globalization' are probably the most frequently heard concepts during the last few decades but globalization is not a recent phenomenon; the paper analyzes globalization in its contemporary meaning. Globalization is a natural transformation, and we can talk about new forms of globalization. In a developed economy, critical success factors to a leading business are likely to require intellectual qualities based on unique knowledge in areas like innovation, branding, and technology. By outsourcing routine business functions such as manufacturing, customer service desks, and IT software development, companies can reduce costs; focus on core businesses, and benefit from the global service capability of its service providers. This paper shows some of the mistakes done by companies in this rocky road, solutions they found, perception of natives and expectations of the hosting countries. Lessons would be that global issues need careful dialogue and the understanding of native stakeholders must be reshaped via communication.*

**Key Words:** globalization, dimension, outsourcing, challenges.

### ABBREVIATIONS

B2B	Business to Business
BRIC	Brazil - Russia - India - China
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IT	Information Technologies
MNC	Multi National Company
MNE	Multi National Enterprise
PRC	People's Republic of China
RHQ	Regional HeadQuarter
SMEs	Small- and Medium-size Enterprises
SPS	Strategy Process Satisfaction
UNCTAD	United Nations Conference on Trade and Development
US / USA	United States or United States of America

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## INTRODUCTION

This paper analyzes globalization in its contemporary meaning. The first section is an introductory part about globalism. The story of a shining company named Wipro makes up the second section. The paper continues with a discussion about the negative connotations of globalism, which is followed by samples of some research papers. German multinationals, Italian companies yet small or medium sized, willing to be global are some of these. Finally, conclusion takes part as expected.

The words 'global' and 'globalization' are probably the most frequently heard concepts during the last few decades. Any problem or any kind of change in business, economy, and finance world is being tried to be reasoned by these concepts. To my opinion, globalization is not a recent phenomenon. Ancient Egypt would be a good example. Is there a shortage of soldiers? Foreigners are hired. Marble needed. Import it from ancient Rome. Silk Road is another example of exchanging silk, spices, and miscellaneous goods.

Another example would be Shanghai. During the 1920s and 1930s, Shanghai was the 6th largest city in the world and had a thriving advertising industry promoting both foreign and domestic brands of cigarettes, medicines, fashions, soaps, furniture, cars, cosmetics, electrical appliances, and other consumer goods. The disproportionately large colonial influence of 70,000 British, American, and French expatriates in the city of over three million, enhanced the swirl of cosmopolitan elements evident in Shanghai streets, shops, media, entertainments, architecture, and advertising. When the Chinese war with the Japanese began in 1937, there was a major exodus of expatriates. The reaction against international corporations and the humiliation of the foreign presence in Shanghai and other "treaty port cities" in China was a major factor in precipitating the Chinese revolution that led to the founding of the PRC (Zhou and Belk, 2002).

In 1978, McEvedy and Jones predicted the world population as approximately 5 billion in 5000 B.C. In 2000, they announced the world population as 5,750,000. According to U.S. Census Bureau 2010 world population is 6,852,472,823. This is the population dimension of globalization. The frequency of an event happening is folded parallel to the population. Another dimension of globalization lies under the need of freedom of humankind. People need to feel free to live and work in a location chosen by themselves. Football team players, musicians, ballets, doctors, engineers and even simply grocery store owners may seek after this kind of freedom.

In virtue of these explanations, it is to be understood that the matter is not globalization, the roots of which reach ancient times; it is merely change - a natural transformation. However, we can talk about new forms of globalization. Of course, there are accelerators of globalization, like outsourcing. In a developed economy, the critical success factors to a leading business are likely to require intellectual qualities based on unique knowledge in areas such as innovation, branding, and technology. By outsourcing routine business functions such as manufacturing, customer service desks, and IT software development, companies can reduce costs, focus on their core business, and benefit from the global service capability of its service providers (Beardsell, J., November 1, 2007). Under the scope of this perspective, an enlightening example follows.

## WIPRO AND INDIA

*This section is based on the article of Keith H. Hammonds published in Fast Company, January 2001.*

"Out of India's poverty and chaotic decrepitude erupt a host of small explosions. It is a place crackling with talent and ideas and ambition. It is where a visitor confronts head-on the new face of a global marketplace -- and the emergence of a new force in high-tech competition. Near the center of this

phenomenon is a company called Wipro Ltd. Today, Wipro is a \$903 million-a-year global company, and most of its business comes from information-technology services. However, a decade ago, Wipro was an anonymous conglomerate selling cooking oil and personal computers, mostly in India.

Nowadays Wipro engineers have been helping CAN (Nashville, Tennessee) reengineer its business processes and improve automated-underwriting performance. This has not just involved stringing COBOL code together. Wipro employees have set the strategy, then designed and architected the system. It is high-level stuff, a "mission critical" application.

Wipro has 10 sites around Bangalore, Electronic City facility, which is a campus where engineers work on projects from all over the world, is the largest of them. By 2004, Wipro expects to triple the size of this campus; 17,000 engineers will take on projects for such clients as the Home Depot, Nokia, and Sony."

Some figures related to Wipro such as sales, profits, and work force etc., are summarized in the table given below.

**Table 1: Wipro and India by Numbers**

Sales	\$ 903 million a year
Revenue Growth	Avg. 26 %
Profits Grow by	Avg. 69%
Work Force	15,000 technologist
Compared to American Rivals	40% cheaper
Competing with	Accenture, EDS, IBM and the big accounting firms
Passion of workers	Keen employees ready for long working hours
Cost of labor	Comparatively cheap work force
Training	7000 employees trained in 6 Sigma in 6 years
Quality projects completed	1000 quality projects completed in 6 years
GDP and IT	IT-services industry will continue to grow at a rate of more than 30% a year, reaching \$77 billion and accounting for 7% of India's GDP by 2008
Jobs	McKinsey & Co. predicts more than 4 million jobs will be created

In addition to the above table, a comparative list of facts takes place in the following table. What the American companies live with or face in the new global world are listed on the right hand side of the table. Some of the facts displayed about Wipro do not find a counterpart for the American companies; this is the reason of the blank cells.

Table 2: What is going on?

