

Crucial Challenges Facing Contemporary Global Corporate Strategies

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Abstract

Globalization opens up countless opportunities for companies, such as access to multiple markets, new revenue, knowledge and technologies, thus enabling them to enhance their competitiveness. At the same time, however, their activities are under serious threat in an environment of increasing world instability caused by geopolitical and social conflicts, together with economic and financial risks. Furthermore, the solidification of an unbalanced global economic system, is itself one of the main sources of conflicts and risks. These positive and negative aspects of globalization cause sharp fluctuations in markets and pose challenges for global corporate strategic management.

The theoretical approaches to the corporate globalization process found in the literature, discuss the nature of these threats and opportunities in an unordered way. This article proposes a qualitative analysis of the main approaches to these questions, in order to identify the challenges, in terms of threats and opportunities, facing the management of organizations which are transforming themselves into global ones, and suggests a Model of Global Strategic Thought. It shows, furthermore, that the quest for alternatives to assure their survival and domestic independence, requires a review of the way they organize their management functions, and formulate and implement strategy, in order to define the structure needed to expand their business. The study also shows that discovering new markets requires various dynamic skills and a systematic approach to managing external and internal challenges.

1. Introduction

The ongoing revolution in the global economy, coupled with technological progress, has been increasing commercial and economic interdependence between countries, in recent years. Some aspects of this interdependence are extremely positive, as the world becomes more integrated and begins to take collective action on several issues.

One example of this trend are the corporations which decide to seek alliances and cooperative agreements with others in different parts of the world, as part of their competitive strategy to conquer new markets and become global corporations.

Despite these enormous opportunities, several factors are seriously threatening the successful outcome of these corporation's quest, as they encounter an increasingly unstable world environment strewn with geopolitical, economic, social and cultural conflicts. Technological, competitive, social, political and economic impacts create a climate of uncertainty, and diminish the growth of consumer markets.

Corporations begin to reduce the capital available for investments, as these positive or negative impacts cause sharp fluctuations in markets, and increase those dimensions of risk which are beyond the control of countries and corporations.

The solidification of an unbalanced global economic system constitutes another negative factor, to the extent that it increases the economic gap between developed and developing countries, and the number of people who are excluded from world markets. This divide makes it more difficult for developing countries to maintain thriving consumer markets, and attract and raise capital to strengthen their domestic corporations, and thus put them at a competitive disadvantage in international markets.

This imbalance has been caused by the gradual adoption of an economic system, which establishes unequal, and asymmetrical relations between rich and poor nations.

Faced with an uncontrollable external environment caused by uncertainties as to the future of the world economy, the effects of technological change and political and social conflicts on corporate strategic management, and an increasingly aggressive competitive arena, corporations are being obliged to seek alternatives paths for survival. Those that are strategically prepared will have a greater chance of achieving their objectives, and they will need to adopt new ways of assuring their sustained growth by seeking out new markets.

The global arena certainly affords many opportunities, but taking advantage of them requires a change in business philosophy. The corporation needs to adopt a more

flexible strategic management in order to enable it to compete in the international field. It is necessary to review its management functions and the way strategies are formulated and implemented, in order to support the structure needed to expand its business. The management functions of planning and organization were never an easy task even in a domestic corporation or in one with only a few international operations, and the challenges they pose have become even greater in the case of global corporations.

Discovering new markets requires various dynamic abilities together with a systematic approach to managing external threats to corporations' control and forecasting capabilities.

The corporation's external environment puts its internal environment under pressure, by testing its strengths and weaknesses, and thus threatens the attainment of its objectives. It is therefore necessary to adopt both a dynamic and systematic approach to remedy this situation.

From a technical point of view, the principles which guide the planning process in a domestic or global corporation, are the same. However the complexity of strategic management transcends the simple act of planning. Wide-ranging operational processes in global corporations and the latter's strategic management, mean managing a more complex organizational structure, enhanced operational control activities, close coordination of market information and the flexible allocation of resources in many countries (Cateora and Graham, 2002) [12].

This article analyzes studies by several different authors, including Bassi (2003) [7] and Bertrand and Azevedo (2001) [3], regarding the transformation of corporations into global ones, from the perspective of the corporation's strategic management and the social, political, technological, competitive, and economic and financial markets scenarios created by globalization. Given the dynamics of the international competitive environment, this study has sought to answer the following key question:

“What challenges face a corporation which wishes to globalize its activities, when it is structuring its corporate strategies?”

Thus, the proposed objectives can be summarized as follows: (a) to investigate and identify crucial issues and approaches regarding the challenges facing global corporate strategies, which have been imposed by globalization and b) to suggest a model of a school of global strategic thought.

This study thus seeks to contribute to deepening the understanding of the challenges facing a corporation aiming to become a global one, when structuring its corporate strategies and building a basis for decision-making in multiple markets. The suggestion for a model of a school of global strategic thought adds a fresh element to existing themes in the global strategy and marketing area.

2. Methodology

This article, based on descriptive research, sought to reveal characteristics, challenges and the importance of the strategic management of corporations, which are transforming themselves into global ones. The data was collected in the course of bibliographical and documental research. It was treated using qualitative techniques, seeking to understand and synthesize theoretical approaches, and examine and question similar, opposite and complementary concepts, and identify this study's guiding critical approach. The authors sought to present discoveries, hypotheses and insights regarding the challenges facing global corporate strategies, and to suggest a model of global strategic thought.

