



Global Strategy & Organization

Joe Santos

Class 3, 4, & 5

"Home, Sweet Home"



Photos courtesy of [Adam Lederer](#) (left), [Matti Mattila](#) (right) on Flickr.

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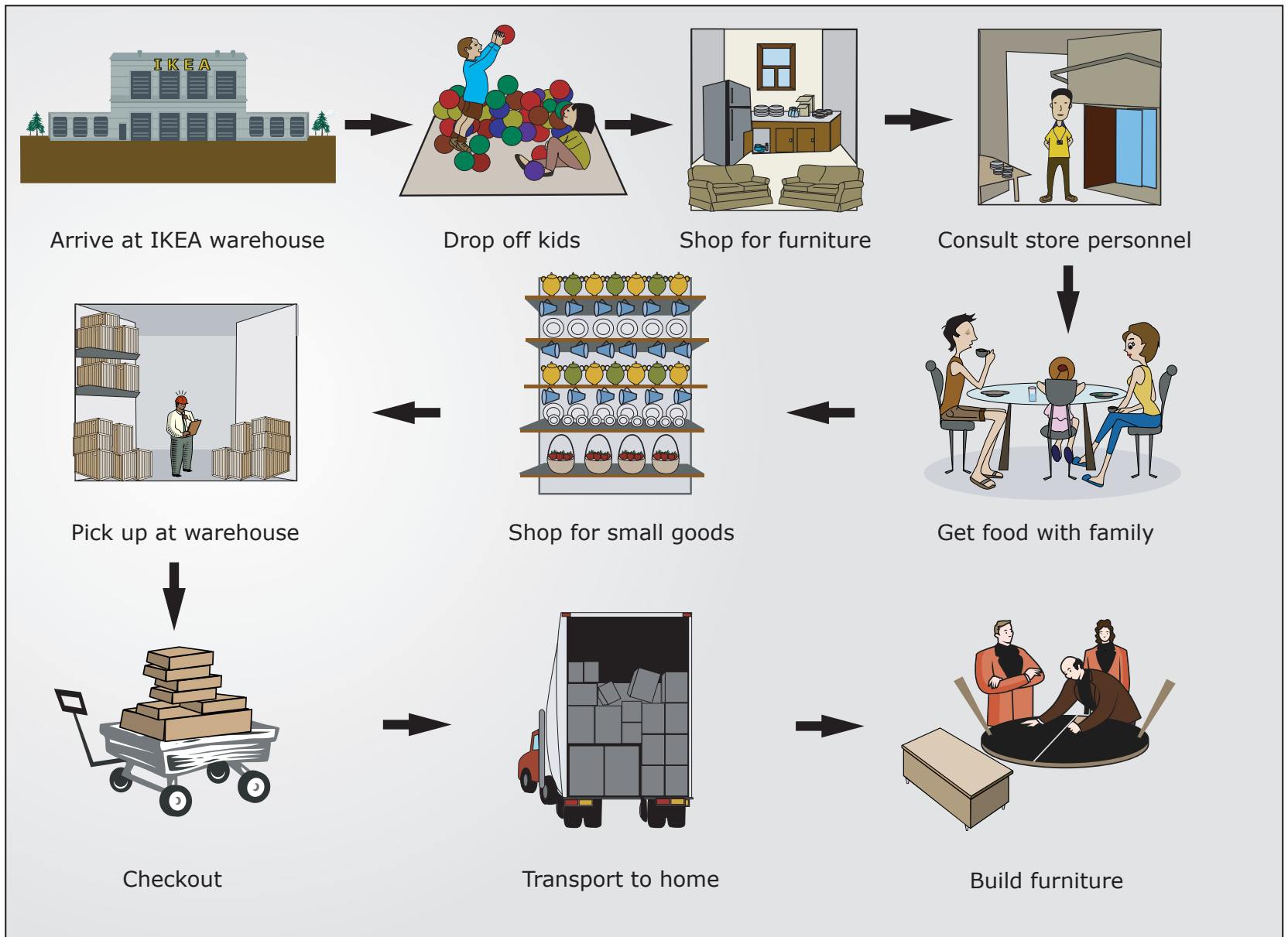
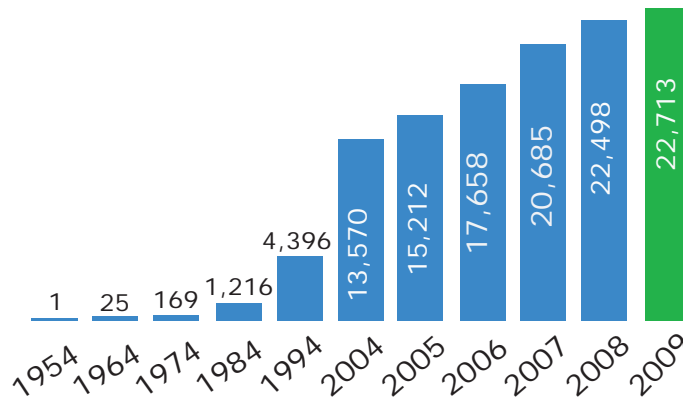