Wipro	American Companies with
Emergence of Wipro is inspiring and disorienting	Weak stock prices
A warning of business dislocation to come	Uncertain growth prospects
Small force of high-level strategists, focused on specific industries, who can compete with anyone	Quadruple staff cost compared to Wipro's
Offshore outsourcing solutions that dramatically lower clients' expenses	framing competitive advantage in terms of knowledge and innovation
Created development centers within its offices, each dedicated to a single important customer to create annuity revenue	No more masters of white-collar brain work
embraced quality: 6 Sigma & Quality Projects	
Wipro has Level 5 certification from the Software Engineering Institute in three different categories	
Wipro has the ability to think assertively, and work creatively around unexpected problems	
Applied training strategy called Power Consulting	

"It needs to be well understood that peddling a low-cost service cannot lead to sustainable growth and profitability. This is the oldest, harshest lesson of the global economy: If what you do can be done by anyone, there will always be someone willing to do it for less.

At Wipro, employees accept the training as competitive weaponry. They learn to "understand the context of the relationship," and to home in on customers' problems. In small groups, engineers practice asking pointed questions about clients' companies, their businesses, and their people. **Wipro's** people accustomed to speaking from Wipro's view, learn to **speak from the customer's view**.

Employees are taught to analyze situations and to define the scale and scope of a problem. They learn to "pre-wire" a presentation, talking to everyone involved ahead of time to prevent nasty surprises. In addition, they are instructed in the fine arts of negotiating and closing a deal. Every new engineer -- and Wipro hired 2,200 engineers in a six-month period last year -- has some consulting perspective built into his 45-day indoctrination."

#### The Mission of Wipro

- To be world-class
  - Being world class is to be achieved by hard work and the underlying reason of employees' hard work is a statement of national identity. "The glory of India"
  - Indians are proud and patriotic. Many Indians feel that they are superior in math and science, invented the sundial and the numeral zero. Therefore, they think that in anything having to do with technology, they should be excellent.

#### The Strategy of Wipro

- Teach engineers to think like consultants
- Make them experts in their clients' industries

- Forge a workforce that will keep pushing the business forward
- Current consulting gigs to drive long-term relationships with clients
- Produce steady streams of outsourcing revenue
- Win more high-level contracts
- Restructure straightforward commodity work into high-value partnerships
- Sell something that no one in the world can replicate
- To create a brand that truly can compete with those of the big boys
- Hire local talent and buy companies that give it instant industry presence.
- Begin shipping development work to locations where workers are paid even less than in India. It will itself look offshore, perhaps to the Philippines or Vietnam.

“Every Wipro Technologies group employee receives weekly emails recounting each contract win and loss, assesses the state of the industry, and lays out Wipro's near-term strategy.

What happened 15 years ago in manufacturing happens now in services. It means that, *wherever work can be removed and done somewhere else, it will be done where it is most cost-effective.* The company has seen this in advance.”

**This Comment is Valid for;**

- ✓ Software
- ✓ Application development
- ✓ Software-enabled services
- ✓ Call centers
- ✓ Legal services (research)
- ✓ Medical (interpretation of radiology images)
- ✓ Accounting

**The Summary of the New Definition of Globalism**

- ❖ This is the oldest, harshest lesson of the global economy: If what you do can be done by anyone, there will always be someone willing to do it for less.
- ❖ Wherever work can be removed and done somewhere else, it will be done where it is most cost-effective
- ❖ A true global company appears to be local wherever it does business.
- ❖ A truly global company does. It operates close to its customers, and it constantly seeks opportunities to arbitrage labor markets.

### The Dilemma of India

“The nation's poverty, in essence, makes it so appealing to IBM, Oracle, and other companies as a source of low-cost labor. As schooling and employment improve, incomes will go up in India. A higher standard of living, so desirable on one level, will threaten India's competitive advantage. That is why the next decade will pose a delicate dance for India. The country could fashion itself into an enormous economic power. Just as easily, though, it could price itself out of the outsourcing business.”

The story of these kinds of companies should not mislead the reader to the idea that globalism brings the heaven. As stated in the following section, globalism may have serious negative effects on a company and/or economy as a whole.

According to Sunanda Sen, China's integration with the rest of the world has of late been more with Asia, rather than with the advanced countries. Even the share of Hong Kong, which used to be treated as a corridor for China's trade with the industrialized countries, has diminished in recent years. Given the pattern of growing instability in advanced economies, this may work out as a favorable factor for China in terms of withstanding the potential hazards of a sudden collapse of export markets in the advanced countries (2010).

It is almost inevitable, that a country escapes a world crisis, unless it is a closed economy. As explicitly known, China's development is based on its integration with the rest of the world via exports. During crises, demand shrinks, and this is succeeded by cancelation of some orders or no new orders follow. The more a country is integrated with the rest of the world, the more it is sentimental. This only can be overcome by a healthy crisis management.

China today is integrated closely with the financial markets of advanced economies, both with the long-term FDI and the short-term portfolio capital flows. While FDI forges links between China's real sector and the rest of world—especially with China's exports and capital formation, as well as employment generated from the FDI controlled units—portfolio flows open up the possible dangers of a sudden flight of capital. The latter makes the country's economy vulnerable to shocks from outside and can affect the domestic financial structure, including the exchange rates, as well as monetary management in future.

On balance, the new pattern of China's integration with the rest of world is thus beset with both positive and negative signals for the Chinese economy. Given that China's growth and stability have assumed a degree of importance for the rest of world that was never as significant as it has of late been, the future of the Chinese economy remains an important issue for the world as a whole (Sen, December 2010).

### CONCEPTS AND SOME FACTS RELATED TO GLOBALISM

The traditionally defined realm of diplomacy, restricted to exchanges between state officials, is now increasingly giving way to new, more complicated forms of interaction whereby economic actors vie for influence to promote their objectives. The role of business is in transformation, and the business community increasingly invests in resources that allow it to put forward policy recommendations, and create its own representation in other states. This process is clearly linked with globalization, to the extent that patterns of economic policymaking have become intensely polycentric that include state regulatory bodies and agencies next to international organizations, supra-state entities, and private

corporations. International politics has given place to 'world politics' and non-state actors have played a key role in this process (Tsarouhas, June 2009: 39-57).

Since long, globalization has been a very popular concept. However, it seems to be accompanied by some other concepts. One of these would be "glocalization," derived from the Japanese term *dochakuka*.

Below are quoted paragraphs from the speech of Roland Robertson at a conference organized by the Institute for Japanese Culture and Classics, Kokugakuin University, in May 2001.