The study used a theoretical basis derived from the investigation and review of the marketing, strategy and globalization literature applied to management, more specifically concerning the dynamics of the international environment, as well as that pertaining to the conceptualization, formation and implementation of strategy, and the challenges facing corporations which are transforming themselves into global ones.

Data from research into the globalization of corporations carried out by Bertrand and Azevedo (2001) [3], was analyzed according to a fresh interpretation of the results gleaned from the answers to ten questions regarding the Strategic Planning Mode. The profile of the corporations' surveyed (domestic corporations with international operations, and multinationals with units in Brazil) was investigated, using the most

recent approaches from the marketing, strategy and globalization literature applied to Management. Information was also used from Bassi's (2003) [7] studies, regarding the difficulties faced by domestic corporations during their globalization process.

The authors sought to identify: the impact of political, social, competitive, technological and economic and financial and especially risk dimension factors, on corporations searching for new markets; the process involving the transformation of multinational corporations into global ones; what is strategy and strategic management, what does it require, and why it is important for corporations' globalization process; the characteristics of international strategic management, and a proposal for a model of global strategic thought.

Given that this is a bibliographical, documental and qualitative study, covering a very broad range of issues, the results obtained and which constitute the premises of the global strategic thought model, were not empirically tested .

3. Theoretical Approach

After researching the dynamics of the international environment from a political, economic and financial, social, competitive and technological perspective, one is able to understand the importance of strategic management for corporations which are transforming themselves into global ones. As a way of organizing its approach, this study investigated the strategy theme and especially the role of strategic management in this process. This study's theoretical investigation, accordingly, examined the following issues:

1. The challenges laid down by technological, competitive, political, socio/cultural and economic impacts, and by the various risk dimensions and the integration of markets.
2. Strategy – concepts, approaches, schools of thought, and the strategic process of the globalization of corporations.

The main syntheses of the reflection on these issues are laid out below, in order to provide a theoretical and scientific grounding for this study.

3.1 Challenges laid down by technological, competitive, political, social and economic impacts, and by risk dimensions and integration of markets.

Globalization introduces positive and negative forces into organization's external environment, and their impacts represent sources of threats and opportunities for their businesses. Learning to deal with both threats and opportunities, according to Bertrand and Azevedo (2001) [3], is fundamental to enable corporations which are transforming themselves into global ones, to take full advantage of these changes, and neutralize threats to global corporate strategic management.

3.1.1 Threats

In the realm of competitive impacts, one can mention the increasing competition between corporations, analyzed by Boone and Kurtz (2001) [10] and Cateora and Graham (2002) [12]. The increasing availability of higher quality goods and services, including substitute products, at more accessible prices in different markets, undeniably improves the lot of consumers, but on the other hand, according to Anderson (2000) [1], requires constant efforts on the part of corporations to maintain their focus on consumers, find new consumers, conquer new sources of revenue, and maintain good relations with their suppliers and distributors. However this continuous improvement process, must not lose sight of ethical principles and the ideal of delivering a service to society.

Privatization has also had a significant impact on the competitive environment in developing countries. It has, however, been implemented in a way which has enabled foreign corporations to control these countries' assets, with state oil, mining, airline, railroad and telecommunication enterprises often being sold at well below their market value, (see Zahra and Hansen ,2000 [4]), as occurred in the recent privatization of the Brazilian telecommunications sector.

In the technological sphere, as argued by Prahalad and Krishnan (2002) [30], managers have to deal with the significant threats posed by new technologies and the upgrades needed to assure their corporation's efficiency and innovation capacity, and this leads to

a lack of dynamic synchronization between the corporation's strategic needs and technological support.

O'Brien (2002) [26] also adds the challenges faced by globalized information technology management, in cultural, political and geo-economics terms. They represent obstacles to a corporation's development of business and information technology. Management is unsure of how to overcome these challenges, and implant the information systems capable of furnishing the organization's central command with a clear picture of the corporation's operations, and thus its competitive position and movements in various countries, as pointed out by Bertrand and Azevedo (2001) [3], in their suggestions regarding management reorganization actions to guide the process of becoming a global corporation.

According to Stiglitz (2002) [35], social and cultural questions, as well as geopolitical and economic conflicts, with the wars and terrorist acts caused by the lack of understanding between peoples and cultural and religious intolerance, also pose a challenge to corporations in their quest for new markets. This raises questions about how to invest in markets where conflict is rife, or which are contaminated by regional conflicts, such as in the Middle East, despite its huge reserves of oil and natural gas, and which could be a world economic center, stimulating the appearance of other peripheral sectors.

From an economic perspective, the building of a single global economy, according to Cateora and Graham (2002) [12], does not correspond to the sum total of national economies (see Lobato 1997, [23]). Stiglitz (2002) [35], following Lobato (1997) [23], points to the lack of equitable criteria for eliminating trade barriers between developed and developing countries, which characterizes asymmetrical globalization, and which represents a serious threat to those firms operating in global markets (Stiglitz 2002 [35]), notwithstanding Anderson's (2001) [1] observation that barriers within the European Community (EC) have already been reduced.

The policies especially designed to protect determined commercial/industrial groups deny access, mainly to European and US markets, by those corporations in developing countries whose products are better equipped to compete in terms of price and quality.

