

# Global strategy: a review and an integrated conceptual framework

Shaoming Zou

*Kansas State University, USA, and*

S. Tamer Cavusgil

*Michigan State University, USA*

In an era of globalization, managers, consultants, and researchers have all recognized that the study of industries, strategies, and organizations in a global context needs to be regarded as the norm. It has been argued that success or failure of a business in the twenty-first century will depend on whether it can compete effectively in world markets (for example, Hax, 1989; Ohmae, 1989). Global strategy, hereby defined as the way a business competes in the global market, plays a vital role in determining the performance of a business in the global market. By conceiving a global strategy, management articulates a response to the interdependent nature of global markets, where competition is no longer on a market-by-market basis (multidomestic). Global strategy must not only incorporate broad, strategic direction but also specify how activities such as sourcing, R&D, manufacturing, and marketing must be co-ordinated worldwide. Because marketing assumes the role of interacting directly with the customers and competitors in the marketplace, marketing strategy is probably the most important component of a firm's global strategy.

The current literature, unfortunately, only offers limited insight into what a global strategy means, why a business unit adopts a global strategy, and what performance implications a global strategy has. Ambiguous and confusing findings exist in the literature which discourage application of the knowledge in practice. In addition, the literature lacks a unified theoretical foundation on which prescriptions can be made for effective competition in global industries. This also significantly undermines the future research efforts aimed at enhancing our understanding of global competition.

The purpose of this article is to review and integrate various perspectives and theoretical bases on formulating global strategy, and to present an integrated conceptual framework of global strategy which provides a more complete explanation of global strategy. The proposed framework will help reduce the ambiguity and confusion in the literature and serve as the basis on which global marketing strategy can be formulated. The next section traces key contributions to the literature and highlights key findings and gaps in the current literature. Then two major theoretical approaches are discussed: the industrial organization theory and the resource-based theory. Following that, an

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integrated conceptual framework is presented and discussed which helps to fill the gaps in the current literature. Finally, implications of the study for future research and managerial practice are discussed.

### **An overview of the global strategy literature**

In academia, interest in global strategy and organization has been strong in the last two decades. Numerous perspectives have been proposed to examine the issue, and so have numerous prescriptions for businesses facing global competition. On the one hand, these perspectives have enriched our understanding of the complexity of competing globally. On the other hand, the diversity of perspectives creates a great deal of ambiguity and confusion about how to compete worldwide, about the definition of a global strategy, about why a business chooses a global strategy, and about the implications of that choice. Without a unified framework to integrate these diverse perspectives, ambiguity and confusion are likely to persist, leading to contradicting theories and discouraging practical application of knowledge.

In an influential article, Levitt (1983) argues forcefully that advances in communication and transportation technologies and increased worldwide travel have homogenized world markets. Increasingly, consumers in different parts of the world tend to demand the same products and have the same preferences. In this new era, the strategic imperative for businesses competing globally is to achieve the economies of scale which the global market affords. Thus, multinational corporations which treat individual country markets separately are likely to disappear and be replaced by global corporations which sell standardized products the same way everywhere in the world. A major source of competitive advantage has become the ability to produce high-quality products at lowest cost, since global consumers will sacrifice their idiosyncratic preferences for the high-quality but low-priced products. According to Levitt (1983), the optimum global strategy is to produce a single standardized product and sell it through a standardized marketing programme.

Hout *et al.* (1982) disagree, however, arguing that an effective global strategy requires not a single approach, such as product standardization, but a bag of many tricks. These include exploiting economies of scale through global volume, taking a pre-emptive position through quick and large capital investments, and managing interdependencies to achieve synergy across different activities. According to them, the global strategic imperative is to leverage a competitive edge across the interdependent country markets to change the scale and scope of competition.

In contrast to Levitt's single standardized product, a broad product portfolio is recommended by Hamel and Prahalad (1985). They believe a global strategy requires several product varieties, so that investments in technologies, brand names and distribution channels can be shared. The global strategic imperative is to seek cross-subsidization across product lines and markets, world brand domination, and strong worldwide distribution systems. The strategic logic behind Hamel and Prahalad's (1983; 1985) prescription is that firms can attack

rivals and defend their market shares by leveraging proprietary technology through proprietary distribution channels.

Kogut (1985) emphasizes strategic flexibility in his perspective of global strategy; that is, it must create options to turn the uncertainties of an increasingly volatile world economy to the business's advantage. The strategic imperative is to exploit multiple sourcing, production shifting to profit from changing factor costs and exchange rates, and arbitrage to take advantage of imperfections in financial and information markets and economic disequilibria. Kogut believes that a business should surrender strategic fit for strategic flexibility in order to gain comparative advantage.