“As it is used in Japanese business practice, this term actually refers to the selling, or making of products for particular markets. Japanese business people have been particularly successful in selling their products in a variety of different markets, unlike the clumsy strategies of the Americans, who until very recently, were stupid enough, and some of them are still silly enough, to believe that you can get Japanese people to drive on the "wrong" side of the road, because the wrong side of the road from their point of view is on the left-hand side; we know that, but other people don't. The French certainly don't.”

“But the basic idea of glocalization is the simultaneous promotion of what is, in one sense, a standardized product, for particular markets, in particular flavors, and so on. In my judgment, this does give a very interesting cast or tone, to the Japanese presence in the modern world. Because of the indigenous nature of the concept of glocalization, the Japanese are in a particularly strong position to, in fact, identify themselves as genuinely global people, in a way which the Americans are not.”

“In fact, if one had to think of the two most opposite nations in this respect, I would say that the Japanese have a major strategic, cultural advantage in the whole globalization process, and that up to now, up to this point, the Americans are out of it --- they stand no chance, because they don't have a conception, they don't have a philosophical, cultural conception, of the interpenetration of the particular and the universal.”

In this section, we refer to Richter's article about Corporate Social Responsibility and continue to define globalism. Richter says globalization is weakening the Western model of the nation state and its administrative system as the means of democratic societies to execute the results of their will-formation process. Accordingly, the assumptions about liberal democracy and the nation state inherent in the neoclassical role of the firm are insufficient for an age of globalization. The following aspects stand out.

**Territory** State boundaries that provided the spatial ground for identity, expectations, loyalties, and values of people are challenged by the shift of economic and technical elites toward new authorities, ranging from organized religions and internationally operating non-governmental organizations to powerful multinational corporations (MNCs) with global supply chains.

**People** Western societies have entered a phase of “reflexive modernization”, characterized by fundamental changes in ethnic, religious, and cultural composition. They are being transformed into multicultural societies accompanied by a fragmentation of values, loyalties, and identities. Moreover, the emergence of new information and communication technologies (ICTs) has enormously facilitated global communication and today allows for copying and sending out information instantaneously to

millions of people, ignoring time, culture, language, ethnicity, gender, geography, and social status. ICTs have triggered the emergence of global networks as a means of organizing economic and social activities.

**Sovereignty** The authority of many governments is threatened by the rise of corporate power in a world where the turnover of the largest MNCs surpasses the GDP of some middle-sized countries. Private companies widely drive technological progress, create markets on a worldwide basis for their products, and develop new labor models for their employees. The recent global financial crisis of 2008/2009 powerfully demonstrated the interconnectedness of the global financial system, its impact on the real economy worldwide, and the little power of national governments to stop the global chain reaction initiated by the subprime mortgage crisis in the United States. *Some numerical facts about Multi-National Companies are listed in the table given below:*

**Table 3: UNCTAD served Numbers about MNCs (2006)**

How many MNCs all over the world?	77,000
Subsidies?	770,000
Employees?	62 million
Exports of goods & services?	> \$ 4 trillion
Value added generated by MNCs?	\$ 4.5 trillion
% of the world's largest economic entities	~ 50%

**Source:** *Designed from the article written by Richter, U. (2010). Liberal Thought in Reasoning on CSR. Journal of Business Ethics, 97(4), 625-649. doi:10.1007/s10551-010-0529-7.*

**Administrative State** The administrative systems of the nation state is threatened by the liberalization of world trade, the deregulation of national markets, the intensification of foreign investment, the creation of a global financial system, and the free cross-border movement of goods, services, capital, people, technology, information, and culture. ***A list of the implementations MNCs are welcoming and the way how they benefit from these implementations or applications are given in the following table.***



**Table 4: MNCs benefit**

Deregulation and new information technologies	move capital rapidly to take advantage of local market and labor conditions
Application of transfer pricing	shift profits out of a high corporate tax country into a low corporate tax one to increase companywide profitability
Accelerated capital mobility along with expanded competition	endangers the effectiveness of national policies and their effect on labor markets and capital allocation
Global competition of national tax systems	the existence of “tax havens”
Existence of ‘tax havens around the world	fiscal pressure endangering the tax base of the administrative state
Maintenance of the tax base and financing the social policies are crucial for	the redistribution of income, labor policies, youth policies, healthcare, family and educational policies, environmental protection and environmental planning

**Source:** Arranged from the article written by Richter, U. (2010). Liberal Thought in Reasoning on CSR. Journal of Business Ethics, 97(4), 625-649. doi:10.1007/s10551-010-0529-7.

**Source of legitimacy**

A definition stating that nation states are the only political actor and they are the central source of legitimacy is no more valid. How things are changing, who the new actors are, and what multi-stakeholder dialogue means are summarized in the table given below.

**Table 5: Source of legitimacy**

Nation states are no more the central source of legitimacy and the only political actor as stated in liberal philosophy	corporate power and the emergence of non-state actors is the fact
Non-governmental actors are	unions or human, labor, or church rights groups
MNCs have started to participate in multi-stakeholder dialogues and standard setting initiatives on global issues like	climate change, deforestation, sea pollution, child labor, human trafficking, or blood diamonds
Multi-stakeholder dialogues mean	a wide range of actors discussing and setting the rules for global business activity
Non-governmental actors force MNCs	(i)hold them accountable for perceived wrongdoings such as human rights abuses, (ii)urge them to address global challenges such as poverty or climate change, and, (iii)in cases of perceived state failures, to provide or guarantee rights of citizens.

**Source:** Arranged from the article written by Richter, U. (2010). Liberal Thought in Reasoning on CSR. Journal of Business Ethics, 97(4), 625-649. doi:10.1007/s10551-010-0529-7.

**Democracy** The Western governance model of liberal democracy today, is rivaled by the authoritarian model of Chinese capitalism. The liberal market economy, for long perceived as the only viable alternative to produce sustained wealth after the breakdown of Soviet-style communism, has found a new competitor.

The rise of China and the successful market entry of its MNCs in not only Western but also African and Latin American markets demonstrate that democracy is not a prerequisite for capitalism. The corporate responsibility debate, which implicitly assumes liberal democracy to be in place for corporate success, has yet to figure out how to integrate this puzzling phenomenon.