In the case of Brazilian products, one can mention the strategic difficulties faced by agricultural products and livestock producers, fish farmers, aircraft manufacturers and steel producers.

This seems to be a repetition of what happened in Brazil during the military regime, when markets were closed to imports in order to protect domestic industry. Brazil at that time, of course, did not possess the technology or capital to invest in product development which North America and Europe had always had. This attitude delayed the country's development, given the lack of resources necessary to develop its own competencies from scratch. But the fact is that, despite their wealth of resources, products and services, North American and European corporations' leadership is currently being threatened by the qualitative leap of emerging countries, and the growing competitiveness of their corporations.

Ways of eliminating trade barriers are currently being discussed under the auspices of the World Trade Organization (WTO), stimulated by the growing clout of developing countries like Brazil, China and India, but no consensus has yet been reached between developed and developing countries on this issue. This situation, according to Held and McGrew (2001) [19] is responsible for increasing global inequality. The risks implicit in this scenario increase the complexity of the strategic management of corporations, for in the absence of a multilateral consensus between countries, they are obliged to accept the terms of several different regional and bilateral arrangements. Moreover, there is a growing and non-standardized volume of information about commercialization rules in different markets.

As shown by Stiglitz (2002) [35], apart from the problems faced by corporations, protectionism is paid by consumers in the shape of higher prices on protected products. The poorer segments of the US population, for example, were only able to obtain cheap milk when the country opened its market to Jamaican imports.

Another challenge is also posed by social and economic questions. As pointed out by Santos (2003) [35], social uprisings caused by the failure to eradicate poverty and the unequal distribution of income in the world, also affect corporations. African countries and Brazil, for example, despite their newly found consumer markets, still have

enormous numbers of socially excluded people with no purchasing power, because they have failed to solve problems related to high rates of unemployment and the fight against hunger.

The unstable economic and financial policies of developing countries which reduce consumer market growth and spread financial contagion to neighboring markets, as discussed in Held and McGrew (2001) [19] and Stiglitz (2002) [35], and where currencies and interest rates can suddenly fluctuate wildly, pose a challenge to the strategic management of corporations, which can experience operational problems or post weak results, without having committed any productive, logistical or commercial mistakes. This situation unleashes various dimensions of mainly financial risk, which may be beyond the corporation's control.

With respect to financial markets, corporations, which are going global are exposed to a series of risk dimensions which, according to Eiteman, Stonehill and Moffett (2001) [15], hamper the decision-making process in multiple markets and affect their value.

They are subject to the following types of risk: (a) the risk of the corporation's business, or the more often used sector or industry risk, (b) the country risk, which reflects fluctuations in its sovereign bonds and currency, and financial markets' perception of its ability to honor its commitments, (c) political risk, as shown by the Brazilian economy's fluctuations during the 2002 presidential election campaign (d) currency risk – reflected in transactions, operations and accounting changes and (e) bond liquidity risk.

In order to estimate risk / return ratios, corporations use sophisticated risk management tools like the beta, which for Sharpe (1964) [34] and Lintner (1965) [22] is the relevant measure of risk in the context of the CAPM – Capital Asset Pricing Model, used to obtain the cost of equity, or the return that shareholders expect to earn.

In the global field, according to Bodnar, Dumas and Marston (2002) [9], the various dimensions of risk have led financial markets to require more than one risk premium. The Hibrid CAPM model is the result of the adaptation of the CAPM model to the world context. It considers the possibility that each risk dimension could, approximately receive a specific price, in which the world and country risk premiums would be added

to arrive at a total rate of return. However authors like Stulz (1996) [36], enquire as to what is the relevant portfolio for investors, and whether or not people believe in the integration or segmentation of markets, thus raising the question of whether globalization is in practice occurring in capital markets, mainly given the asymmetrical results caused by the unequal nature of trade relations between countries.

These drivers will define whether the cost of equity is based on the local premium, if markets are segmented, or the world market premium, if markets are integrated. These questions have a direct impact on the strategic management of corporations, and on the remuneration of their shareholders and stakeholders.

Thus, companies, which wish to transform themselves in order to operate globally, depend on injections of capital from investors and are subject to the analysis of various risk dimensions, and a comparison between the business and sectoral risks and the world, country, currency and political risks.

The central command of corporations should be able to count on the services of a group of professionals specialized in risk management, who are able to manage risk in an integrated manner, adapting appropriate policies to protect the corporation's total exposure, through hedging policies and use of derivatives, and which, as pointed out by Eiteman et al. (2001) [15], also enables them to optimize costs.

Furthermore, they are thus able to avoid dependence on information to which all markets have access, and which according to the efficient markets theory, are quickly incorporated into asset prices, and do not, according to Stulz (1996) [36], produce additional returns. They also help global corporate strategic management to recognize market imbalances and disintegration, and define clear financial strategies and policies.

3.1.2 Opportunities

From a competitive perspective, Stiglitz (2002) [35], highlights the opening up of countries to international trade and the dynamic impact of exports, as a key factor in the growth of countries and corporations.

Boone and Kurtz (2001) [10], Cateora and Graham (2002) [12], and Stiglitz (2002) [35], observe that the boom of globalization creates new demands, including a demand for foreign products, new consumers, and new sources of revenue, together with additional benefits such as the possibility of monitoring the varied behaviors of consumers, improve production and distribution (see Levitt (1983) [21]), obtain information on competitor's moves relating to the launching of new products (Bertrand and Azevedo (2001) [3], and develop new distinctive competencies.

