

Global Business: Origins, Viewpoints and Six Cornerstones

Michael Chibba
*International Centre for Development
Effectiveness and Poverty Reduction*

Abstract

This paper sketches the historical and conceptual aspects of globalization and global business; and, highlights the cornerstones of global business. The perspectives offered are those of a practitioner and policy expert, and hence the discussions and analyses presented are guided by both experience and a long-standing and deep interest, and role played over the years, in matters of business, economics, policy and strategy. However, my viewpoints are tempered by the opinions and arguments of others on the subject. An important contribution of this paper is the delineation of the six cornerstones of global business – which are: business mission, policy and strategy; culture; leadership; technology, innovation and creativity; human capital; and business environment -- and the recommendations offered have a bearing on research, policy-making and teaching.

Policy Implications

- In a rapidly changing world where global businesses are seen as central to the health and expansion of economies, the difference between success and failure of a global firm can sometimes rest on what the cornerstones of GBiz are perceived to be as indeed the cases of several firms illustrate (Microsoft, Apple, RIM, for example).
- In addition to the cornerstones that are often perceived to exist in global business – that is, strategy, culture, technology, and human capital -- it is of critical importance that mission, policy, leadership and the business environment are not overlooked as they are also of central importance in all matters.
- Businessmen, policymakers, researchers, academics and others interested in the subject can gain a better insight into GBiz and take appropriate action if the approaches taken are comprehensive, rather than limited in scope, content and application.

Today, in matters of business and economics, the global corporation is viewed as a key factor in promoting employment and economic growth in a nation. But growing a business to the global level and sustaining its competitiveness is extremely challenging, even under the most favourable conditions. Bearing this in mind, the purpose of this paper is two-fold: to sketch selected historical and conceptual aspects of globalization and global business; and to outline the cornerstones of global business. The discussions and viewpoints presented are not intended to be exhaustive; rather the intent is to highlight what I view as some key points that fall within the scope of this brief paper. Moreover, as a practitioner (in the fields of business and economics) and policy expert, my viewpoint is guided by my experience, knowledge and deep interest in all matters of business, economics, policy and strategy. My perspectives are also tempered by the opinions and arguments of others, and this imparts some balance and a broader scope to the discussions and analyses presented than would otherwise be the case.

1. Globalization and Global Business

Along with the recent rise of economic globalization, the use of the term “global business” (GBiz) - in lieu of, or in addition to, the relatively established term “international business” - is increasing in virtually all business and related global contexts. GBiz is today all the rage from business schools to private enterprises to state-led global firms to researchers, academics and policy-makers. Given that there is no received wisdom on what exactly is a GBiz, I define it simply as any business that has a global or international dimension and thus the world is its business territory. To add some depth to this definition, and also to offer a semblance of the nature and scope of the subject, here are a few complementary perspectives that are prima facie self-explanatory:

“Global business consists of transactions that are devised and carried out across national borders to satisfy the objectives of individuals, companies and organizations” (Czinkota et al. 2004)

“... at the center of globalization when things go well international corporations can marshal enormous resources, spread the most advanced technology, and increase available markets exponentially ... (but)... the problems of corporations pursuing policies that impose costs on society which the firm itself does not bear (offers a simple lesson:) incentives matter, and governments and the international community must

work harder to ensure that the incentives facing corporations are better aligned with those they touch ...” (Stiglitz 2006: 187-210; parenthesis added)

“Multinational companies of the 21st century will evolve into globally integrated enterprises ... (with headquarters-based) knowledge operations distributed to other countries ... (and) through the capabilities of information and communication technologies coordinated to develop and deliver products and services for both global and local markets... (moreover) through this approach, new career routes are opened up within the company that are truly international/ global...” (Scase 2007: 165-166; parenthesis added)