Porter (1986) recognizes the interdependency among various country markets and contends that a global strategy has two basic dimensions: configuration of value-adding activities and co-ordination of the activities across markets. He maintains that the strategic imperative in global markets is to concentrate value-added activities to exploit factor cost differentials and extend competitive advantages by co-ordinating interdependencies among markets. Hence, success demands achieving integration of the firm's competitive position across markets.

In contrast, Quelch and Hoff (1986) emphasize the importance of being responsive to local market conditions. They view the strategic imperative as the efficient global use of good marketing ideas rather than standardization, and an organization structure which encourages transfer of information. They believe global operations should be tailored to maximize efficiency in concept development and effectiveness in local market delivery. That is, a business must "think global" but "act local".

Ghoshal (1987) developed an organizing framework for global strategy which maps means and ends. He maintains that the key to a successful global strategy is to manage the interaction among different goals and means. He classifies the goals of a business organization into three categories: achieving efficiency in its current activities; managing the risks which it assumes in carrying out those activities; and developing internal learning capabilities to bolster innovation and adaptation to future changes. He also classifies the strategic tools for reaching these goals into three categories: exploiting the differences in input and output markets; achieving scale economies in different activities; and exploiting synergies or economies of scope. The strategic task of managing globally is to use these strategic tools simultaneously to achieve the strategic goals.

Bartlett and Ghoshal (1988; 1991) contend that globalizing and localizing forces work together to transform many industries, and success depends on whether a business can achieve global efficiency and national flexibility simultaneously. They use the term "transnational capability" to describe the ability to manage across national boundaries, retaining local flexibility while achieving global integration. They claim this is the critical requirement of competing globally. Thus, the optimum global strategy is to develop national competence but at the same time maintain a world perspective.

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Ohmae (1985) views the world market as being composed of three major parts: the USA, Japan, and Europe. To be successful in global competition, firms must become a triad power, establishing strong competitive position in all three parts. Ohmae (1989) also argues that the key to global success is the deliberate “insideration” of functional strengths. He considers “equidistance” the critical requirement of a global strategy: seeing globally, thinking globally, and acting globally. He suggests that the proper structure for a multinational corporation is one in which different country subsidiaries participate equally in global strategic decisions.

Yip’s (1989) contribution to this stream of writings is to develop a normative contingency framework of global strategy, arguing that external industry/market forces drive globalization. To survive and prosper in the global marketplace, businesses must respond to the industry imperatives. Yip defines a global strategy as having five dimensions: global market participation; product standardization; concentration of value-adding activities; uniform marketing; and integrative competitive moves. He contends that a global strategy must match the globalization potential of the industry as defined by the cost, market, government, and competitive environments. To the extent a business achieves a close match, positive performance will result.

Many other researchers have written on topics related to global strategy, but only a limited number of conclusions have been reached. These have been summarized in the four postulates advanced by Collis (1991). First, a global strategy is required whenever there are important interdependencies among a business’s competitive position in different countries. The acid test is whether a business is better off in one country by virtue of its position in another. Second, the sources of these interdependencies can be identified, including scale economies (Levitt, 1983), accumulated international experience (Douglas and Craig, 1989), possession of global brand name (Levitt, 1983; Ohmae, 1985), a learning curve effect (Porter, 1985), and the option value or cross-subsidization (Hamel and Prahalad, 1985) that a multimarket presence confers. Third, the critical issues that a global strategy must address include the configuration and co-ordination of the business’s worldwide activities (Porter, 1986). Fourth, the organization structure should be aligned with and derived from the global strategy (Chandler, 1962).

Nevertheless, there is still a great deal of ambiguity in the literature as to what a global strategy really means and when it should be used (Bartlett and Ghoshal, 1991; Ghoshal, 1987; Porter, 1991). As reviewed above, different writers have often adopted different views, even confusing and contradicting ones. The field of global strategy also lacks a sound theory to guide business practices in global competition. Two major factors can be identified which contribute to the current ambiguity and lack of unified theory in the literature.

First, the literature on global strategy has been dominated by the industrial organization (IO) perspective (Bartlett and Ghoshal, 1991; Collis, 1991). The IO viewpoint places primary emphasis on the external analysis of global competition, as best exemplified by Porter’s (1980) “five-force” framework of

industry analysis. In other words, because external global market forces impose selective pressures on a business, global strategy is dictated by market imperatives, and competitive advantage is derived from implementing a strategy which corresponds to those market imperatives (Collis, 1991).