New institutional actors also seem to enrich the competitive arena. A good example are the complementors, in which a corporation, according to Brandenburger and Nalebuf (1997) [11], is the complementor of another and thus a potential partner, if the consumer places a higher value on the product of a corporation which is sold jointly with that of another corporation, than when it is sold as an isolated product.

According to Stiglitz (2001) [35] and Anderson (2001) [1], competition gets tougher when alliances and cooperative agreements are entered into with other organizations, as part of a strategy to gain entry to new markets. Anderson (2000) [1] emphasizes the importance of local expertise in recognizing similarities and differences between each geographical market.

Apart from alliances, privatizations, in Zahra and Hansen's (2001) [41] view, corroborated by Stiglitz (2002) [35], have been responsible for essential transformations in global competition, to the extent that the free market system is better equipped to command the growth of domestic economies and create and distribute wealth.

When they are well organized, privatizations impose a more enterprising and innovative culture by introducing new technologies, encouraging risk taking, opening up new markets, and creating new sectors. Moreover, their main objective should be to bring together groups of competencies, which will enable the new corporations to serve society with their products and services, better than the state was able to do.

Stiglitz (2002) [35] considers that technology propels corporations to use global, mainly technological resources, to reduce costs, and obtain efficiency, scale, and productivity gains, create innovations and supply relevant information regarding potential markets.

For Anderson (2000) [1], data bank management, which according to O'Brien (2002) [26] is a key ingredient in international business, has led not only to inter-firm but also extra-firm gains, with the sale of products and services through the internet.

In this way, according to O'Brien (2002) [26], information technology can change the way corporations compete, and is seen as a means of renewing organizations in order to help them achieve their objectives. He reveals network engineering initiatives, as in Ford's case, which Anderson (2000) [1], Zaheer and Manrakha (2001) [40] and Chopra and Meindl (2003) [12] also mention, together with the creation of networks between firms and remote access to markets, in order to enhance the competitive position of global corporations, influencing the value chain system and encouraging strategic alliances in research, distribution and marketing.

From a social perspective, Stiglitz (2002) [35] points out that globalization has managed to increase life expectations and standards of living through the dissemination and availability of new knowledge and a greater supply of goods and services. He also shows that the installation of factories in developing countries can help to improve their employment levels, despite the concerns of authors like Santos (2003) [32], regarding the exploitation of labor.

From an economic perspective, according to Stiglitz (2002) [35], Bertrand and Azevedo (2001) [3], Eitman, Stonehill and Moffett (2001) [15] and Held and McGrew (2001) [19], globalization frees the flow of products and services across borders and levers capital markets, to the extent that they benefit from an injection of investors' capital in any part of the world to help finance corporate expansion. If financial markets are perfectly integrated, a corporation's investors come from different parts of the world, and each one has a diversified world portfolio.

With the elimination of trade barriers (despite the absence of a consensus on the theme), globalization, as pointed out by Boone and Kurtz (2001) [10] enables corporations to be less dependent on domestic economic conditions, and, according to Stiglitz's (2002) [35], learn to adapt or contribute to transforming the status quo of a globalization which has so far produced asymmetrical results, and seek to reinvent themselves in order to sustain their competitive position.

3.2 Strategy – Concepts, Approaches, Schools of thought and the Strategic Process of the Globalization of Companies.

An understanding of the strategic process is fundamental for a corporation which is seeking to make the qualitative leap necessary to transform itself into a global player. It provides the support and guidance which is essential for the fulfillment of its objectives and targets, considering the threats and opportunities of the macro-environment, and the strengths and weaknesses inherent to its micro-environment (the business itself).

However, no matter how dynamic this process may be, Fahey and Randall (1998) [16] consider some kind of systematization, for example, through learning and scenario building, to be essential. It becomes clear that direct synergies between threats and weaknesses can destroy an organization, just as opportunities and strengths can lever it.

According to Quinn (1980) [31], Mintzberg et al. (2000) [25] and Macedo Soares (2000) [24], understanding the meaning of strategies – a process which is part of human nature, although none is easy or unique – helps organizations to formulate a model or plan, standard, position, perspective and maneuver which integrate main objectives, policies and sequences of actions in a consistent way. It helps the organization to lever and allocate resources, which is essential for a corporation which is going global, and which must have a single stance in relation to its competencies and weakness and anticipate changes in the environment.

Understanding the meaning of strategic management is also appropriate in this study because it broadens the strategic planning process, and enhances the organization's creative and innovative capacities. According to Pettigrew (1992) [28] and Macedo Soares (2000) [24] this enables an analysis to be carried out of the fit between the corporation's environment and its position and resources, in order to improve this adjustment or fit between successful organizational factors and interacting environmental factors, thus enabling it to capitalize on its real and potential strengths, and exploit opportunities and reduce threats within a dynamic and systemic perspective.

With respect to approaches to strategy, as in Whittington's (2001) [39] model and Bertero, Vasconcelos and Binder's (2003) [8] views, it is interesting to emphasize that the approach to strategy which tends to predominate in the business literature regarding corporations that wish to transform themselves into global corporations, is closer to classical and systemic theory.