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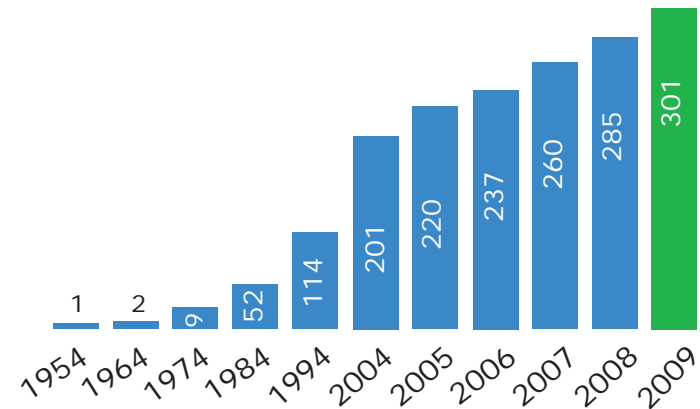
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IKEA Facts and Figures (2009)

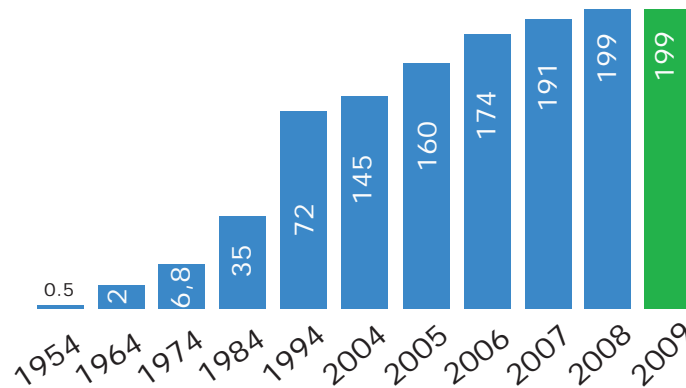
TURNOVER (million EURO)
Of all IKEA stores
(Sales tax excluded)



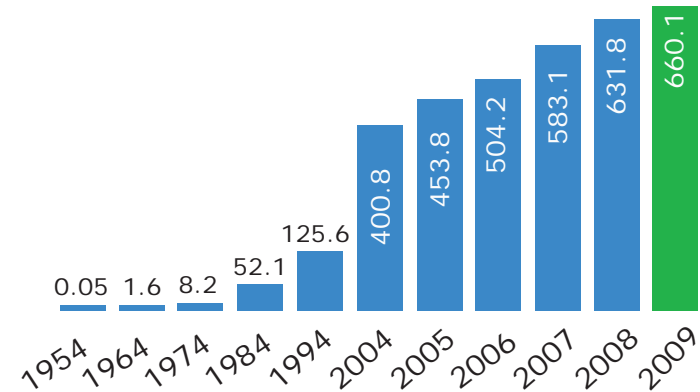
STORES
All operate under
franchise Inter IKEA
Systems B.V