While the IO approach has enriched our understanding of the external market/industry forces which drive globalization, it generally has neglected a business's idiosyncratic internal characteristics (Bartlett and Ghoshal, 1991). This oversight is not trivial as it has been demonstrated repeatedly that businesses competing with a similar strategy in the same global industry (thus facing identical external forces) can have different performance outcomes, whereas firms competing with different strategies in the same global industry can survive and prosper (for example, Bartlett and Ghoshal, 1988; Collis 1991; Hamel and Prahalad, 1985). It appears that business performance is not solely determined by global strategy and that internal organizational characteristics also play an important role. As a result, domination by the IO perspective can lead to incomplete explanation of global strategy and performance.

Recently, some researchers have embraced a newly-emerging theoretical perspective, the resource-based view of strategy, to study global strategy and performance (for example, Bartlett and Ghoshal, 1991; Collis, 1991; Prahalad and Hamel, 1990; Tallman, 1991). In contrast to the IO-based theory, the resource-based theory views internal organizational factors as the determinants of strategy and performance. Unfortunately, no researcher has attempted to bridge the two theoretical perspectives. To provide a complete explanation of the forces driving global strategy and performance, both theoretical perspectives must guide the effort.

Second, there has been no attempt to integrate the diverse perspectives of global strategy, the independently developed IO and the resource-based theoretical views. This lack of integration is probably the main reason for the ambiguity in the literature because each view of global strategy is likely to be concerned with only one aspect of the issue. A conceptualization that seems reasonable in a particular industry context may be inadequate when applied to others. Furthermore, the IO-based view and the resource-based view of strategy focus, respectively, on the external and the internal environments. Without integration, the two perspectives are competing and even contradictory, which only generates more confusion. Since there is limited support for both viewpoints (for example, Collis, 1991; Venkatraman and Prescott, 1990), it is critical that they be integrated to provide a complete explanation of global strategy and performance.

In light of these two gaps in the literature, the present study attempts to develop a multidimensional conceptualization of global strategy in order to integrate the diverse perspectives, thus reducing the ambiguity and confusion in the current literature. In addition, the present study links the IO and the resource-based theories into a unified conceptual framework so as to provide a more complete explanation of global strategy and performance.

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## Current theoretical approaches to global strategy

### *The industrial organization-based theory*

Similar to writings in mainstream economics regarding strategy, the literature on global strategy in the past has been dominated by the industrial organization perspective (Bartlett and Ghoshal, 1991). In particular, the structure-conduct-performance (SCP) paradigm of Bain (1951; 1956) has been the most popular theoretical framework. According to this paradigm, external industry structure determines firms' strategy (conduct), which in turn determines their economic performance (Scherer and Ross, 1990).

The IO-based theory of strategy is best captured in the "principle of coalignment" (or contingency or consistency), which states that the "fit" between a business's strategy and its environment has significant implications for performance (Venkatraman and Prescott, 1990). The general requirement of coalignment between environment and strategy is understood implicitly rather than explicitly in the literature, however, because it is a direct corollary of the dominant SCP paradigm (Scherer and Ross, 1990; Venkatraman and Prescott, 1990).

Barney (1991) identified two underlying assumptions in the IO-based theory of strategy. First, firms within an industry or a strategic group are identical in terms of the strategic resources they control (Porter, 1981; Rumelt, 1984). Second, if resource heterogeneity should develop in an industry or a strategic group, perhaps through new entry, this heterogeneity would be very short-lived because the resources which firms use to implement their strategies are highly mobile (Barney, 1986; 1991). These two assumptions in effect treat the firm as an abstract economic entity and often as a black box, not as a social institution with an economic purpose (Bartlett and Ghoshal, 1991). Thus, the external environment imposes requirements to which a business must adapt (Hannan and Freeman, 1976), and the role of internal organizational factors in making strategic choices becomes far less relevant.

In the IO-based model, competitive advantage is viewed as a position of superior performance that a business attains through offering undifferentiated products at low prices or offering differentiated products for which customers are willing to pay a price premium (see Porter, 1980; 1985). Strategy is conceived as a firm's deliberate response to the industry/market imperatives, while competitive advantage can be sustained by business strategy, such as erecting barriers to entry; seeking the benefits of economies of scale, experience or learning curve effects, product differentiation, and capital investments; and raising buyer switching costs (Porter, 1980). Businesses which adapt successfully to these pressures through formulating and implementing a strategy will survive and prosper, whereas those which fail to adapt are doomed to failure (Collis, 1991).