Indeed, globalization and business - at both national and international levels - are closely linked. Globalization, as defined by Rugman and Hodgetts (2003) in their book entitled *International Business* is “the production and distribution of products and services of a homogeneous type and quality on a worldwide basis”. But the concept of globalization is de facto broad in scope and hence the definition depends on the viewpoint being espoused. There are at least five main conceptualizations of globalization, including discussion of its nature and origins (Moore and Lewis 2009; Steger 2009). One viewpoint suggests that globalization has ancient roots and it is a long-term process. The second perspective contends that globalization began with the emergence of the early capitalist system some five centuries ago. The third, argues that the breakthrough to globalization occurred in the 19th century. The fourth attributes the relatively recent collapse of the communist ideology as the turning point in the rise of globalization. And with the fifth conceptualization, as expounded by Moore and Lewis (2009: xiv-xv), globalization is perceived to have five dimensions: (a) “internationalization” -- or as put by Govindarajan and Gupta (2001:4), globalization is “the growing economic interdependence among countries, as reflected in the increased cross-border flow of three types of entities: goods and services, capital, and know-how”; (b) the related phenomenon of “liberalization ... (towards an) open, borderless, world economy”; (c) “universalization” (or as a synonym of “worldwide”); (d) “westernization or modernization, especially in its Americanized form”; and (e) “deterritorialization” or reconfiguration of geography, so that social space is no longer wholly mapped in terms of territorial places, territorial distances and territorial borders”. Globalization, then, is all of the above. To be sure, there are a few naysayers. Ghemawat (2011) of the IESE Business School, holds heterodox ideas on the

subject. He discounts the extent and scope of globalization by arguing - though some experts have also presented similar arguments before him - that we live in an era of semi-globalization, regardless of the criteria employed. Thus, he argues that whether one looks at indicators of global integration or free-flowing capital or the flow of information or the direction and extent of globalization or 'the myth' that the world is dominated by a handful of companies or the notion that global means homogeneity, virtually all perspectives suggest an era of partial globalization.

Nonetheless, globalization - regardless of how one views it -- does have very old roots that date back to ancient China, India, the Middle East, and the Roman empire; while GBiz arguably has its substantive roots in the East India Company (EIC), the first state-backed international business that operated from 1600 to 1874. And while it thrived in a world very different from ours today, it nevertheless has useful organizational and business insights to offer. For the EIC was also a global firm in its own right albeit with some unique characteristics. As discussed in *The Economist* (2011), in addition to being state-backed, it was granted permission by Queen Elizabeth I to operate with monopoly powers on trade east of the Cape of Good Hope; and, it was a limited liability company that had military backing -- just as its Dutch and Portuguese competitors enjoyed military support in the 17th to the 19th centuries.

In the contemporary context, there are essentially two types of global firms (though hybrids and exceptions exist as well). The first type, prevalent in the market-based or capitalist world, I refer to as "private GBiz", and this genre includes privately-held, family-owned and shareholder-owned (or listed) companies. The other type of GBiz is the state-owned firm, most notably the GBizs from China, though several exceptions exist elsewhere as well (e.g. Russia, India, Brazil, among others). The rest of this paper focuses largely on the former.

However, before I discuss the key cornerstones of GBiz, two additional viewpoints are noteworthy. The first deals with a conceptual linkage between the contemporary GBiz and EIC (and one which highlights both a drawback and certain facts about an oft-ignored side of global firms); and the second viewpoint is about the linkage between the study of international business and GBiz at universities.

Many of today's global firms share a few common characteristics with EIC. Take, for instance, the role of limited liability, which, according to Stiglitz (2006: 193-195), has three key points that are noteworthy: first, that it is a defining feature of global corporations today; second, that investors in such corporations are at risk for only the amount of money they invested in the firm; and third, that "it allows huge amounts of capital to be raised, since each investor knows the most he can lose is his investment." On the flip side, he emphasizes that limited liability can have large costs for society and this has been a major weakness of global firms, especially in terms of environmental degradation, pollution, health costs, and the like. However, as social and personal costs have mounted over the past two decades or so, safeguards are increasingly being taken, especially by multilateral organizations such as the World Bank, the Inter-American Development Bank and the Asian Development Bank, to ensure that there is due diligence and compliance with respect to the likely environmental, health, social and cultural impacts of projects and programs financed by them (with many involving cofinancing by global firms) in developing countries. Safeguards, however, need to be adopted by more governments and corporations to be globally and nationally significant at the business, economic, political and environmental levels.

Now the other point on the study of international business and its linkage with GBiz. In academe, according to Rutgers University (2012), GBiz is rooted in international business, which was first established in 1958 as a field of study based on research conducted by John Dunning at Southampton University in England and, in 1960, by Stephen Hymer at the Massachusetts Institute of Technology (MIT). Research conducted by a team led by Raymond Vernon at the Harvard Business School also helped to propel international business as a legitimate field of research, study and teaching during the 1960s and 1970s.