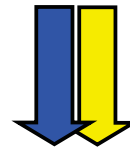
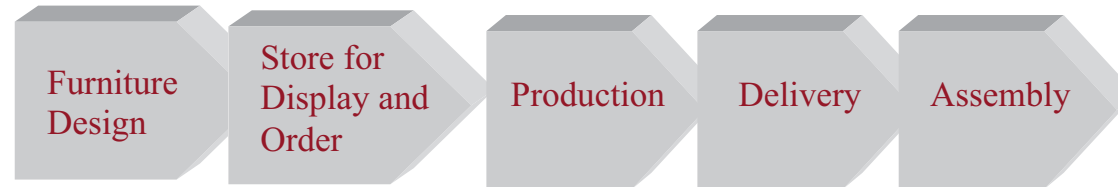
CATALOGUES (millions)
Printed in 56 editions
and 27 languages



VISITS (millions)
To all IKEA stores
world-wide



The traditional furniture business:
Low scale “build-to-order” + slow full-service at a high price



Sweden
(~1955 ~1970)

IKEA’s business model (“radical”) innovation:
Large scale “build-to-stock” + instant satisfaction (and more) at a low price



"Home, Sweet Home"



Image of Swedish dolls removed due to copyright restrictions.



Photos courtesy of [Adam Lederer](#) (top), [Richard Bott](#) (left), [John Edgar Park](#) (middle), [Matti Mattila](#) (bottom) on Flickr.

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IKEA is Swedish because...

1. The non-mobile resources required to produce its breakthrough innovation were available in Sweden
2. It found the optimal combination of resources through an emergent process of interaction with local customers, competitors, and shareholders *in* Sweden (~1955-70).
 - i. IKEA's performance worldwide was superior because the local optimum in Sweden was a global optimum (Porter, 1990) ...
 - ii. ... and it found such local optimum with superior efficiency than other Swedish companies to whom the same resources and combinatorial context were available ...
 - iii. ... and it increased its geographic scope in such a way that its original national advantage was at least maintained.

National companies ... turned “global”

Examples:

- Siemens
- General Electric
- Louis Vuitton
- McDonald's
- IKEA
- IBM
- Camry
- Ford
- Amorim
- Boeing

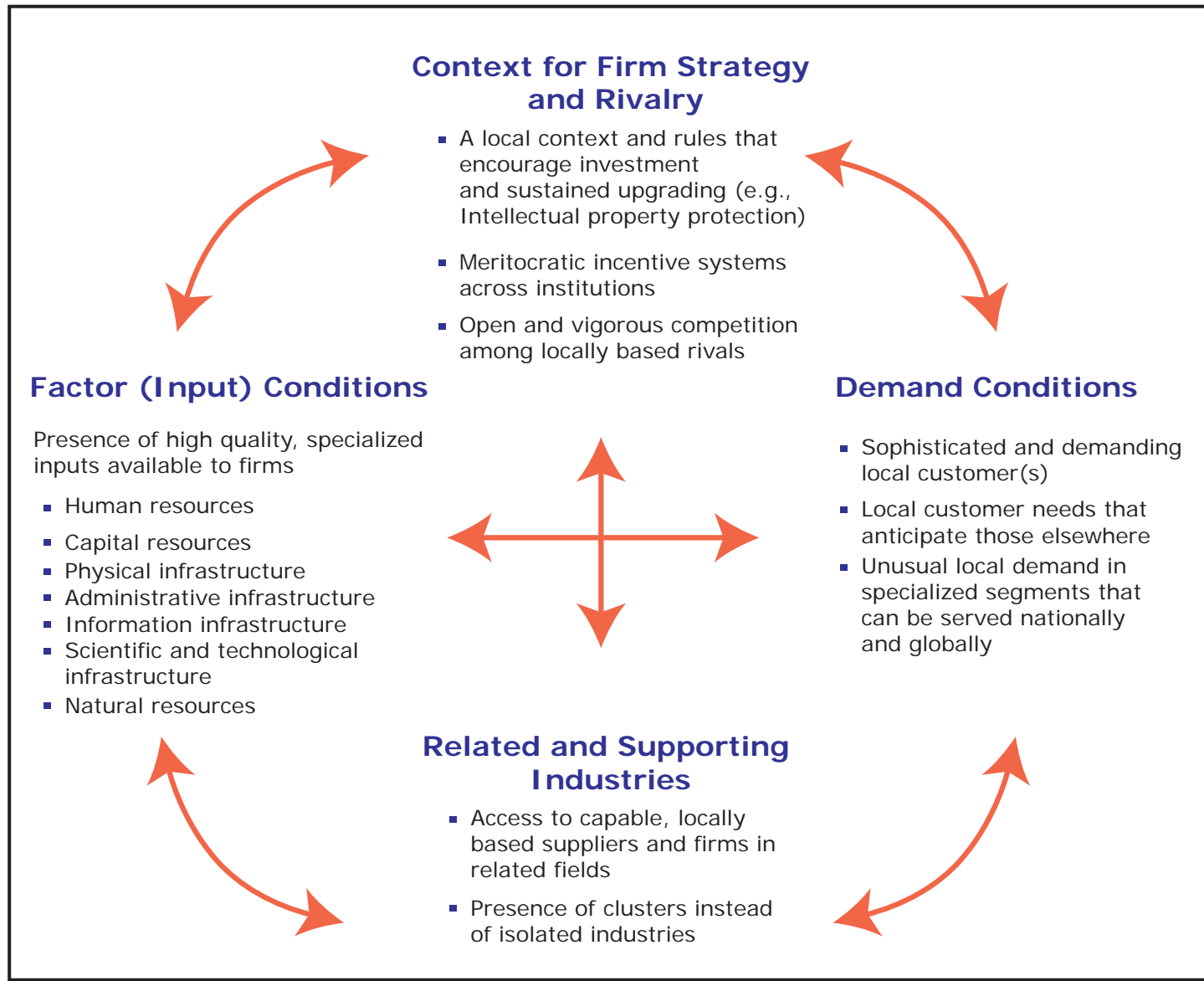
The primacy of “Home, Sweet Home”

