Global Business Strategy

Lecture 3

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I. Definition of Global Business Strategy

1. Definition of Global Business Strategy

Global Business Strategy refers to the **long-term plan and coordinated actions that a company uses to compete across multiple countries while managing *global integration and local responsiveness.***

In other words, it answers the question:

How should a firm organize its resources, operations, and competitive advantages to succeed in different countries simultaneously?

A global strategy determines:

- **Where to compete** (which countries/regions)
- **How to compete** (1) cost leadership, 2) differentiation, 3) niche(focus))
- **How much to standardize vs adapt** across markets
- **How to configure global value chains** (production, R&D, marketing)

Formal Academic Definition

In international business theory, global strategy is often defined as:

A firm's integrated and coordinated set of actions designed to achieve competitive advantage across multiple national markets.

It combines insights from several major theories:

- International Business
- Strategic Management
- International Marketing

2. Core Theoretical Frameworks

Several theories explain global strategy.

(1) Porter's Global Strategy

Developed by Michael Porter

Four strategic approaches:

1. **Global Standardization Strategy**
2. **Localization Strategy**
3. **Transnational Strategy**
4. **International Strategy**

These are often explained using the **Integration–Responsiveness Framework**.

Strategy	Global Integration	Local Responsiveness	Example
Global Standardization	High	Low	Apple
Localization	Low	High	McDonald's
Transnational	High	High	Toyota
International	Low	Low	Early Starbucks

3. Successful Global Strategy Cases

3.1 Apple — Global Standardization Strategy



Company: Apple Inc.

Strategy

Global standardization

Apple sells **almost identical products worldwide**.

Key Strategic Elements

- Standardized product design
- Premium brand positioning
- Global supply chain
- Ecosystem integration (iPhone + Mac + iPad + Services)

Why it succeeded

1. Strong **brand identity**
2. Massive **economies of scale**
3. Global **technology leadership**

Result

Apple became one of the most valuable companies in the world.

3.2 Toyota — Transnational Strategy

Company: Toyota Motor Corporation

Strategy

Transnational strategy

Combine:

- global efficiency
- local adaptation

Examples

- US factories produce trucks for US market
- Hybrid vehicles adapted for different markets
- Local suppliers used globally

Key Advantage

Toyota Production System (TPS)

Result:

- Global cost leadership
- Strong localization capability

3.3 McDonald's — Localization Strategy

Company: McDonald's

Strategy

Think global, act local

Examples of localization

Country	Adapted Menu
India	McAloo Tikki
Japan	Teriyaki Burger
Korea	Bulgogi Burger

Why successful

- Cultural adaptation
- Local consumer insights
- Global brand consistency

4. Global Strategy Failures

Not all global strategies succeed. Many firms fail due to **poor market understanding**.

4.1 Walmart in Germany (Failure)

Company: Walmart

What happened

Walmart entered Germany in 1997 but **exited in 2006**.

Strategic mistakes

1. **Cultural misunderstanding**
   - American-style employee greetings felt uncomfortable to German customers.
2. **Labor regulations**
   - German labor laws restricted Walmart's practices.
3. **Strong local competitors**
   - Aldi
   - Lidl

Lesson

Localization matters in retail markets.

4.2 eBay in China (Failure)

Company: eBay

What happened

eBay entered China in early 2000s but lost to Alibaba Group's platform **Taobao**.

Strategic mistakes

1. **No free listing model**
   Taobao allowed free listings.
2. **Poor localization**
   Chinese users preferred chat-based negotiation.
3. **Weak local ecosystem**

Lesson

Digital platforms require strong local adaptation.

5. Key Lessons from Global Strategy

Strategic Lesson	Explanation
Balance global efficiency and local adaptation	Integration vs responsiveness
Understand local culture	Consumer behavior varies
Build global value chains	Production + R&D networks
Leverage core competencies	Technology, brand, innovation

II. Types of Business Strategies

1. Business Strategy
2. Marketing Strategy
3. Investment Strategy
4. Foreign Market Entry Strategy
5. Supply Chain Management Strategy

1. Cost Leadership Strategy

Theory

Proposed by Michael Porter in the **Generic Strategies Framework**.

Definition

A firm aims to become the **lowest-cost producer in the industry**, allowing it to offer lower prices than competitors while maintaining profitability.

Key characteristics

- Large-scale production
- Efficient supply chain
- Tight cost control
- Standardized products

Goal

> Achieve competitive advantage through **lower operational costs**.

Real Cases

1. Walmart

- "Everyday Low Price" strategy
- Global procurement system
- Highly efficient logistics network

Result: Largest retailer in the world.

2. Ryanair

- Low-cost airline model
- No-frills service
- Secondary airports to reduce fees

Result: One of Europe's most profitable airlines.

2. Differentiation Strategy

Theory

Also proposed in **Porter's Generic Strategies**.

Definition

A firm creates **unique products or services** that customers perceive as superior.

This allows companies to **charge premium prices**.

Sources of differentiation

- Brand image
- Technology
- Design
- Customer experience

Real Cases

1. Apple Inc.

Key differentiation factors:

- Product design
- Ecosystem integration
- Premium branding

Example: iPhone + Mac + Apple Watch ecosystem.