The discussion thus far, *inter alia*, suggests that the overall subject is both interdisciplinary and multidisciplinary. What, then, are the cornerstones of GBiz?

2. The Six Cornerstones of Global Business

Early in my career, I established a firm that grew into a modest international business. But without a sense of mission, and lacking a clear policy and strategy, the firm was rudderless and ran into some difficulties as a result. Fortunately, the fundamental

role of a firm's mission, policy and strategy in GBiz was further reinforced through work I undertook at a broad scope of organizations including private and public sector firms, lobbying groups, government, and international organizations. An important lesson was learned and, henceforth, I ensured that mission, policy and strategy would never be ignored in GBiz. A second lesson I learned, also relatively early in my career, was that the leadership of the firm is critical to its success. For example, a management and international development consulting firm I worked for won numerous new contracts on the strength of its corporate leadership, of which I had the good fortune of being a part of. The third lesson I learned was never to overlook the business environment: in Africa, South America and the former Soviet Union, despite good intentions, planning and determination, a poor business environment was a major drawback in business endeavours.

Thus, in this paper, by drawing from a few decades of my own international business experience, my long-standing interest and role in matters of policy and strategy, and coupled with a literature scan (including works by Clemmer and McNeil 1988; Rugman and Hodgetts 2003; Chibba 2005, 2009, 2012; Leung et al 2005; Stiglitz 2006; Scase 2007; Steger 2009, Gupta and Wang 2009; Ariely 2009; Ghemawat 2011, and others), I view the key cornerstones of GBiz to be (all of which are perhaps equally important): (i) business mission, policy and strategy; (ii) culture; (iii) leadership; (iv) technology, innovation and creativity; (v) human capital; and (vi) business environment. As such, this thematic list is broader than the usual strategy-technology-culture-human capital nexus espoused by many observers. But, in my experience and outlook - as suggested above - it is a flaw to overlook the fundamental and pivotal role played by mission, policy and strategy, leadership, and the business environment. I do believe -- to employ metaphors and to draw an analogy -- that the 'forest' is much bigger, the 'trees and species' more numerous, and the 'ecosystem' is complex; hence the six cornerstones to GBiz.

I. Mission, Policy and Strategy

The overall mission of a GBiz (or, for that matter, any private enterprise in a capitalist setting) is a healthy bottom line and, possibly, shareholder value. To be sure, there are other viewpoints as well, especially on shareholder value. Stout (2012: 11-12), for example, suggests that "shareholder value ideology ... is inconsistent with corporate law; misstates the economic structure of public companies; and lacks persuasive empirical support ... if we want our corporations to perform better for

investors and the rest of us as well, we need to revisit the wisdom of shareholder value thinking." Stout is right, as there is a fairly extensive body of literature that points to the end of the shareholder value ideology. For our purposes, therefore, profit is the *raison d'être* of a GBiz.

Increasingly, however, the complementary objectives of being in business are the societal and market-based mission of a firm, closely tied to which is the company policy. In addition, the corporate culture, which incorporates or reflects the firm's values, vision and *modus operandi*, has a hand in the GBiz's mission and policy.

Mission, policy and corporate culture are of course linked to a firm's strategy, which has the following elements: the objectives (the deliverables or strategic results sought), the plan (how the objectives are to be achieved), and results-based management (accomplishing the objective through monitoring, evaluation, adjustment and follow-up). Put differently, as stated by Collis and Rukstad (2008:85; parenthesis added), strategy is 'what our competitive game plan (is or) will be'.

Not surprisingly therefore, mission and policy are only as good as the strategy employed. As a case in point, consider Research in Motion (RIM), the maker of BlackBerry handsets and one of Canada's stellar global firms until recently. RIM has seen its market share plummet over the last two years in response to stiff competition from Apple Inc's iPhone and other handset makers that use Google Inc's Android software (Marlow 2012). Continued weaknesses in the global economy are also exacerbating RIM's market share. Importantly, RIM's old strategy for growth, competitiveness and success relied on stellar human resources, leading-edge technology, and acquisitions. But its strategy, fragmented and lacking both cohesion and a comprehensive foundation soon fell apart -- and this is an important lesson to bear in mind. A related lesson is that RIM's leading competitors (especially, Apple and Samsung) had a similar strategy that did not ignore a holistic perspective, and had one additional difference as a result - it was attuned to, and ensured that products were responsive to, customer preferences.