Within the IO-economics literature, the five most influential theories are: neoclassical perfect competition; Bain-type IO, the Schumpeterian view; the Chicago tradition; and transaction cost economics (see Conner, 1991 for a detailed discussion). All assume that the ultimate goal of firms is to maximize

profits, but they differ as to the primary means through which this objective is realized. Furthermore, these five IO-theories are similar in that they place primary emphasis on external industry factors as the drivers of business strategy and performance. By stressing the importance of external factors, the IO approach has significantly enriched the environmental dimensions of Andrews' (1971) influential model of corporate strategy. It suggests that firms obtain sustained competitive advantages by implementing strategies which exploit their internal strengths through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses (Andrews, 1971; Hofer and Schendel, 1978). Nevertheless, most researchers consider industry structure the main determinant of a firm's competitive strategy, as best exemplified by Porter's (1980) "five-force" model, and little attention has been given to idiosyncratic internal organizational characteristics (Bartlett and Ghoshal, 1991; Porter, 1991).

In the context of global strategy, a normative contingency framework developed by Yip (1989) links industry globalization drivers to a firm's global strategy and performance. Yip defines global strategy as a multidimensional construct incorporating five elements and postulates that the degree of a firm's global strategy depends on the industry's globalization potential as defined by market, cost, governmental, and competitive factors. To the extent that the firm's global strategy fits the industry's globalization potential, positive performance will result. Thus, it is evident that Yip's normative contingency framework is derived directly from the principle of coalignment (the IO-based view).

#### *The resource-based theory*

The IO-based theories are under increasing challenge from both market reality and the emerging resource-based view of strategy and competitive advantage. Empirical evidence repeatedly suggests that industry structure is not the sole determinant of competitive strategy and performance. The search for other factors led a group identified as the "resource-based theorists" to conclude that differential endowment of strategic resources among firms is the ultimate determinant of strategy and performance.

The notion of differentiated internal resource portfolios is gaining rapid acceptance in the academia (for example, Barney, 1989, 1991; Collis, 1991; Conner, 1991; Grant, 1991; Mahoney and Pandian, 1992; Prahalad and Hamel, 1990; Wernerfelt, 1984; 1989). This view promises to be the richest theory of competitive advantage and strategy (Barney, 1991; Conner, 1991), especially in the context of global strategy (Bartlett and Ghoshal, 1991; Collis, 1991; Prahalad and Hamel, 1990).

The term "resource" is used in a very broad sense by the theorists. Following Daft (1983), Barney (1991) defined internal organizational resources as *all* assets, capabilities, organizational processes, business attributes, information, knowledge, and so forth, controlled by a firm and enabling it to conceive of and implement strategies which improve its efficiency and effectiveness. He further

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classifies the numerous possible internal organizational resources into three categories: physical capital, human capital, and organizational capital. Not all of these are strategically relevant, however. As Barney (1986) points out, some may prevent a business from conceiving of and implementing valuable strategies, others may lead to strategies which reduce its performance, and yet others may have no effect on a firm's strategic choice. The most critical resources are those which are superior in use, hard to imitate, difficult to substitute for, and more valuable within the business than outside (Porter, 1991). According to Porter (1991), such resources can arise either from performing activities over time which create internal skills and routines or from acquiring them outside the firm for less than their intrinsic value because of factor market imperfection, or a combination of the two. The most appropriate types of resources to examine in strategy research are the skills and organizational routines which drive business activities. As Porter (1991) argues, underlying the firm's ability to link activities or share them across units are organizational skills and routines.

According to Barney (1991), the resource-based theory is grounded on two fundamental assumptions in analysing sources of competitive advantage and business strategy. First, firms within an industry or a strategic group may be heterogeneous with respect to the strategic resources they control. Second, since these resources may not be perfectly mobile across firms, heterogeneity can be long lasting. In the resource-based models, competitive advantage is said to reside in the inherent heterogeneity of the immobile strategic resources which business controls. Strategy is viewed as a firm's conscious move to capitalize on its idiosyncratic endowment of strategic resources (Barney, 1991; Lado *et al.* 1992; Wernerfelt, 1984). Following this logic, the principal drivers of competitive strategy and performance are internal to the business, a view in sharp contrast to the IO-based theory. While the resource-based theory recognizes firms' physical resources as the important drivers of strategy and performance, it places particular emphasis on the intangible skills and resources of the business as the main driver of competitive choice (Barney, 1986; Collis, 1991).

