

## **GLOBAL STRATEGY**

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### **LEARNING OBJECTIVES**

We will learn how globalization can create (or destroy!) value for firms. We'll examine this from the perspective of the firm as a whole, while placing special focus on the opportunities and challenges globalization offers to a firm's innovation activities.

At the end of the module, you'll have several new frameworks for identifying and evaluating opportunities to create opportunities through globalization. More importantly, I hope to have challenged and changed some of your assumptions about globalization.

### **ORGANIZATION**

The module has four sessions, corresponding to four inter-related topics. First, we will consider the challenges globalization presents. Second, we'll study how to understand how to analyze the potential of a country as supplier, market and competitor. Third, we'll examine how globalization can create or destroy value for firms. Lastly, we'll examine strategies firms can use to capture that potential value.

So we have a common reference point, we'll use a *McKinsey Quarterly* article on the generic pharmaceutical industry in Central and Eastern Europe to illustrate concepts throughout the module. Examples from your own experience will be even more relevant, of course, so I look forward to lively discussions.

### **MATERIALS**

- Course packet of readings (on Moodle)
- Text: *Redefining Global Strategy* by Pankaj Ghemawat (optional)
- Slides/handouts (on Moodle)

I've provided two readings that ultimately became part of Pankaj Ghemawat's book, *Redefining Global Strategy* (RGS). My slides will contain some other material from it, also. I think *RGS* is a great text and, if you are particularly interested in this topic, I'd encourage you to get it for your personal reference. *However, it is entirely optional.*

## SCHEDULE AND OUTLINE

July 26<sup>th</sup>

*Session 1*                      *Does distance still matter?*

Readings:                      Ghemawat, P. 2001. Distance still matters - The hard reality of global expansion. *Harvard Business Review*, 79(8): 137-+.

"Pharma's generics opportunity in Central and Eastern Europe", *McKinsey Quarterly*, August 2008

Overview:                      In this session, we'll discuss why globalizing poses both challenges and opportunities for firms. We'll start by discussing the idea popularized by Thomas Friedman that the world is "flat", that is, that technology has rendered distance unimportant and made every country essentially "next door". We'll then focus on the differences that remain across countries, using the CAGE framework, which identifies four types of distances between countries: Cultural, Administrative, Geographic, and Economic.

The Ghemawat article presents the CAGE framework. We'll use the information in the *McKinsey Quarterly* article to demonstrate the CAGE framework. So, please first read the Ghemawat article and then read the McKinsey article with the concepts of CAGE in mind.

Please complete the *Pre-class Globalization Diagnostic* on Moodle before class.

*Session 2*                      *Understanding individual countries*

Readings:                      No new readings.

Overview:                      Having discussed how countries differ from each other, we'll now examine two frameworks for understanding individual countries. Both help us identify the potential of countries and the firms based in them as suppliers, competitors and markets.

*PEST analysis* encourages us to understand the macro environment in a country through the Political, Economic, Social and Technological factors present in a country. Various authors have identified other factors that merit consideration. We'll study a version called "ESTEMPLE", which includes Economic, Social, Technological, Ecological, Media, Political, Legal and Ethical factors.

Michael Porter of Harvard Business School argued that the competitive advantage of countries could be largely explained through four factors—popularly known as *Porter's Diamond*. We'll examine the diamond and extensions of it.

July 27<sup>th</sup>

*Session 3                      Creating value by globalizing: The ADDING Framework*

Readings:                      No new readings

Overview:                      Firms often globalize without fully considering how doing so will create (and/or *destroy*) value. The ADDING framework, which builds on the concepts we studied on the Monday, identifies six dimensions along which globalization affects value. We'll return to the example of generic pharmaceuticals in Central and Eastern Europe to illustrate the concepts.

*Session 4                      Strategies for creating value as a multinational corporation*

Readings:                      Ghemawat, P. (2007). "Managing differences: the central challenge of global strategy." *Harvard Business Review* 85(3): 58+.

Overview:                      Having identified the potential value to be created by globalizing, we now turn to the strategies a firm can employ to capture that value. We will focus on three—adaptation, aggregation, and arbitrage—that firms can apply separately or (sometimes) jointly. Again, we'll use the example of generic pharmaceuticals in Central and Eastern Europe to illustrate the concepts.