### **Market economy**

- The MNCs are a part of the liberal market economy.
- MNCs are legitimate since they have efficient gains and create wealth.
- In a global economy with global supply chains the question remains of wealth creation for whom.
- There is no global system of redistribution of wealth through social services by the administrative state, as it exists in a more/less pronounced form in Western societies.
- Fair and free competition is only possible if there is an overarching actor protecting the “rules of the game” and sanction misbehavior.
- This requires a global government.
- The recent discussion is on creating value at and for the bottom of the pyramid
- This is a vivid example of the inherent social injustice of the existing global supply chains.
- This is also a good example of the global imbalance of the redistributive system for the wealth created.

**Rule of law** In many developing countries, the rule of law is weak or virtually non-existent. The most extreme cases represent (post-)conflict environments such as Afghanistan, Congo, Côte d’Ivoire, Iraq, or Sudan, and “failed states” such as Somalia. The liberal claim of obeying the law in these countries has little or no meaning since the judicial system is corrupt or powerless. Moreover, social and environmental laws or standards might be in place but often are not applied, or substantially lower than in Western societies.

### **Separation of public and private**

- MNCs assume that construction of roads, hospitals, schools, the promotion of basic political rights such as the freedom of speech, association, or the rights to property or disaster relief are the responsibilities of the state.
- In many developing countries, governments retreat, relying on the superior expertise, access to resources.
- Even war has become big business for multinational mercenary companies.
- Globalization has fundamental implications for the view of the firm.
- Globalization challenges liberal democracy
- Globalization challenges nation state in its traditional overarching role to provide a frame for identification and self-reference of people.
  - ❖ Rejecting the assumptions of liberalism requires an alteration of the concept of CSR.
  - ❖ Corporate citizenship and the application of deliberative democracy represent a shift from an apolitical framework for business in society toward a political reading of the firm in a globalizing world.

### **Corporate citizenship**

- ❖ Corporate citizenship in a globalizing world has to include social, ecological, and cultural rights as well as accountability mechanisms through democratic processes.

- ❖ A corporation should ideally be governed by stakeholder democracy, interpreted as “an ideal system of governance of a society where all stakeholders in an organization or activity have the same opportunity to govern that organization or activity”.

*Deliberative democracy* Is an answer to the changing conditions of legitimation in the post-national constellation and refers to

- (i) the democratic re-embedding of the corporation through multi-stakeholder dialogues and
- (ii) the inclusion of MNCs into global governance processes and norm creation.

The reason is that with the lack of a global government there is no cognitive framework for the provision of legitimacy. Thus, MNCs have to achieve legitimacy on global issues procedurally through dialogue and communicative exchange with a wide range of actors, in particular from civil society (Richter, 2010: 625-649).

### ***Ethics***

Ethics is an integral concept of social responsibility and Fair Trade (FT) has something to do with ethics. Fair Trade is a trading partnership, based on dialogue, transparency, and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade organizations (backed by consumers) are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade. In the European coffee market for example, FT coffee is the only segment to have grown significantly since 2000. Traditional coffee sales growth has been weak even as FT coffee growth has risen constantly; between 1999 and 2004, FT coffee market shares multiplied by nearly five times in major European markets like United Kingdom (UK), Switzerland, Austria, Denmark and Ireland. In 2004, the Free Trade share of the coffee market reached 20% in the UK. This trend has forced many coffee actors to develop products that appeal to ethical consumption motives (Cailleba & Casteran, 2010: 613 - 624).

### ***Lessons for Companies Aiming Worldwide Success***

#### ***1. German SMEs***

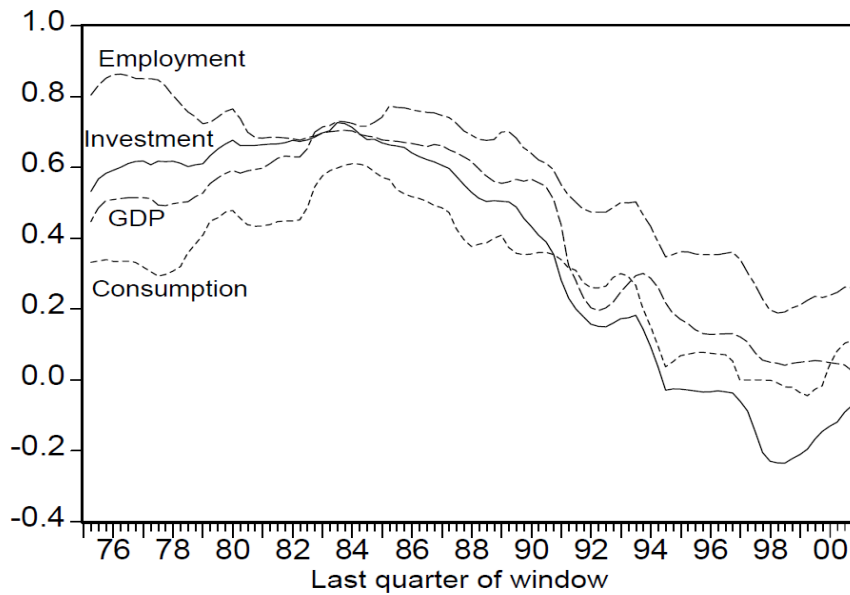
In particular, increasing globalization in financial markets is key to accounting for less international co-movement. The correlation of the stochastic shocks hitting the U.S. and the rest of the world has fallen in the post-Bretton Woods era. The degree of international diversification is endogenous, and show that a fall in the correlation of shocks increases equilibrium diversification by increasing the potential gains from international asset trade. In particular, development of international financial markets increases opportunities for inter-temporal specialization in production, and thus might be an important factor in accounting for the reduced correlation in factor supplies (Heatcote & Perri, 2002).

**Table 6: Regionalization vs. Globalization**

Correlation between USA and [Europe, Canada, Japan]	1972 - 1986				1986 - 2000			
	GDP	Employment	Investment	Consumption	GDP	Employment	Investment	Consumption
	0.76	0.66	0.63	0.51	0.26	0.03	-0.07 (Real regionalization)	0.13
US Gross FDI & Equity assets in [E., C., J.] (in % of US Capital Stock)	1972				1999			
	4 %				23 % (Financial Globalization)			

**Source:** Arranged from Heathcote J., Perri F., Financial Globalization and Real Regionalization, NBER Working Paper No. 9292, October 2002, JEL No. F36, F41. <http://www.nber.org/papers/w9292>, 10.12.2010.

**Figure 1: Correlation of Investment, GDP, Consumption, and Employment**



Each window is 58 quarters long. Correlations are between the US variable and the corresponding variable for Europe, Canada and Japan

**Source:** Heathcote J., Perri F., Financial Globalization and Real Regionalization, NBER Working Paper No. 9292, October 2002, JEL No. F36, F41. <http://www.nber.org/papers/w9292>, 10.12.2010.