- ✓ The home-base of the “national” company turned global success provided the company with a set of key success factors:
 - ✓ The ideal cultural context and institutional environment
 - ✓ Local access to superior technologies and capabilities
 - ✓ The origin of critical resources, key suppliers and complements
 - ✓ Intense competition
 - ✓ The most demanding customer base
 - ✓ Lead (advanced/knowledgeable) users

(Sources: M. Porter; Kogut, Redding, ... (Marshall, Vernon, Krugman, Lorenzoni, von Hippel...)

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The “competitive advantage of nations”



(Source: Porter)

Image by MIT OpenCourseWare.

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The *Cluster* as Home

Examples:

- Silicon Valley
- GM
- Chrysler
- Ford

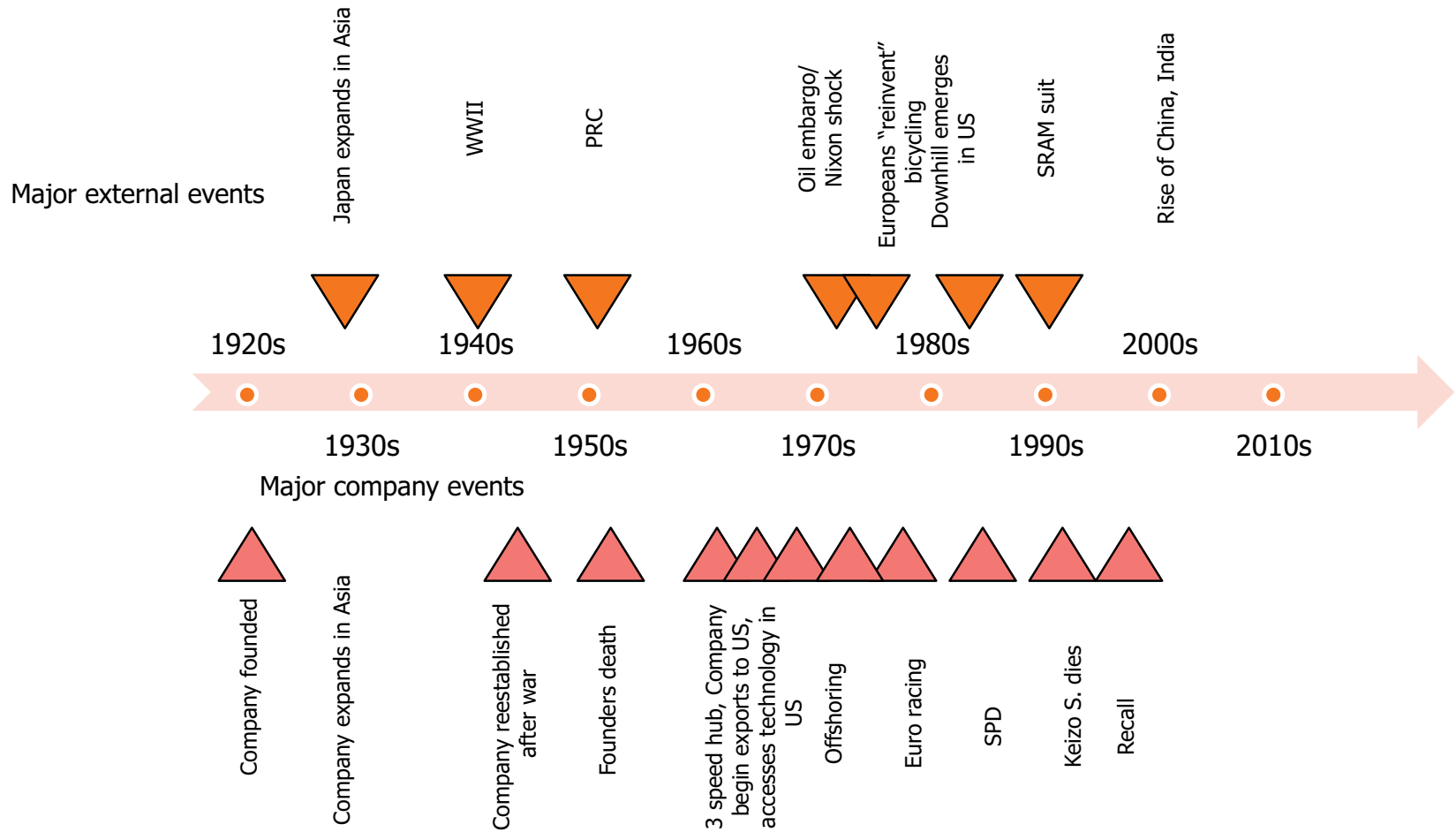
The primacy of “Home, Sweet Home”

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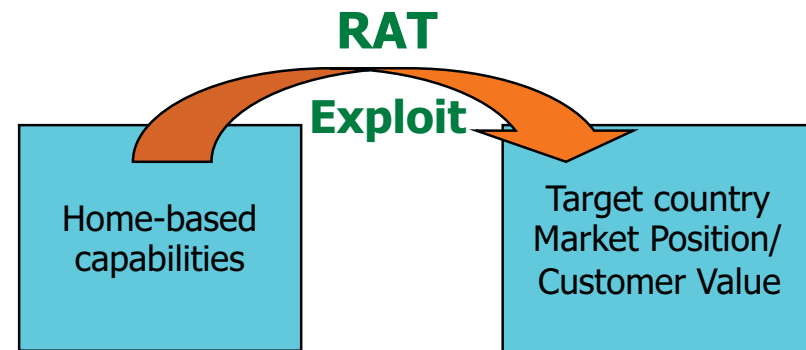
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Shimano's Timeline



Internationalization 1.: *Exploiting* Capabilities

- What capability(ies) do we have that we seeking to exploit internationally?
- Do they pass the RATs test in a particular *target country*:
 - Are they **R**elevant?
 - Are they **A**ppropriable?
 - Are they **T**ransferable?

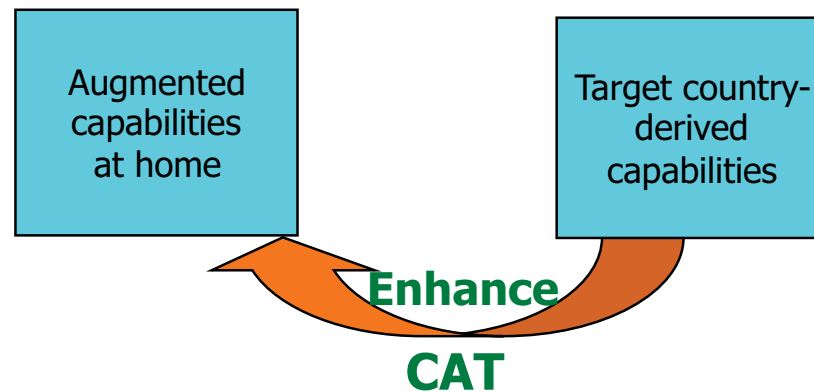


Source: Lessard et al, 2012 (forthcoming)