These theories posit that organizations are capable of planning the future in a rational way, and because they are also focused on the maximization of revenues and markets, of acting effectively according to their environment. The evolutionary and processual approaches, however, consider that environments, as in the case of the global environment, are too unpredictable for efficient forecasting.

Furthermore, evolutionists and to a lesser degree the processualists believe that markets choose strategies that owe their success to their strength, guaranteeing results that maximize profits. They also claim that people's attention span and degrees of limited rationality are too different to see a perfect planning process through, and they associate strategy with a more heuristic learning process, in which completely optimal solutions are unimportant.

These questions are relevant for corporations which are entering new markets, because it is clear that dealing with people from different backgrounds and cultures hampers strategic consensus, and the strategy formulation process in markets about which knowledge is insufficient, tends to occur on a trial and error basis. This can be minimized by seeking strategic alliances with local partners, always bearing in mind, as pointed out by Hofstede et al. (2002) [20] that each actor's role in this scenario must be perfectly clear.

In accordance with this perspective, Bertrand and Azevedo (2001) [3], point out that operating resources and persons efficiently in unknown markets with calculated risks and a learning process which includes error, poses a significant challenge.

The processual and evolutionary approaches embrace ideas from six of the most eclectic schools of strategy formulation, and are more concerned with describing how strategies are in fact formulated, than prescribing an ideal strategic behavior.

The classic and systemic approaches are directly associated with the successive predominance of the three prescriptive schools of strategy formulation (design, planning and positioning). This is so because they deal with the strategic management of corporations which are transforming themselves into global ones, as part of the strategic planning process. There is a greater concern with the prescription of an ideal strategic behavior than with a description of how strategies are in fact formulated.

The allusion to the “Strategist” – the one who formulates and controls strategy mentioned in the classical approach, can be seen, in a more modern form, in the creation of a central management whose responsibility is also to coordinate the formulation and control of strategy and a focus on the maximization of revenues, based on an intentional and widely discussed vision derived from corporate objectives, and adopting an overall view of the organization.

On the other hand, even if markets do make a natural selection of corporations, mainly in the international field, as claimed by the evolutionists, it is nevertheless important for these corporations to be prepared for the exercises and simulations that the challenges of transformation require, and it is for this reason that strategic corporate management is fundamental. For Bertrand and Azevedo (2001) [3], obtaining the competencies to create a centralized network of resources and persons, which is able to operate with an acceptable level of efficiency, constitutes a significant challenge. In order to achieve the paradigm of global competition, a corporation must develop a management mechanism which coordinates actions and provides feedback to the strategists.

3.3 Understanding Corporations that are Transforming Themselves into Global Ones

The complex nature of corporations which are transforming themselves into global corporations is reflected in the different terms that have been used to describe them, by authors such as Wasilewski (2002) [38], Cateora and Graham (2002) [12], Bertrand and Azevedo (2001) [3], Azevedo (2000) [2], Parker (1998) [27], Sera (1992) [33], Bartlett and Ghoshal (1991) [5], Ghoshal (1987) [17], Prahalad and Doz (1987) [29]. It is clear that a consensus has not yet been reached regarding definitions of typologies of

corporations undergoing this process. Different terms are used to describe similar characteristics, referring to types of organizational structure, analyses of patterns of competition, or simply because they cannot be classified, as pointed out by Azevedo (2000) [2]. It is also interesting to observe that the same concepts are sometimes used to classify a corporation and its strategy.

According to Wasilewsku (2002) [38] following Ghosal (1987) [17], the initial stage of a globalization process begins with the corporation adopting a multidomestic strategy, followed by a multifocal, global and finally a transnational strategy. These classifications are determined by the relative importance of the domestic market for the corporation and its degree of global integration. Azevedo (2000) [2] points out the similarities between the characteristics of modern multinationals, new global corporations and multidomestic corporations, and the transnational corporations mentioned by Bartlett and Ghosal (1991) [5]. There is considerable disagreement, regarding transnational corporations, between Azevedo (2000) [2], supported by Wasilewski (2002) [38], and O'Brien's (2002) [26] view concerning the existence of corporations that already correspond to this typology, and are which able to perfectly integrate activities involving close cooperation and interdependency between the head office and subsidiaries.

Anderson (2000) [1], Bertrand and Azevedo (2001) [3] supported by Cateora and Graham (2002) [12], make distinctions with respect to the initial and final stages, and are more concise in their terminology, referring to corporations as multinational or global, and traditional or competitive. Furthermore, their definitions are closer and more complementary and they observe that the premises for the initial multinational state or traditional corporation values the decentralization of operations, responding to local differences, and encourages subsidiaries to be self-sufficient because markets are different and require separate strategies.

In the global state or global competitive corporation, on the other hand, operations are integrated, strategic planning is unified and a single business focus is developed, maximizing the use of standardized marketing. Horizontal, geographical, functional and sectoral integration is also sought, but in a global perspective local consumer preferences are taken into account wherever possible.

4. Critical Analysis

4.1 Challenges Facing Global Corporate Strategies

Given the complexity of the organization which is transforming itself into a global corporation, one may question why it is so common to find in the literature surveyed, that the strategic management of these corporations is associated with the separate planning phase of a specific action such as the entry into new markets, and not as part of a broad transformation process which, according to Bertrand and Azevedo (2001) [3] is characterized by a reorganization of management, based on changes in philosophy and the adoption of a corporate strategic management process which links dynamic and systemic skills.