Like the IO-based theories, the resource-based theory sees above-normal returns as the firm's ultimate goal (Wernerfelt, 1984). Obtaining such returns requires either that the firm's product be distinctive in the eyes of buyers in comparison to competing products or that the firm sell a product identical to that of competitors at a lower cost (Porter, 1985). Thus, the critical problem is how to maintain product distinctiveness or low cost without making excessive investments. Unlike the IO-based theory, which argues that competitive advantage can be sustained by the firm's conduct in response to industry structure, the resource-based theory contends that product distinctiveness or low cost are tied directly to distinctiveness in the inputs (resources) used to make the product (Conner, 1991). In fact, it is hard-to-copy resources rather than monopoly power or market position which brings persistent, above-normal earnings to the firm. Moreover, the distinctiveness of those resources results from the firm's acumen or luck in acquiring, combining and deploying them, not

from the forces related to industry structure, such as the number of sellers, barriers to entry, product differentiation or market growth.

Applying the resource-based theory, Collis (1991) identifies two hypotheses about global competition which are distinct from any IO economic explanation:

- (1) The historical evolution of a firm constrains its global strategic choice and so will affect global market outcomes.
- (2) Complex social phenomena, or “invisible” assets, can be a source of sustained competitive advantage and will affect organization structure independently of global strategic choice.

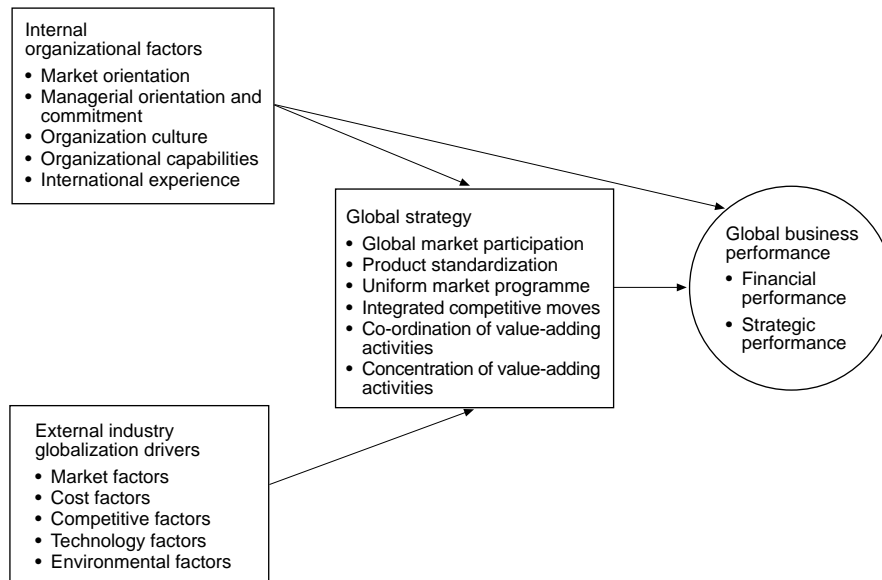
Other researchers also have embraced the resource-based theory. Bartlett and Ghoshal (1991) call for more attention to understanding how managers assemble unique portfolios of resources and develop distinctive capabilities which provide sustainable competitive advantage in global markets. Hamel and Prahalad (1989) and Prahalad and Hamel (1990) contend that the strategic intent of management and the core competences of corporations are the keys to success in global competition. Tallman (1991) compares the resource-based perspective with both the IO-based theory and the transaction cost perspective to explore the strategy, structure, and performance linkages in multinational corporations. Kim and Mauborgne (1991) show that the quality (fairness) of the strategy generation process affects the level of commitment, trust, and social harmony among subsidiary managers in MNCs and, thereby, the effectiveness of strategy implementation. Porter (1991) sees the resource-based theory of strategy as one of the most promising ways to address the longitudinal nature of competitive strategy and performance.

In summary, it appears that the resource-based view is likely to become very significant in future research, and any purported theory of global strategy must incorporate internal organizational characteristics.

### **An integrated conceptual framework of global strategy**

To fill the aforementioned two gaps in the current literature, two integrations are proposed in the current study. First, extending the five dimensions of global strategy proposed by Yip (1989), a six-dimension construct of global strategy is adopted to integrate the diverse perspectives of global strategy. Second, the IO-based theory and the resource-based theory are linked into an integrated framework of global strategy. Incorporated in the framework are both external industry globalization drivers and internal organizational factors. Figure 1 shows the proposed conceptual framework of global strategy.