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Internationalization 2.: *Enhancing Capabilities*

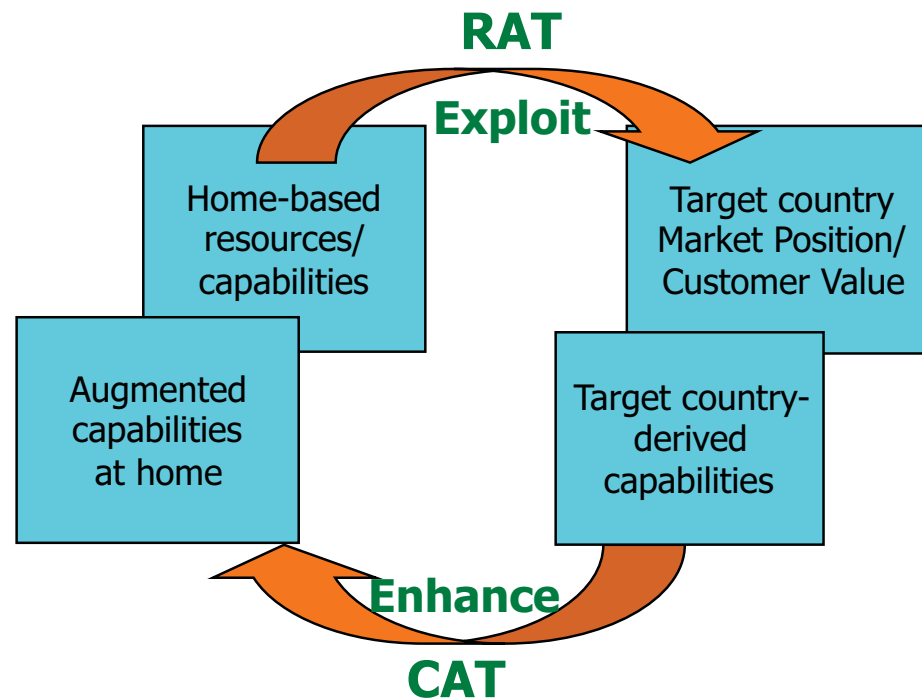
- What capability(ies) might we tap in a particular *target country*?
- Apply the CATs test:
 - Are they **C**omplementary?
 - Are they **A**ppropriable?
 - Are they **T**ransferable?



Source: Lessard et al, 2012 (forthcoming)

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Internationalization: The Full Cycle



Source: Lessard et al, 2012 (forthcoming)

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Renault-Nissan

Yoshikazu Hanawa and Louis Scheitzer
sign the agreement between Renault and
Nissan in Tokyo on March 27, 1999.

1999

ALLIANCE VISION - DESTINATION

The Renault-Nissan Alliance is a unique group of two global
companies linked by cross-shareholding.

- They are united for performance through a coherent strategy,
common goals and principles, results-driven synergies, shared
best practices.
- They respect and reinforce their respective identities and brands.

2004

Japanese? French?

Photographs of Nissan and Renault car models removed due to copyright restrictions.

(Source: Corp. presentations)

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In a *Global World*:

- The “cost of distance” is so low that it ...
 - Eliminates the profitability of arbitraging things that are easy to move
 - Increases the intensity of global competition and transnational production
 - Traditional sources of superior performance (such as scale or low labor cost) become *requirements* for *normal* performance (that is, for competitive parity, not competitive advantage)
- Competitive advantage is primarily based on *knowledge* (skills, technologies, user experience, ...) and other *intangibles* (reputation, culture, institutions) that are very hard to move or copy.
- *Knowledge (of the “hard to move” kind) is increasingly dispersed around the world*

(Source: Doz, Santos, & Williamson, “From Global to Metanational”)

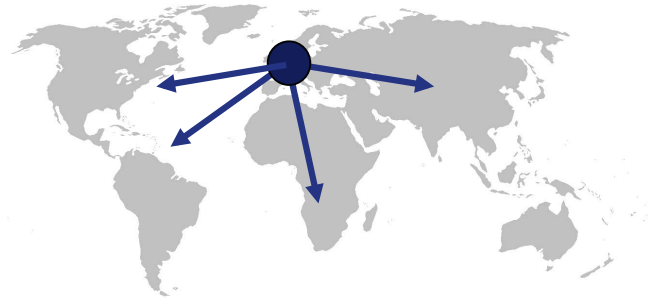
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Global Advantage: National or Metanational?