This observation follows Bassi (1997) [6], when he affirms that the integration of international activities alters the corporations whole pre-existing system of authority and balance of power.

According to Bassi (1997) [6], Anderson (2000) [1], Cateora and Graham (2002) [12] and Bassi (2003) [7], it is important for corporate strategic management to be centralized, because this facilitates the quest for a single business focus, and enables the best decisions to be taken regarding resource leveraging and allocation, optimal production planning, joint product development and procurement, and the integration between functional departments and strategic partners, who, according to Barney (1996) [4], possess rare resources which are expensive to copy. This centralization also affords management a high degree of control in both the planning and execution phases.

Bertrand and Azevedo (2001) [3], also add that part of the attributions of the central management structure involves decisions regarding capital flows. This strategic concern was pointed out in the section on the risk dimensions involved in international commercial activities, and which become more complex when the corporation begins to operate globally. According to these authors, the capacity to manage capital assures the organization's expansion and continued existence, and cross subsidies are necessary to

be able to compete globally. The result of these different operations cannot be analyzed separately and a change in management mentality thus becomes necessary.

Anderson (2000) [1], makes an important contribution to our understanding of the changes in philosophy that functional areas of corporations which are part of a global network must undergo, in order to discover more competitive solutions in a complex technologically interconnected global market, such as: a change of perspective regarding accounting costs, when a cost target is adopted in product development; the ranking of product profitability and consumer types; the more accurate forecasting of demand ,using real time data; and, amongst others, integrated strategic planning linked by data, with a value chain of key suppliers, key manufacturers and distributors, as in Ford's case , pointed out by O'Brien (2002) [26].

Ghosal and Grattan (2002) [18] together with Bertrand and Azevedo (2001) [3] and Anderson (2000) [1], claim that all competitive movements depend on the development of an efficient data base system, responsible for supporting management decisions and monitoring competitors' moves, given that the struggle is simultaneous and includes retaliations between markets. DePalma (2002) [14] suggests the figure of a GGO – Chief Globalization Officer, to manage the integration of functional areas, as long as the internet is treated as a sales and communication channel, which can provide a solution for the lack of dynamic synchronization exposed by Prahalad and Krishnan (2002) [30] and O'Brien (2002).

The author also points out that joint networks of corporations are able to discover better and more profitable solutions and enhance their competitive position. A corporation acting alone, on the other hand, lacks the necessary discipline when faced with the pressures of focusing on the needs of the market and the threats constituted by the competition, as was shown earlier in this chapter.

According to Cateora and Graham (2002) [12], Bertrand and Azevedo (2001) [3], Anderson (2000) [1] and Bassi (1997) [6], subsidiaries can exercise a significant influence on decisions regarding pricing, advertising and product distribution especially if, as noted by Bassi (2003) [7], they are culturally sensitive to a more demanding consumer market. Committing local managers who are in direct daily contact with

markets in which they operate, in order to guarantee the success of the corporation's transformation into a global competitor, is essential in order to reduce conflicts and difficulties during the integration and expansion process, as also pointed out by Ghoshal and Gratton (2002) [18], because they hamper the practical setting up of a transnational organization. Varner and Palmer (2002) [37], believe that expatriates can be used as facilitators in this process.

The authors add that this process can be facilitated by organizing teams to coordinate the relationship between the head office and local units. Their role is to mediate conflicts and spread the systemic view of the corporation's business, and make local executives co-responsible for the development and implementation of global projects and identification of important local differences, in order to incorporate them into global strategies, and thus perfect the horizontal integration process.

Cateora and Graham(2002) examine the need for systematic guides and procedures in order to evaluate opportunities, various risk dimensions (see also Eiteman et al. 2001 [15]), threats caused by asymmetrical globalization, social and geopolitical questions, and the economic and financial instability pointed out by Stiglitz (2002) [35], and develop strategic plans to take advantage of these opportunities.

In accordance with Figure 1, below, the first phase defines the market in which the corporation should invest. It is in this phase that the impacts of the micro-environment combined with the organization's strengths and weaknesses will be assessed. It is during this phase that one can perceive a clear distinction between the domestic and international planning processes, for each potential country presents a series of unknown environmental limitations. The next phase is devoted to a detailed marketing analysis of products and services, with the mix undergoing any local adaptation that may be necessary to achieve corporate objectives and goals.

These two phases follows the matrix model suggested by Bertrand and Azevedo (2001) [3], which combines geographical divisions and product selection, to speed up the move to a global model.

The third phase involves the development of a marketing plan and culminates in the selection of the way these markets will be entered. This decision is critical, for the choice made will define future decisions in the markets selected, especially, as argued by Hofstede et al. (2002 [20], if new actors in the shape of local partners are involved.

The final phase implements and controls what was planned during the preceding phases, and it is crucial to the whole process, given that, as the corporation as a whole expands into more countries, it becomes more difficult to manage operations efficiently at a global level. Furthermore according to Azevedo (2000) [2], following Bassi (1997) [6], and the authors themselves, Cateora and Graham (2002) [12], the consequences of an action in any specific market, are rapidly felt in others.