During 1994 -2004 era German economy lived slow growth, an aging workforce, high unemployment, overregulated labor markets and high labors cost. Germany was no more a good investment or business location. The reason of this discouraging outlook lied mostly in low levels of domestic demand and declining investments. However, German exports are rising while most other advanced economies loose export market shares to emerging economies in Asia and Eastern Europe. This is why German companies along with Chinese companies are named as the winners of globalization, even though a strong Euro made German goods expensive on world markets.

Collectively, German businesses have generated a trade surplus in 2006 of over US\$ 200 billion, which puts them ahead even of China and Japan. At the same time USA, reported a trade deficit of over US\$ 825 or 6.5% of GDP. The export is driven by large and well-known companies like Volkswagen, BASF, and Siemens, and also by many small- and medium-size enterprises (SMEs). Over 340,000 German companies export, and over 100,000 companies have some form of direct investment abroad. It is estimated that SMEs with annual revenues of less than € 1 billion account for about 40% of all German manufactured goods exports. However, not only German SMEs are prospering in global markets, similar success stories have been in large countries like the USA and small countries such as Denmark (Venohr & Meyer, 2007).

From Venohr and Meyer's article, we derive some lessons for companies aiming worldwide success, which are listed below (2007).

1. Hidden Champions strive for world market leadership to become No.1 in the world in their markets/segments.
2. Market definition is an important part of strategy development, usually leading to narrowly defined markets, both from a customer and technology perspective and a highly focused strategy.
3. Specialization in product and know-how is combined with global selling and marketing. They serve the target markets through their own subsidiaries and do not delegate the customer relationship to third parties.
4. Hidden champions are very close to their customers in particular to their top customers. They are value, not price oriented.
5. They are highly innovative in both products and process, not only confined to technology. Innovation activities are globally oriented and continuous.
6. The overall company orientation is not one-sided but both technology and market driven.
7. Hidden champions create competitive advantages in product quality and service. They are close to their top competitors and defend their position ferociously.
8. They rely on their own strengths. They mistrust strategic alliances and outsource less than other companies. Their value chains are deep. They see the foundation of their competitive superiority in things, which only they can do. Together with lesson 2, their strategies could be defined as "deep rather than wide": Deep in their value chain, not wide in their coverage of different markets with different needs.
9. Hidden Champions have very strong corporate cultures associated with excellent employee identification and motivation. Selection for jobs is sharp.
10. Their leaders are very strong and stay at the helm for decades.

Although being number one in Europe is also acceptable, to become a hidden champion the company has to occupy the first or the second position in the world market, but the public visibility should be low. Their revenue ought not to exceed 800 million Euro.

In ten-year time, some of these hidden champions failed. Along with substantial structural changes in the industry due to new low cost competition; technological and demand changes, mostly in IT driven segments including consumer electronics and IT based B2B products and thirdly management mistakes, notably by pursuing overly ambitious growth strategies are the main reasons of these failures. So, these three would be added to the lessons list given above.

## **2. Italian Small and Medium Enterprises**

Up against the change, a first trend is what Di Bernardo and Rullani have called widening of “reference horizons.” About this we can talk of “interdependent globalization” that is a radically brand new situation where economical, productive, social, cultural specificities interact, mutually communicate and become – thanks to computer technologies and informatics knowhow – interconnected parts of wider systems. Interdependence does not avoid power, capacity, and resources deep inequalities. In the meantime, the rate is differing according to several globalization processes: faster at a financial level, slower at a cultural and civil level. From this asymmetrical integration patterns, follow implicating imbalances relating to relative positions of all the subjects involved. Globalization is a good opportunity for some of them, while for some others it is a threat to which they answer activating defense and protection mechanisms.

To become global it is necessary to create a:

- ❖ wide entrepreneurial culture, enlarged and open to the external environment;
- ❖ common language to disseminate and share goals and values throughout the Mediterranean area in order to converge different individual actions towards a great strategic development goal;
- ❖ network of relationship and partnership to increase confidence and trustworthiness of each other.

Measures of corporate internationalization have gained crucial importance in the recent debate on globalization, since many scholars link globalization to a quantitative increase in the international activities of firms. Opinions on the extent of this increase differ widely, however, depending on what measurement concept is used. As there is no universally applicable measurement concept, researchers face the difficult task of bringing research questions, measurement concepts and data availability into line (Cillo et al., 2010).

Cillo and others put emphasis on financial and economic reporting as a lead to success in global markets. For an Italian SME, formerly it was enough to fulfill the requirements set by the law and proper reporting was not seen as a way to internationalization. However as stated in their paper, this was hindering the mentioned companies to get cheaper finance and new shareholders. They pronounce the word accountability as a key towards global markets and quote from Molteni (2000) that accountability evokes a set of ideas closely related to each other:

- ❖ Autonomy and freedom of government and company management operating in a market economy;

- ❖ Firm responsibility towards its stakeholders;
- ❖ Firm responsibility and accountability towards achieved results.

The conditions, in which assessments are produced, depend on the quality of the firm accountability system. Factors, which contribute to determine the accountability of a company, are:

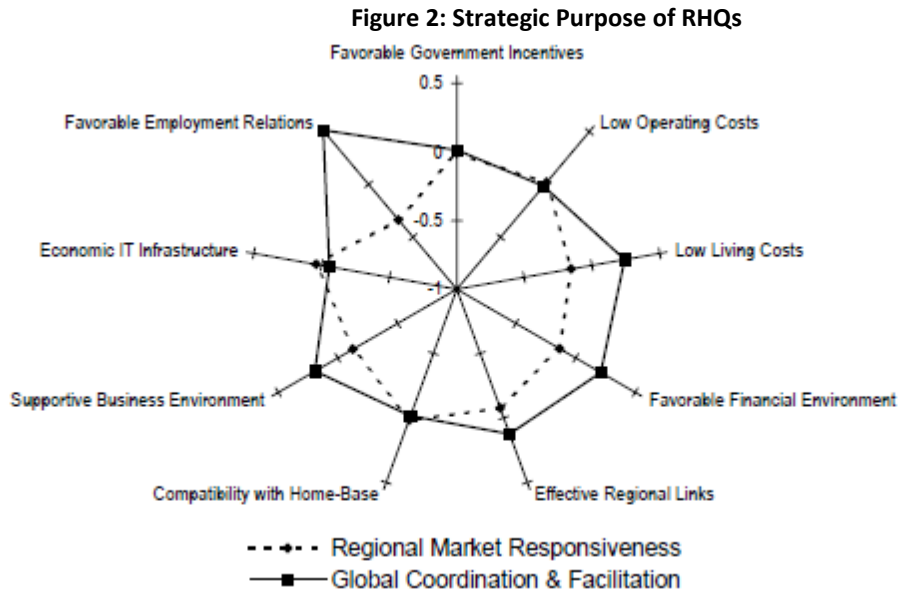
1. Clear and thorough programming process;
2. Clear definition of internal and external duties;
3. Suitable accounting system;
4. Effective internal system for control and evaluation;
5. Periodic informative activity about company management;
6. Use of benchmarking procedures;
7. Use of up-to-date technology in the communication process.