Yip (1989) posits that a global strategy has five dimensions, including major market participation, product standardization: activity concentration; uniform marketing, and integrated competitive moves. He also proposes that global strategy is determined by the external industry globalization drivers related to market, cost, government, and competitive factors. By viewing global strategy as a multidimensional construct, Yip implicitly integrates some rather diverse perspectives of global strategy.



**Figure 1.**  
An integrated  
conceptual framework  
of global strategy

However, Yip's (1989) five dimensions of global strategy do not appear to capture Porter's (1986) co-ordination of value-adding activities, such as R&D, manufacturing, and marketing, which is a fundamental requirement for global strategy (Collis, 1991). Co-ordination is also the essence of global rationalization, a strategy for large and experienced international business firms (Douglas and Craig, 1989). Therefore, a co-ordination dimension must be added to Yip's five dimensions of global strategy to achieve a complete integration of the diverse perspectives of global strategy. In the conceptual framework in Figure 1, a global strategy incorporates Porter's (1986) co-ordination dimension, in addition to all five dimensions discussed by Yip (1989).

Yip (1989) is also in line with the IO economic theory in that it posits that external industry globalization drivers determine global strategy. Furthermore, internal organizational factors are not discussed in Yip (1989). The proposed conceptual framework of global strategy rectifies this by explicitly including internal organizational resources. Essentially, this framework is founded on two key propositions derived from both the IO-based theory and the resource-based theory:

- (1) global strategy is an organization's response to the external industry globalization drivers;
- (2) internal organizational factors constrain an organization's ability to conceive global strategy (Barney, 1991; Porter, 1991; Wernerfelt, 1984) and its ability to implement the chosen strategy (Barney, 1989; 1991).

*Major components of the conceptual framework*

*Global strategy.* A global strategy is construed as a multidimensional construct with six major dimensions, including global market participation, product standardization, uniform marketing programme; integrated competitive moves; co-ordination of value-adding activities; and concentration of value-adding activities. For each dimension, a multidomestic strategy would seek to enhance worldwide performance by maximizing local competitive advantage and profits, whereas a global strategy would seek to enhance worldwide performance through sharing and integration (Yip, 1989). The six dimensions of a global strategy have effectively integrated the diverse perspectives of global strategy in the literature. Specifically, the global market participation dimension captures Ohmae's (1985) triadic view of global competition; the product standardization dimension is identical to Levitt's (1983) global standardization thesis; the uniform marketing dimension is consistent with the marketing standardization framework of Jain (1989) and Samiee and Roth (1992); the integrated competitive moves dimension is in line with the synergistic decision making of Hout *et al.* (1982) and the cross-subsidization of Hamel and Prahalad (1985); the co-ordination of value-adding activities dimension taps Porter's (1986) value-chain co-ordination and Douglas and Craig's (1989) global rationalization; and the concentration of value-adding activities dimension reflects Porter's (1986) value-chain configuration and Kogut's (1985) multimarket sourcing and production shifting.

*External industry globalization drivers.* External industry globalization drivers are grouped into five major categories: market factors; cost factors; competitive factors; technology factors; and environmental factors. Among market factors which can drive globalization are: emergence of global customers, homogenization of consumer needs and wants, existence of global marketing channels, and transferability of marketing practices (Levitt, 1983; Yip, 1989).

Cost benefits are argued to be a major benefit of globalization (Hax, 1989; Jain, 1989; Levitt, 1983; Yip, 1989). Key benefits include economies of scale in marketing and production, economies of scope, efficiencies in sourcing and transportation, and synergies in other value-adding activities. Similarly, the need to respond to competitive challenge is another major driver of globalization (Hamel and Prahalad, 1985; Yip, 1989). With competition becoming globalized in many industries, business units have to respond to the competitive pressure by leveraging their competitive position across markets, and by seeking integrated operations (Hout *et al.*, 1982).

Technological advances are also considered major drivers of globalization (Hax, 1989; Levitt, 1983). Communication and transportation technology makes integrated global operations feasible and desirable. Industries with high technology intensity are particularly conducive to standardized marketing approaches (Cavusgil and Zou, 1994). Host government regulations/incentives, as well as other environmental forces, can drive globalization (Jain, 1989; Yip, 1989). Similarity of tariff barriers, product standards, marketing regulations,

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and incentives for foreign direct investment can serve as stimuli for globalization.