National

Superior performance depends on the attributes ("pitch") of national origin

Projecting to the World

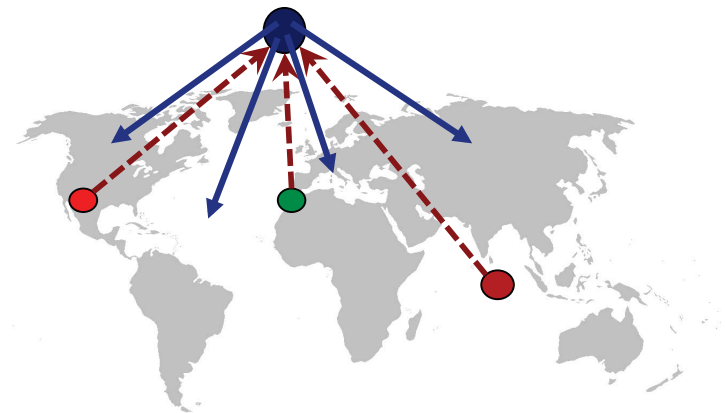


(Porter, 1990)

Metanational

Superior performance depends on the capabilities of the organisation and management team

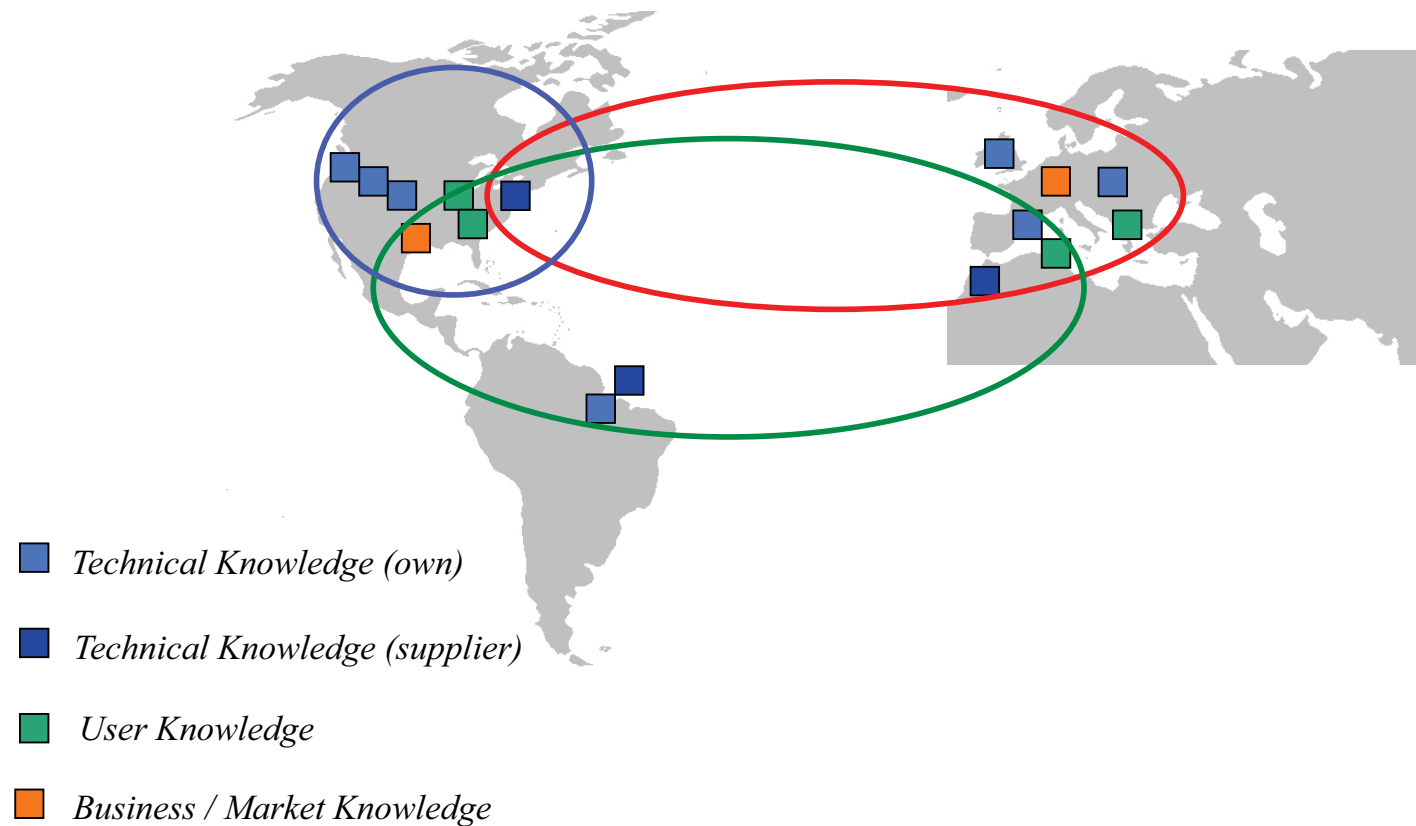
Learning from the World



(Doz, Santos, & Williamson, 2001)

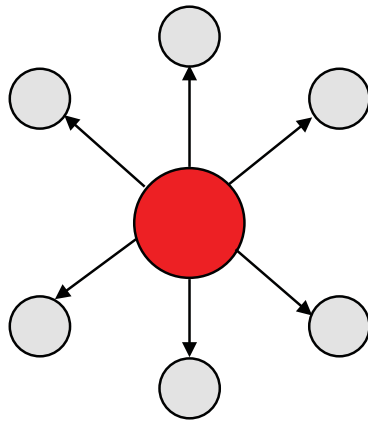
The Roots of Competitive Advantage and Global Market Leadership

Innovating by melding home-base knowledge or globally dispersed knowledge?



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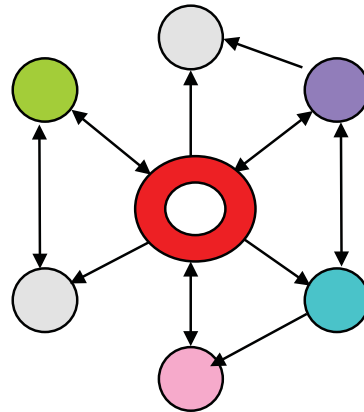
The Roots of Global Superior Performance



Projecting home base advantage into different countries

National

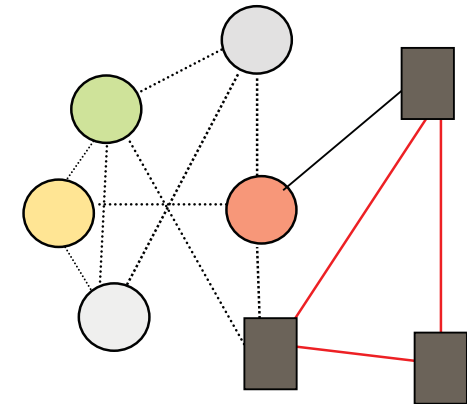
National exploration provides the sufficient factors for competitive advantage at the World level



Augmenting home base advantage by exploiting capabilities and market insights from different countries

National Plus

National exploration provides necessary factors that are complemented globally for competitive advantage at the World level



Sensing and melding multiple capabilities and market insights across countries

Metanational

International exploration provides the sufficient factors for competitive advantage at the National or World level

Why Internationalize

IKEA

“National” Advantage

Internationalizing to exploit home-based competitive advantage.
The World as a source of efficiency and continuous improvement.

Shimano

“National Plus” Advantage

Internationalize to exploit *and* enhance home advantage.
The World as a source of efficiency and discontinuous improvement.

Renault Nissan

“Metanational” Advantage

Internationalize to create competitive advantage.
The World as a source of breakthrough innovation.

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