2. Tesla, Inc.

Differentiation through:

- Electric vehicle innovation
- Autonomous driving technology
- Software-driven cars

3. Focus Strategy (Niche Strategy)

Theory

The third strategy from **Porter's Generic Strategy** model.

Definition

A company targets a **specific market segment** rather than the entire market.

Two types:

1. **Cost Focus**
2. **Differentiation Focus**

Real Cases

1. Rolex

Target market:

- Luxury watch buyers
- High-income customers

Strategy: **Differentiation Focus**

2. Ferrari

Target market:

- Ultra-luxury sports car buyers

Strategy: **Exclusivity and brand prestige**

Result: Extremely high profit margins.

4. Blue Ocean Strategy

Theory

Developed by W. Chan Kim and Renée Mauborgne.

Definition

Companies create **new market space where competition becomes irrelevant**.

Instead of competing in crowded markets (**Red Ocean**), firms create **new demand**.

Real Cases

1. Cirque du Soleil

Innovation:

- Combined circus with theater
- Targeted adult audiences

Result:

Created a new entertainment category.

2. Nintendo

Product: Wii

Strategy:

- Target casual gamers instead of hardcore gamers
- Motion gaming innovation

Result: Massive global success.

5. Resource-Based Strategy (RBV)

Theory

Based on the **Resource-Based View (RBV)** developed by scholars like Jay Barney.

Core idea

A firm's **internal resources and capabilities** determine its competitive advantage.

The VRIO framework evaluates resources:

Factor	Meaning
Valuable	Creates value
Rare	Few competitors possess
Inimitable	Hard to copy
Organized	Firm can exploit it

Real Cases

1. Google

Key resources:

- Search algorithm
- Data infrastructure
- AI capabilities

2. Samsung Electronics

Key resources:

- Semiconductor technology
- Global manufacturing capability
- R&D investment

6. Platform Strategy

Theory

Derived from **Network Economics and Platform Theory**.

A platform connects **two or more user groups** and facilitates transactions.

Examples:

- Buyers and sellers
- Drivers and riders

Real Cases

1. Uber

Platform connecting:

- Drivers
- Passengers

2. Airbnb

Platform connecting:

- Hosts
- Travelers

Key advantage: **Network effects**.

1. Successful Business Strategy Cases of Korean Firms

1.1 Samsung Electronics — Differentiation & Technology Leadership



Strategy

Differentiation Strategy + Technology Leadership

Samsung focused on **innovation and R&D dominance**.

Strategic Actions

1. Massive **R&D investment** (over $20B annually)
2. Leadership in **semiconductors**
3. Product differentiation (foldable phones, OLED screens)
4. Global brand building

Results

- Global leader in **memory chips**
- Top smartphone brand worldwide
- Strong global ecosystem

Strategic Lesson

> Sustainable competitive advantage can be created through **technology capability and scale**.

1.2 Hyundai Motor Company — Global Value Strategy

Strategy

Value-for-money strategy + global localization

Hyundai positioned itself between:

- low-cost competitors
- premium brands

Strategic Actions

1. Strong **quality improvement**
2. Long warranty programs
3. Local manufacturing (US, Europe, India)
4. Rapid EV investment

Results

- One of the **top 3 global automakers** (Hyundai + Kia group)
- Strong global brand improvement

Strategic Lesson

> Combining **cost efficiency and quality** can reshape brand perception.

1.3 LG Electronics — Premium Brand Strategy

Strategy

Premium differentiation

LG focused on **high-end technology products.**

Strategic Focus

- OLED TV leadership
- Smart home appliances
- AI-enabled consumer electronics

Results

- Global leadership in **OLED TV technology**
- Strong brand reputation in home appliances

Strategic Lesson

> Focused technological leadership can dominate niche premium markets.

1.4 Coupang — Platform Strategy

Strategy

Platform ecosystem strategy

Coupang built an **integrated logistics and e-commerce platform.**

Strategic Elements

1. Rocket Delivery (next-day delivery)
2. Massive logistics infrastructure
3. Subscription ecosystem (Rocket WOW)
4. Data-driven operations

Results

- Korea's dominant e-commerce platform
- Rapid growth in customer loyalty

Strategic Lesson

> In platform markets, **logistics capability can become the core competitive advantage.**

2. Failure Cases of Korean Business Strategies

Failures are equally valuable for teaching.

2.1 Daewoo Group — Overexpansion Strategy

Strategy

Aggressive global expansion

Daewoo attempted rapid international expansion during the 1990s.

Strategic Mistakes

1. Excessive **debt financing**
2. Over-diversification
3. Weak financial controls

Result

- Collapse during the **1997 Asian Financial Crisis**
- One of the largest corporate bankruptcies in Korea

Strategic Lesson

> Growth without financial discipline can destroy firms.

2.2 LG Electronics — Smartphone Business Failure

Strategy Attempt

Competing against:

- Apple Inc.
- Samsung Electronics

Strategic Problems

1. Lack of clear differentiation
2. Frequent product changes
3. Weak ecosystem

Result

LG exited the **smartphone business in 2021**.

Strategic Lesson

> Entering a highly competitive market without **sustainable differentiation** leads to failure.

2.3 Korea Airlines — Past Service Reputation Issues

Strategic Problem

Corporate governance and service controversies damaged brand image.

Strategic Impact

- Reputation risk
- Global brand damage

Lesson

> Corporate governance is part of business strategy.

IV. Q&A and Quizzes