*Internal organizational factors.* While numerous internal resources may influence a business's global strategy and performance, the key resources are those which are hard to imitate, difficult to substitute for, and more valuable within the business unit than outside (Barney, 1991; Porter, 1991). Building on the work of Amit and Schoemaker (1993), Andrews (1971), Bharadwaj *et al.* (1993), Cavusgil and Zou (1994), Collis (1991), Douglas and Craig (1989), Jaworski and Kohli (1993), Kotter and Heskett (1992), this study focuses on five types of internal organizational resources which are considered the most influential in global strategy. These are market orientation, managerial orientation and commitment, organizational culture, organization capabilities and international experience.

Market orientation refers to the organization-wide generation of, dissemination of, and response to market intelligence (Jaworski and Kohli, 1993; Kohli and Jaworski, 1990). A market orientation is often thought to lead to improved performance. The business unit which tracks customer needs and preferences and reacts to competitors' strategic moves can better respond to the global market conditions, satisfy customers, and neutralize the attacks of rivals. Hence, market-oriented organizations are more capable of conceiving appropriate strategies and performing at higher levels in the global market (Jaworski and Kohli, 1993; Lusch and Laczniak, 1987; Narver and Slater, 1990).

Global orientation and strong managerial commitment to the global market often affect a business's international strategy and performance (Levitt, 1983; Ohmae, 1989; Perlmutter, 1969). Globally oriented businesses are more likely to adopt an "equidistant" perspective and exploit the synergies of multinational operations (Ohmae, 1989). Since global operations often require substantial managerial resources to co-ordinate individual countries' operations, management must have a strong commitment to the global market to reap the benefits of operating globally.

Following Arogyaswamy and Byles (1987), Barney (1986), and Kotter and Heskett (1992), organization culture is defined as the values and ideologies which influence an organization's beliefs and behaviours. Kotter and Heskett (1992) identify two levels of organization culture. At the less visible level are the values shared by the group which tend to persist over time, even when group membership changes. At the more visible level are the behaviour patterns or style of an organization which new employees are automatically encouraged to follow by their fellow employees.

Organization culture has been found to influence a business's strategic choice and performance significantly (Kotter and Heskett, 1992; Peters and Waterman, 1982). Indeed, under certain conditions, it can reach what Arogyaswamy and Byles (1987) term "internal and external fits" and become a source of sustainable competitive advantage (Barney, 1986). Three key attributes of organization culture, that is strength, global orientation, and adaptiveness (see Kotter and Heskett, 1992) are of particular importance to global strategy and

performance, because they can constrain a business unit's strategic choice and the ability to implement the chosen strategy.

Organizational capability refers to the dynamic routines acquired by the organization (Winter, 1987). Business units develop organizational capabilities to foster collective learning, transfer information and skills, and facilitate innovation (Collis, 1991). Since they ensure that new strategies are initiated, beneficial developments are retained, and appropriate decisions are made by those with knowledge, organization capabilities affect a business unit's global strategy and performance.

The effect of international experience on international strategy is addressed in Douglas and Craig's (1989) "three-stage evolution framework" of international marketing strategy. Essentially, they posit that as a business accumulates experience abroad, its strategy will evolve through three major stages: initial foreign market entry; expansion of national markets; and global rationalization. Since the most experienced business units are likely to have a "geocentric" orientation, regarding the whole world as a single marketplace (Douglas and Craig, 1989), they are better positioned than others to pursue a global strategy. The relationships between international experience and marketing strategy and between international experience and performance have been empirically verified by Cavusgil and Zou (1994), and Cavusgil *et al.* (1993).

*Global business performance.* In today's global environment, it has been argued that many businesses have a set of strategic goals in addition to the traditional financial goals (for example, Bharadwaj *et al.*, 1993; Cavusgil and Zou, 1994; Porter, 1980; 1986). Achievement of strategic goals, such as improving overall competitive position, keeping a presence in a key market to enhance competitiveness, increasing global market share, or securing access to factor inputs, is an important performance criterion. Therefore, in the proposed framework, global business performance is conceived as having both a strategic dimension and a financial dimension.

Implementation of a global strategy will affect both of these performance dimensions. Specifically, a business's competitive position in global industries can be enhanced by implementing global strategy. For instance, a business's global market participation reduces the risk associated with an individual market, while its integrated competitive moves can help leverage its competitive position across the markets. Similarly, global strategy implementation can also affect a business unit's financial performance. Product standardization, uniform marketing, and co-ordination and concentration of value-adding activities can lead to significant economies of scale and, thus, improved profitability. Besides being influenced by global strategy implementation, as discussed above and shown in the conceptual framework, global business performance is also influenced by internal organizational resources.