Therefore, this process becomes an indispensable resource for any company regardless the size and the legal form or the business, willing to operate in a global context (Cillo et al., 2010).

### ***3. Multi National Companies***

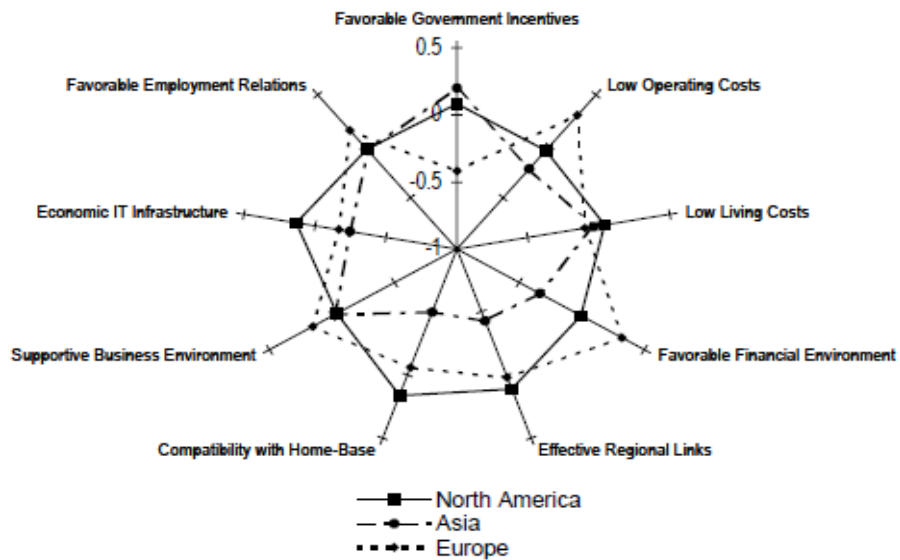
We may assume that Multi National Enterprises' (MNEs) choice of regional Headquarters (RHQs) would give us some hint about the new form of globalization. The exploratory study of Holt, Purcell and others is aiming to identify the underlying dimensional nature of the range of decision variables that MNEs generally associate with making RHQ location choices and, second, to examine the extent to which MNEs, when grouped according to contextual characteristics, use discernibly different decision criteria when making RHQ location selection decisions.

Based on a sample of respondents from 57 RHQs in Europe and the Asia-Pacific (specifically Australia), principal components analysis yielded 9 interpretable factor dimensions, underlying 39 location decision variables, which were then used to compare decision schemas groups. Three contextual classifications, 'strategic purpose of RHQ establishment', 'nationality of company origin', and 'industry sector', were hypothesized and used to categorize the sample. The analysis indicated that while subgroups within these grouping categories were associated with distinctive location selection priorities, those RHQs established in order to be responsive to regional markets appeared to use significantly different selection criteria compared to those RHQs established to facilitate global coordination. Similarly, the selection criteria US-based MNEs used to make RHQ location decisions were found to be significantly different to the selection criteria Asian-based MNEs used when making their RHQ location decisions. Finally, location decision priorities were also found to vary across industry sector (August 2006). Below are three figures showing the standardized means of these variables.



**Source:** Venohr, Bernd and Meyer, Klaus E., (March 2007). The German Miracle Keeps Running: How Germany's Hidden Champions Stay Ahead in the Global Economy. Available at SSRN: <http://ssrn.com/abstract=991964>.

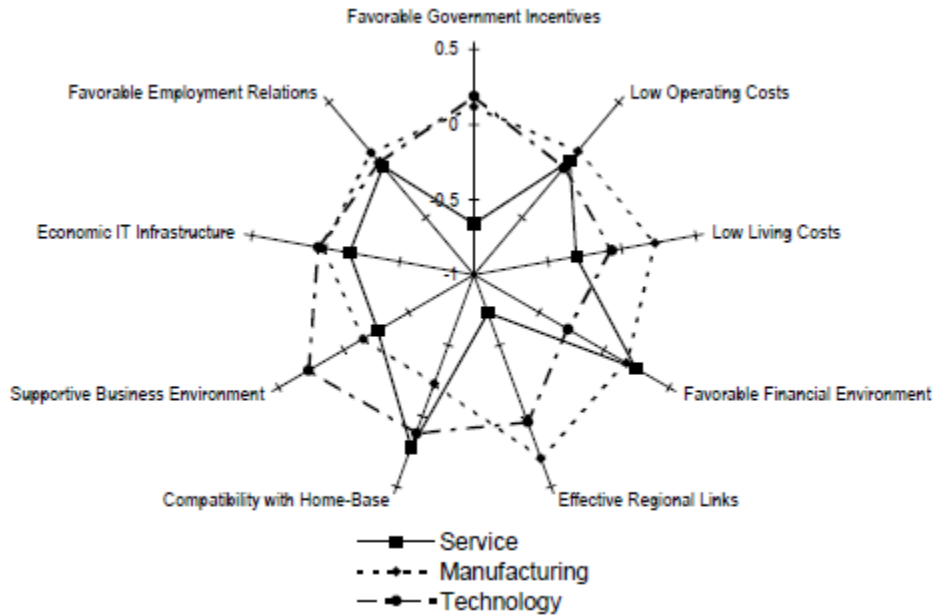
**Figure 3: Nationality of Company Origin**



**Source:** Venohr, Bernd and Meyer, Klaus E., (March 2007). The German Miracle Keeps Running: How Germany's Hidden Champions Stay Ahead in the Global Economy. Available at SSRN: <http://ssrn.com/abstract=991964>.



