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GLOBAL ELEP

How does one define a 'global' company? Here are some pointers

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ASK TEN different executives the question "What's a global company?" and, more likely than not, you're likely to get ten different answers. Some might argue that a global company is one that is pursuing customers in all major economies — North America, Europe and Asia, in particular.

Others might argue that you are not really global unless you put down roots in every major market in the form of producing locally what you sell locally. Yet others might suggest that the real test of globalisation lies instead in whether your business unit headquarters are globally dispersed, whether your top management team consists of individuals from different nationalities, and so forth.

There are two problems with each of these perspectives. First, each definition overlooks the fact that globality is a multidimensional phenomenon and, like the proverbial elephant, can never be understood fully from just one perspective — be it market presence, production bases, composition of the top management team, or any other. Second, each definition overlooks the fact that globality is a continuous variable along a spectrum from low to high rather than a categorical binary variable with only two extreme values, global vs non-global.

I believe that the concept of 'corporate globality' should be viewed as a four-dimensional construct based on the premise that an enterprise can be more or less global along each of four major characteristics: globalisation of market presence, globalisation of supply chain, globalisation of capital base, and globalisation of corporate mindset (see figure: Assessing Corporate Globality).

WORLD VIEW

Inter-regional Distribution Of IT Sales For Selected Companies, 1993

	N America	Europe	Asia
IBM	41	33	16
Fujitsu	6	26	65
Hewlett-Packard	51	34	9
NEC	6	4	80
Compaq	45	38	5
Canon	30	29	37
Sun Microsystems	51	24	25
NTT	0	0	100
Microsoft	56	30	9

(%)

Abstracted from: Globalization of Industry: Overview and Sector Reports, OECD 1996

The first dimension — globalisation of market presence — refers to the extent to which the company targets customers in all major markets within its industry throughout the world. Even within the same industry, globalisation of market presence can range from relatively low to very high. The graphic alongside (World View) presents comparative data on the inter-regional dispersion of sales for selected firms in the information technology industry. As the data indicates, in 1993, NTT of Japan was the least globalised company on this one dimension. In comparison, IBM, Sun Microsystems and Canon appeared to be among the most globalised companies.

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The second dimension — globalisation of supply chain — refers to the extent to which the company is accessing the most optimal locations for the performance of various activities in its supply chain. It is entirely possible for a company to have fairly local or regional market presence and yet a highly globalised value chain, or vice-versa. For example, in 1999, as a key element of the turnaround strategy for British retailer Marks & Spencer, CEO Peter Salsbury announced plans to set up a global supply chain for apparel goods with manufacturing hubs in Portugal, Morocco and Sri Lanka.

Toyota is another good example of a company with a global supply chain. At the end of 1995, Toyota produced about two-thirds of all its cars in Japan; the remaining one-third were produced in wholly or partially owned affiliates in

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25 foreign countries spread over the Americas, Europe and Asia. Furthermore, the company exported 38 per cent of its domestic production to foreign markets. Aside from this flow of capital, goods and know-how between Japan and overseas affiliates, Toyota also engaged in significant intra-firm flows among the affiliates. For example, within its Southeast Asian regional network, it exported diesel engines from Thailand, transmissions from the Philippines, steering gears from Malaysia and engines from Indonesia.

The third dimension — globalisation of capital base — refers to the extent to which the company is tapping into the most optimal sources of capital on a worldwide basis. The Hong Kong-based Internet Service Provider China.com represents a good example of how it is possible for a company to be quite 'local' along the dimensions of market presence as well as supply chain, and yet have a highly globalised capital base. In 1999, China.com's market base and operations were centred primarily around Hong Kong and China. Yet, during that year, the company chose to get itself listed on the US-based Nasdaq. A listing on Nasdaq could potentially yield many benefits for China.com, including less expensive capital, enhanced ability to use stock options for attracting top talent and enhanced ability to make stock-based acquisitions.

Last but not least, the fourth dimension — globalisation of corporate mindset — refers to the extent to which the corporation as a collectivity reflects an understanding of diversity across cultures and markets coupled with an ability to integrate across this diversity. The state of any enterprise's corporate mindset depends on the mindsets of the individuals who lead the enterprise as well as the organisation that determines how these individuals interact, what information is collected, how it is processed, and how decisions are made.

General Electric serves as a good example of a company with an increasingly global mindset. All GE businesses are managed through a global line-of-business structure, investment opportunities are identified and assessed on a global basis, corporate leaders push hard to globalise 'the intellect of the company,' and, while the company has a strong worldwide corporate culture, the composition of the leadership itself is becoming increasingly diverse in terms of nationalities.

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ASSESSING CORPORATE GLOBALITY