Under the current circumstances, RIM has chosen a new or revised strategy that is three-pronged: a leaner organization, operational efficiency, and operational effectiveness. But the underlying weakness in its BlackBerry 10 -- an experimental prototype which was recently unveiled -- is that it is closer in concept to handsets offered by its leading competitors (a touchscreen and a more 'app friendly' product). This strategy

may fail as it emulates the current leaders and does not involve a shift in its focus to the next generation of smartphones. As such, RIM's strategy is centered on survival rather than on regaining its competitive edge and leadership position.

The case of RIM and its competitors exemplifies why strategies matter immensely. And they matter to the extent that the 'wrong strategy' (or a poorly designed one) can sometimes lead to the decline, and possible demise, of a global firm; and the 'right strategy' (a well formulated and appropriately implemented strategy) can often lead to continued survival, growth and sometimes even dominance of a market.

II. Culture

Culture is another critical factor in GBiz (note that corporate culture is not included in this sub-section as it is a distinct field of interest and it was incorporated above under Mission, Policy and Strategy). There are, however, two key points that I want to elaborate about culture here. The first is its research and definitional dimension; and second, the nature of its 'simplistic' but nevertheless powerful role in GBiz.

In 2005, Leung et al. conducted a 'state-of-the-art' review of culture and GBiz with a focus on research on the subject generally and with specific references to five key areas: cultural convergence and divergence (i.e. are cultures becoming more similar under globalization?); cultural change (what are the dynamics of cultural change?); novel constructs of culture (what is new about culture?); moderating effects of culture (when is culture important?); and experimental approaches (how to test the effects of culture experimentally?). They outline the key implications for research and conclude that "culture is such a fuzzy concept that we need to probe it with all the tools we have at our disposal" (p. 375) to unlock the complex conceptualizations of culture. In particular, they call for action on four fronts: (1) development of mid-range dynamic frameworks of culture; (2) mapping of more complex effects of culture systematically and integrating them appropriately in theoretical models; (3) precise descriptions of the complex relationships in different cultural contexts with respect to socio-economic-political variables; and (4) pursuing experimentation, which provides a powerful tool to probe causal relationships (hitherto a neglected area as GBiz research is largely correlational in nature).

But a limited view of culture can also be useful. Take for example a rather 'simplistic' view

of culture – as implied, for example, by a term or product name in a foreign language – which, nevertheless, has a lot of significance in the real world of international business. The case of Ikea, a Swedish global firm, is exemplary in this regard. Specifically, Ikea "has hired translators in Thailand over concerns its product names could run afoul of the country's conservative mores ... radden, a retail name for a bed sounds similar to a sex act in Thailand ... Jattebra, the name of a plant pot, can echo a crude Thai term for sex ... (meanwhile) Vicks cough drops became Wicks in Germany, because the word 'vicks' is slang for (you guessed it) sex." (Infantry 2012; parenthesis added). Often, these rather simple tweaks in aspects of a sales and marketing strategy matter more in GBiz than plausible and complex theories, as important as they might be for research and theory-building purposes.

In short, culture is a core factor in GBiz. Lastly, as noted by Ghemawat (2011), GBiz and globalization – or semi-globalization as is the reality today according to him - are shaped by 'familiar things', such as cultural ties among nations.

III. Leadership

"Leadership is the art of accomplishing more than the science of management says is possible".

Colin Powell, Former U.S. Secretary of State

Leadership has always been a core factor in the success of any business, and perhaps relatively more important in GBiz. As Kouzes and Posner (2003: xxi) have aptly noted with reference to the global economy and the global marketplace, "global leadership means global understanding. How do you lead in a world that is so fragmented? How can a leader unite such a diverse and disparate constituency?" Clemmer and McNeil (1988) were one of the early proponents of "leadership skills for exceptional performance", a treatise by them that rings true to this day in matters of business and economics. In all the global firms that I have worked for or led, leadership was more often than not a core aspect of the success of the firm.

Apple's rise and sustained and phenomenal growth over the years, for instance, is attributable in large part to Steve Jobs' stellar leadership qualities and performance. Whereas, Microsoft Corporation, despite its stellar record of success in global business, is perhaps a good example of how it has seen its competitive edge vanish in certain business ventures as a result of its current C.E.O.