Figure 4: Industry Sector



**Source:** Venohr, Bernd and Meyer, Klaus E., (March 2007). The German Miracle Keeps Running: How Germany's Hidden Champions Stay Ahead in the Global Economy. Available at SSRN: <http://ssrn.com/abstract=991964>.

Another research on German MNCs is Gilbert and Behnam's. Their research is about the strategy process management of MNCs. Even though they focused only on Germany-based MNCs and did not take cultural differences, which really affect management practices into account, the study gives some hints for MNCs in the globalized world. Their paper provides the following:

- Draw a distinction between different stages of the strategy process and empirically investigate tools and concepts applied by 122 firms to describe the status quo of strategic management in German MNCs.
- Based on findings, highlighting major deficits in the current strategy processes of the surveyed firms.
- Present some suggestions on how strategy processes should be designed in MNCs in order to have a positive impact on performance.

Referring to a number of studies it is reasonable to suggest that a higher level of top managers' perceived satisfaction with a decision-making process firstly reflects the quality of the process and secondly is positively correlated with a more favorable outcome (Gilbert and Behman, 2009). The table showing the results of the regression analysis of this study on a sample of 122 companies is given below.

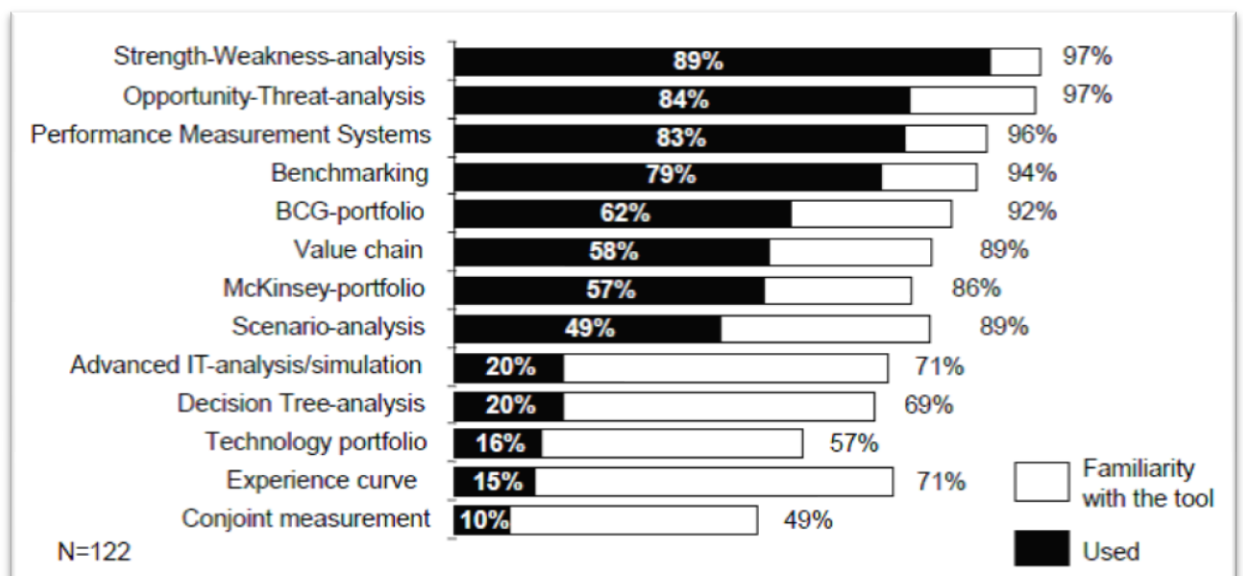
Table 7: Results of regression analysis leading to SPS

Stages of the strategy process	Hypotheses	Specification	Currently used by	Correlation with SPS
Strategic analysis	H1a: SWOT-analysis	Assessment of internal resources and capabilities and the external environment	89%	Not significant
	H1b: Integration of concepts	Application and integration of both quantitative and qualitative concepts	83%	Highly significant, **p < 0.01
	H1c: Advanced IT	Use of IT to process information	20%	Significant, *p < 0.05
Strategy formulation	H2a: Alternative strategies	Deliberate outline of alternative strategic scenarios	38%	Highly significant, **p < 0.01
	H2b: Competitors reactions	Acknowledgement of competitors' reactions	69%	Highly significant, **p < 0.01
	H2c: Interactive consideration	Application of interactive approach to consider competitors' reactions	30%	Highly significant, **p < 0.01
	H2d: Scenario-analysis	Application of scenario planning to assess risks associated with strategic options	49%	Highly significant, **p < 0.01
	H2e: Advanced IT	Application of IT to simulate future strategic scenarios	4%	Highly significant, **p < 0.01
Strategy implementation	H3a: Integration of employees	Continuous communication of information	51%	Highly significant, **p < 0.01
	H3b: Training of employees	Enable employees to execute strategy	42%	Highly significant, **p < 0.01
Strategic control	H4: Continuous evaluation	Ongoing evaluation of assumptions and outcomes of the strategy process	76%	Highly significant, **p < 0.01

Source: Gilbert, Dirk Ulrich and Behnam, Michael, (2009). Strategy Process Management in Multinational Companies: Status Quo, Deficits and Future Perspectives. *Problems and Perspectives in Management*, Vol. 7, No. 1, pp. 70-85, 2009. Available at SSRN: <http://ssrn.com/abstract=1711759>.

The same study reveals out the tools of German MNCs to analyze the external and internal environments. It is obvious that a careful analysis of the environment may help the company to shape its strategies. The figure showing these tools follows.