### **Conclusions and implications**

The conceptual framework presented in the present study has integrated the diverse perspectives of global strategy into a six-dimension global strategy

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construct, and linked the IO-based theory with the resource-based theory of global strategy. Several conclusions can be drawn from this conceptual framework. First, global strategy is not a simple choice of product standardization, standardized marketing or concentrated manufacturing. Rather, it is a multifaceted course of action involving six major dimensions. These include global market participation, product standardization, uniform marketing, integrated competitive moves, co-ordination of value-adding activities, and concentration of value-adding activities. Each of the diverse perspectives in the current literature only captures one or two dimensions of a global strategy.

Second, the theoretical perspective from which global strategy and global market performance should be studied is neither the IO or the resource-based theories alone. Rather, the two theoretical perspectives must be linked together to provide a solid theoretical foundation to study global strategy and performance. The conceptual framework developed in the present study has achieved this theoretical integration. The framework also suggests that both external globalization forces and internal organization factors must be considered in developing theories or formulating an effective strategy for competing globally.

Third, implementation of a global strategy not only affects the financial dimension of a business's performance in the global market, but also helps improve the business's strategic position in global competition. It is thus important that clear performance goals be developed before conceiving and implementing a global strategy. Depending on these performance goals, certain dimensions of a global strategy may be emphasized and others de-emphasized by businesses competing in the global market.

#### *Theoretical implications*

Building on the conceptual framework developed in the present study, several research directions can be pursued in the future to enhance further the knowledge of effective global strategy. First, since a global strategy is multidimensional in nature, future research should incorporate all six dimensions of global strategy, rather than one or two aspects of it, into the study. This will allow a meaningful comparison of various studies and enrich the understanding of global strategy. Specifically, future empirical work is needed to investigate whether different dimensions of global strategy have differential effects on the strategic and financial performance of firms under certain circumstances. It may be the case that certain global strategy dimensions have more potent effects on firms' global financial or strategic performance than other dimensions. This knowledge is extremely valuable to practitioners facing global competition.

Second, since both the IO-based theoretical view and the resource-based view are integrated into the proposed framework, future research must focus on not only the impact of external industry globalization drivers on global strategy, but also the effect of internal organizational resources on global strategy and performance. With focus on both external industry globalization drivers and

internal organizational factors, future research should substantially enrich the knowledge of global strategy and offer a more complete explanation for business units' global strategy and performance. More specifically, future research needs to identify and conceptualize specific external globalization drivers within the broad categories of market, cost, government, competition, and technology factors. This will facilitate not only practical application of the knowledge but also the development of more specific theories. Furthermore, future research should also attempt to identify the most potent internal organizational resources which affect firms' global strategy and performance. Such work should enhance the understanding of why some firms pursue a more global strategy than others in the identical environment.

Third, empirical work is needed to investigate whether different external globalization drivers and internal organization resources have differential effects on various dimensions of firms' global strategy. Given the multidimensional nature of the constructs involved, it is conceivable that a rich set of relationships, rather than an omnibus relationship, exist between the external drivers or internal resources and global strategy, and between global strategy and performance. In light of the fact that the present study is conceptual in nature and serves to develop a more complete theory for global strategy, the empirical work is extremely important to validate both the theory and the conceptualization developed in the present study. Only when empirical support is found can the new theory and conceptualization be considered valid.

#### *Managerial implications*

Several insights can be offered to international business managers in global industries. At the philosophical level, business units competing in global industries must evaluate both external environment and internal organizational factors before subscribing to a global strategy. Global performance can be maximized if the business units can develop and nurture key internal organizational resources, and respond to external challenges with appropriate global strategy. Specifically, business units must develop an organization-wide market orientation, be committed to the global markets, nurture a kind of organization culture that is conducive to global strategy conception and implementation, create organizational capabilities, and accumulate international experience.

In addition, business units competing in global industries must realize that successful global strategy is not a single formula of standardization but a multidimensional and coherent set of actions. These include participating in all major markets in the world, standardizing product and marketing programmes wherever feasible, taking integrated competitive moves across the country markets, concentrating value-adding activities at strategic locations across the world, and co-ordinating the value-chain activities to exploit the synergies of multinational operations. Superior global performance will result if all six dimensions of a global strategy are aligned with external industry globalization forces and internal organizational resources.

Finally, because external globalization drivers, internal organization resources, global strategy, and global performance are all multidimensional, businesses must set clear performance goals before formulating their global strategy. It is also important that businesses constantly monitor the external environmental changes and adjust their global strategy accordingly to ensure that the performance goals are being achieved.

**References and further reading**

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