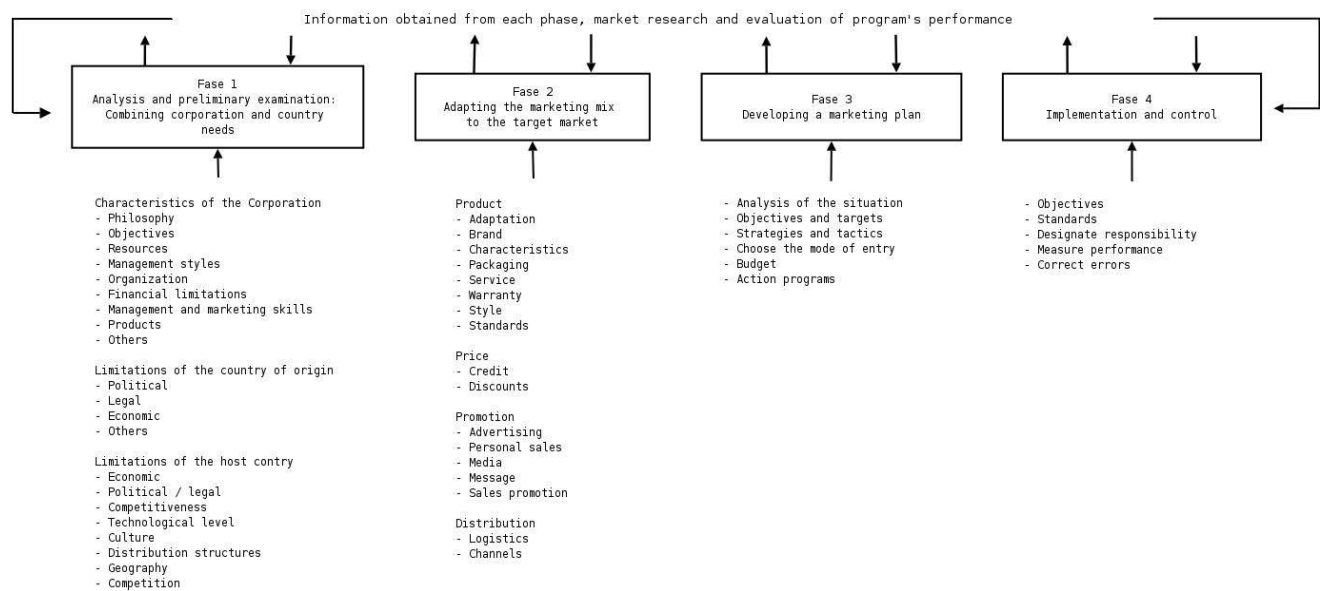


Figure 1: International Planning Process

Source: Philip R. Cateora e John L. Graham (2002). *International Marketing*. McGraw-Hill Higher Education 11th edition

According to Bertrand and Azevedo (2001) [3], central management is extremely important for managing the value chain, based on clear objectives and the organization's integrative resources, and to maximize opportunities and minimize threats.

The insights produced by the author's research, regarding macro-environmental aspects, including socio-cultural, political, economic, technological and competitive impacts, were echoed in the respondent's perception of these factors as posing enormous challenges for the strategic management of corporations which are undergoing a globalization process. Thus, the setting up of a central command to coordinate the planning and execution of competitive moves which are part of a global corporate strategy, is seen as crucial to maintaining the corporation focused on the business.

These insights are in line with the difficulties listed by Bassi (2003) [7] regarding economic impacts, and also with the studies of Bertrand and Azevedo (2001) [3] relating to competitiveness, technology and consumer demands, despite some difference in respondents answers regarding whether or not the head office should be close to the more advanced and competitive centers.

On the other hand, respondents, due to their concern regarding the risk dimensions inherent to operations in international markets, tend to reject subsidiary autonomy, mainly in the case of financial operations. However, despite differences in their replies, they do recognize that subsidiaries should make contributions to defining key products and services, without losing their focus on the global market, and take part in inter-financing.

Projects and investments in new markets which are not supported by economic feasibility studies tend to be rejected out of hand.

4.2 Model of Global Strategic Thought

As Mintzberg et al. (2000) [25] point out, it is important to examine the various schools of strategic thought and formulation, in order to understand the parts and the challenges they involve, and thus reach an understanding of the whole.

The authors argue that all strategic processes need to combine various aspects of the different schools of strategic thought, and together with the result of their investigation and identification of the challenges posed by the macro-environment and the complexity

of corporations which are transforming themselves into global ones, propose a Model of Global Strategic Thought which includes the following dynamic and systemic premises:

1. Strategic actions need to be thought through using a rational and deliberative process, based on the corporations global objectives and targets, in order to encourage the collective learning process in complex organizations, but without being excessive to the point of putting the organization's growth at risk.
2. The figure of strategist represented by the central command should coordinate the formulation, implantation and control of strategies. As organizations contain many potential strategists, the central command should be open to ideas and information from local units. This enables the organization to achieve a fit between external opportunities and internal capabilities, and retro-feed the system, in order to gradually acquire the characteristics of transnational corporations.
3. There should be a concern with content, focus, a sense of direction, integration, context and strategic processes, without however foregoing the quality of the creative process involved in the formulation of strategy;
4. Central command should be able to promote strategic changes, without losing sight of consistency, of the organization's recourses and competencies, and preventing the organization's life cycle ruptures from destroying it;
5. Perfect strategic management techniques, including the environmental analysis of competitive, technological, political, economic and social impacts and risk dimensions of capital markets;
6. Develop plans, standards, positions, project, economic feasibility studies, analyze needs of demanding consumers, manage information in complex environments and the entry into new markets, considering organizational strengths and weaknesses, and making the necessary adjustments;
7. Possess a group which is specialized in risk management focused on developing risk and return simulation techniques, in order to seek financial diversification in capital markets and also protect the organizations total value, faced with financial market imbalances and disintegration;
8. Use teams of catalyzers, including expatriates who move around the local units of the global organization, and who have planning expertise to stimulate different types of strategic behavior by encouraging insights, creativity and fresh syntheses, and seek to mediate conflicts and promote organizational integration;