Figure 5: Tools to Analyze the External and Internal Environments



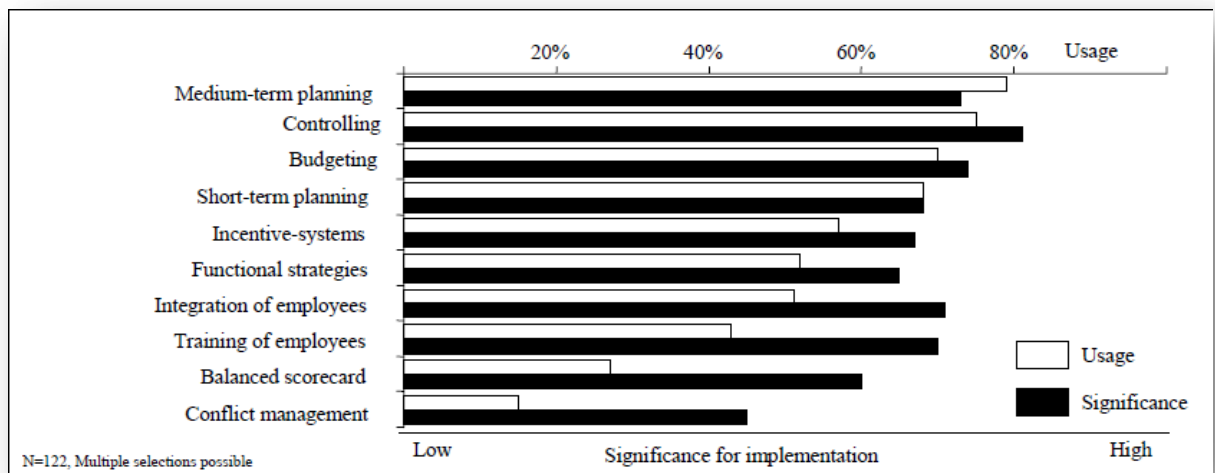
Source: Gilbert, Dirk Ulrich and Behnam, Michael, (2009). Strategy Process Management in Multinational Companies: Status Quo, Deficits and Future Perspectives. *Problems and Perspectives in Management*, Vol. 7, No. 1, pp. 70-85, 2009. Available at SSRN: <http://ssrn.com/abstract=1711759>.

An unexpected finding of this study was the simplicity among the tools and concepts applied in the strategy process. The results clearly show that managers prefer to draw on simple tools to analyze the external and internal environment of the firm and to prepare for strategic decisions.

Asked for the perceived significance of different tools for a successful strategy implementation, medium and short-term planning, controlling, budgeting, and incentive systems prove to be important and were widely used by the firms. However, a closer look at the data shows that around 70% of the responding firms acknowledge the high relevance of integration and training of employees, but only 51% of the firms communicate new strategies and only 42% provide training measures to enable personnel to execute strategies (Gilbert and Behnam, 2009: 70 - 85).

The figure showing tools to implement strategies, the usage, and the significance of them is below.

Figure 6: Tools to Implement Strategies



**Source:** Gilbert, Dirk Ulrich and Behnam, Michael, (2009). Strategy Process Management in Multinational Companies: Status Quo, Deficits and Future Perspectives. *Problems and Perspectives in Management*, Vol. 7, No. 1, pp. 70-85, 2009. Available at SSRN: <http://ssrn.com/abstract=1711759>.

In the light of the study’s findings, a strong need for a thorough modernization of strategy processes in German MNCs to overcome the current situation of using methods and concepts of the Industrial Age to make decisions for the present and the future is needed. Whereas today hardly any firm would rely on the manufacturing concepts and production technologies of the 1970s or 1980s, they still seem to adhere to the strategic concepts of that era. Albeit the opportunities offered by new IT, in terms of integrating strategic concepts and simulating different scenarios, they remain widely unused. This is surprising because a closer look at the literature reveals that firms whose type of planning approach closely resembled the theoretical concept of strategic management at that time were found to exhibit superior financial performance (Gilbert and Behnam, 2009: 70 - 85).

**CONCLUSION**

Most people around the world give negative reactions to globalism. Some are not capable of understanding business dynamics. Some are economic nationalists. However, as stated in the introductory part of the paper, it is inevitable. While willing to have high exports/higher GDP or a higher employment rate and refusing globalism at the same time, does not seem to be realistic.

Still it is not uncommon, MNCs acting like a bull in a china shop. Some companies have been global since long; others are attempting to be global. This means the beginners may simulate the experienced ones.

This paper tried to show the mistakes done by companies in this rocky road, the solutions they found, the perception of natives and the expectations of the hosting countries. One lesson would be that global issues need careful dialogue. Another would be that the understanding of native stakeholders must be reshaped via communication.

The success of MNEs is not omitted and several samples of successful global companies are scattered in the paper. One of the lessons to be derived from the paper is that there is a need for the modernization of strategy processes.

Where it is not expected to deal with people ever again and their goodwill is not needed, then it may be appropriate to "play hardball," seeking to win while the other side loses out. This may be called as Zero-sum game. Similarly, where there is a great deal at stake in a negotiation, then it may be appropriate to prepare in detail and legitimate "gamesmanship" to gain advantage. Anyone who has been involved with large sales negotiations will be familiar with this.

These attitudes are not advised for approaching people with whom an ongoing relationship is in question. If one stakeholder plays hardball, this causes disadvantages for the other one – this may, quite fairly, lead to reprisal later. Similarly, using tricks and manipulation during a negotiation can undermine trust and damage teamwork. While a manipulative side may not get caught out if negotiation is infrequent, this is not the case when stakeholders work together routinely. Honesty and openness are usually the best policies. Below are some facts to be kept in mind in case a company decides to become global;

- ✓ The social responsibility to the hosting nation / country
- ✓ Honesty and openness
- ✓ Understanding the hosting country's cultural aspects
- ✓ Not to exploit the stakeholders
- ✓ Being always green for sustainable development.
- ✓ Following trends

Additionally there is a watch list prepared by Keys and Malnight (2010). Those who seek global success are supposed to follow the list, take the necessary precautions, and stay always alerted.

Watch list of executives is stated below:

- 1) The mobile time machine: Organizations with the capabilities to manage the dynamics of the mobile time machine will have an advantage with both talent and innovation.
- 2) Potential for crises in water, food and electricity
- 3) The global technology race
- 4) Competing in the BRIC—and beyond
- 5) Growing influence of "we and me" not just "they"

- 6) The rise of new power brokers: The age of the “superpower” is giving way to an age of multiple power brokers.
- 7) Interdependence and competition across industries, not just within
- 8) Fight to own the new consumer
- 9) Generational gaps: The generational gaps, both among consumers and workers, will demand that businesses embrace more flexible practices and a broader range of business approaches.
- 10) Tensions of globalization and fragmentation: How the potentially competing forces of globalization and fragmentation interact will have a significant impact on the economic, social, and political development of the 21st century.

The paper tried to display the prospering facets of globalism in addition to the hard pushing ones. Any company dreaming about huge profits and worldwide reputation has to pay utmost care. The task is not an easy one, and needs competency to an extent. Every academician puts forward a different aspect of globalism, and proposes something new. There is no proper solution lying explicitly on the tray, so a clever company has to dig for it and it is a challenging road.

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