As Eichenwald (2012) argues, “since 2000, as Apple, Google, and Facebook whizzed by, (Microsoft) has fallen flat in every arena it entered: e-books, music, search, social networking, etc. etc.” And he points the finger at Steve Ballmer, Bill Gates’ successor, as the man who led Microsoft astray. Eichenwald’s use of hyperbole, however, needs to be tempered to the reality that the duo of Gates and Ballmer commandeered the prolonged success of Microsoft over several decades and the iconic global firm is still the dominant force in its field. Despite its failures in several new ventures, Microsoft has also succeeded in a few new ventures, most notably in the surprising success of the X-box. The message here is that no matter how one looks at it, leadership is a key cornerstone of GBiz.

IV. Technology, Innovation and Creativity

It is not an exaggeration that the fundamental role of technology, innovation and creativity (TIC) is indisputable in the world of GBiz. For TIC have always served to define and shape the nature, and indeed the life and death of many global enterprises. After all, as the industrial revolution in Europe bears testimony to the fact, both businesses and entire nations have seen their fortunes rise or fall on the strength of TIC.

The case of RIM, discussed earlier, is a good example of how a GBiz, in terms of TIC, strategy and human capital, has fallen from grace (and from the lofty heights of what was a hugely successful global firm). To offer another example, according to Townsend (2012), Nike has used TIC to produce new running shoes that are spun, not sewn, and this is reducing the use of materials, time, labour and costs in footwear manufacturing. A revolutionary invention that is changing the nature of footwear manufacturing that has huge implications for all aspects of Nike’s business and that of its competitors.

V. Human Capital

Of necessity, human capital is an integral part of GBiz. In my numerous projects overseas for various private sector firms and international organizations - whether operating in Asia and the Pacific, or in Latin America and the Caribbean, or in Africa - the human capital employed was always critical to the impact and outcomes we achieved. In one major project in Asia, for instance, the members of the team were so mismatched to the requirements and demands (including cultural aspects or cultural sensitivity) of the endeavour that we constantly ran into performance problems.

In other words, while the other cornerstones of GBiz are indispensable, they are but intrinsically tied to human capital for it is the backbone of any global corporation. Whether one talks about acquisitions (viewed, in some cases, as ‘mere talent grabs’ – see, for example, Dobby 2012), or vision and strategy (driven by a C.E.O. and/or by ideology), or leadership (the corporate head and how he leads his GBiz), one is talking first and foremost about human capital. In Scase’s (2007) view, the next generation of global firms will be defined by their human capital.

VI. Business Environment

“The global business environment can be defined as the environment in different sovereign countries, with factors exogenous to the home environment of the organization, influencing decision making on resource use and capabilities. This includes the social, political, economic, regulatory, tax, cultural, legal, and technological environments.” (Wiki 2012)

The business environment in a nation is a pivotal factor in GBiz. Governments have a fundamental role to play in ensuring that the country’s business environment not only reflects its ideology or development paradigm, but also facilitates foreign investment and thus has a hand in promoting national economic growth, employment, technology transfer and support for small and medium enterprises (i.e. through the new value chains that investment begets). Thus, countries vie for foreign investment. Algeria, for instance, has taken a two-page advertisement in *The Economist* to highlight its ‘stable climate for foreign investment’ (*The Economist* 2012). And Bombardier, which is the world’s only manufacturer of both planes and trains, has selected Morocco for its new manufacturing plant because of the business environment that that country offers, including many tax and financial benefits, a new aerospace training program, a low-cost labour force, proximity to Europe, a “free trading zone area”, and quality industrial and educational infrastructure (Bombardier 2012).

3. Concluding Remarks

In a rapidly changing and highly competitive world, global businesses are seen as central to the health and expansion of economies. The difference between success and failure of a global firm can sometimes rest on what the cornerstones of GBiz are perceived to be as my experiences, the

opinions of others, and the cases of several firms have illustrated.

From a practitioner's and policy/strategy expert's viewpoint, I have argued that GBiz is shaped by six cornerstones or key factors: (1) mission, policy and strategy; (2) culture; (3) leadership; (4) TIC; (5) human capital and (6) the business environment.

Businessmen, policymakers, researchers, academics and others interested in the subject can gain a better insight into GBiz (and take appropriate action) if the approach taken is comprehensive rather than limited in scope, content and application.

Michael Chibba is Managing Director & Distinguished Fellow at the International Centre for Development Effectiveness and Poverty Reduction, Canada.

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