- Promote the integration of functional areas with networks between firms, with strategic alliances with local partners, with a value chain of key suppliers and key manufacturers and distributors, linked by data, so that together they are able to discover better profitable solutions and enhance their competitive position, as well as monitoring their competitors' moves.

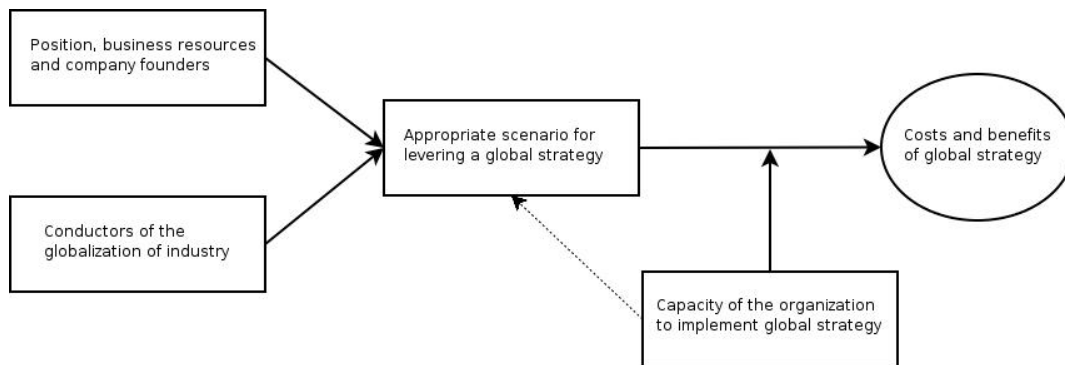


Figure 2: Global Forces

Source: Braga, C. *Desafios das Estratégias Corporativas Globais* Master's thesis, Pontifícia Universidade Católica do Rio de Janeiro, September 2003

Figure 2 presents the forces which lead to the emergence of global corporate strategy, in accordance with the premises of the Model of Global Strategic Thought. The organization's central command identifies an appropriate scenario to lever a global strategy, given the organization's position, sense of focus and direction, resources belonging to rare and original businesses or the founders of the corporation, allied to the conductors or partners in the industry's globalization, such as networks between corporations and teams of global integration facilitators, and also the capabilities and competencies of the organization to implement a global strategy based on the collaboration of local units, and evaluate costs, risks and benefits of the global strategy in terms of the sources of opportunities and threats.

5. Final Considerations

5.1 A Critique of the Model of Global Strategic Thought

When investigating and identifying the challenges facing global corporate strategies, it was seen that the Model of Global Strategic Thought seemed able to unite several

dynamic and systemic, and rational and social aspects of environmental demands and impacts, leadership energy, networks and the construction of stable and changing relationships, organizational forces and learning processes needed by corporations seeking to transform themselves into global ones, adapting themselves to both deliberate and emerging reality whenever possible.

As for the results of the model, there are indications that its premises involve strengths that create an environment that enables global corporate strategies to emerge that are capable of integrating global demands more readily, considering not only opportunities, but also threats and questionable practices, and the balance between risk, control and resources.

The results obtained appear to be consistent with the theoretical approaches researched, and even more so with the insights of Bertrand and Azevedo's (2001) [3] research into the Globalization of Corporations, and Bassi's (2003) [7] studies of the globalization of domestic corporations.

As this article was based on bibliographical and documental research, using a qualitative methodology, the authors were unable to test the significance of the premises which emerged from the model. An empirical investigation would be needed to discover how closely they correspond to reality.

The authors consider, however, that the development of the model and the results derived thereof in the shape of dynamic and systemic premises, can stimulate theoretical investigation, and contribute to developing more sophisticated practices.

An aspect of this study which should be highlighted, is the clear and concrete way in which macro-environmental impacts expressed as competitive, technological, political, social, economic and capital market risk dimension challenges, are perceived as threats and opportunities by the formulators of global corporate strategies, though one cannot ignore the complex procedures required on the part of the organization to prepare it for its transformation into a global corporation.

However, it should be noted that the scientific literature on global corporations from the perspective of their strategic corporate management, is still rather scarce, when compared to the extensive literature available regarding the globalization phenomenon and its impact on corporations.

5.2 Recommendations for Future Research

This study used the approaches found in the literature on globalization, strategy and marketing, especially international marketing. When they were compared, several new possibilities for research appeared, as outlined below:

Verification of the fit of the dynamic and systemic premises which emerge from the model presented in this study, using data from corporations with international operations

Verification of the relation between the evolution of world markets and the strategic management of corporations which are transforming themselves into global ones. How the formulation of corporations' global strategies is influenced by the evolution of markets, particularly in the case of Brazilian corporations, using current economic, social and political indicators, historical series of sectoral performance and strategic data of corporations which are transforming themselves into global ones.

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