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Globalization: History Repeats (Chapter 1 from Distributed Team Collaboration in Organizations: Emerging Tools and Practices)

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Distributed Team Collaboration in Organizations:

Emerging Tools and Practices

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Chapter 1
Globalization:
History Repeats

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ABSTRACT

The strategy to improve business results through globalization has become increasingly common. Success in reaping the business value intended from a globalization strategy is, unfortunately, not as common. As national boundaries blur and everyone grows more connected through global collaboration, the dynamics of organizational life grow more complex. These complexities offer challenge, confusion, and frustration – but also great opportunity! The key to achieving improved business results does not hinge on strategies alone, but also on our ability to effectively lead global product and service development teams to successfully execute the strategies. Those struggling the most are the practitioners who find their historic team leadership practices ineffective in today's global business model. To effectively lead a global team, one must first understand the forces driving our companies to a global business model. This chapter focuses on the forces that fuel and constrain globalization.

INTRODUCTION

The pressures from emerging markets, converging markets, technological advances, customer demands, employee demographics, product sourcing, and organizational resourcing have fueled the use and need for distributed work teams, globalization of activities, and the discipline of international management. All of this focus is usually in search of improved business results.

Undeniably, our globe is quickly becoming a smaller, flatter, and a more level playing field on which every sector of business can and does compete. The challenge in front of us, however, is that small, flat, and level are not synonyms with easy or effective. Indeed, competing in the global

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environment increases complexity and ambiguity which is tempered by significant barriers and challenges for executive managers and global team leaders (Table 1).

BACKGROUND: GLOBALIZATION FORCES

The idea of globalization is not a recent revolutionary occurrence, but rather an evolution started centuries ago that is still evolving today. Visionary leaders have recognized that competitive advantages can be gained over their rivals with an effective globalization strategy. This is especially true when coupled with an equally effective global execution model for product development or service delivery. Current globalization leaders have established a recognizable competitive advantage in their respective industries, but it should also be recognized that their competitive advantage was not established overnight. In fact, globalization leaders have spent many years and have learned many hard lessons establishing their global business models. In contrast, newcomers to the globalization game – which we call globalization followers – are in many cases being forced into the global arena in order to compete with and survive against the globalization leaders. It is within the organizations of the globalization followers that we see the greatest challenges and barriers to effective global team leadership.

Globalization does not have a singular cause or influence, but rather is driven by a set of forces that have operated interdependently throughout recent history. Knowledge of the three primary globalization forces – economic forces, political forces, and technology forces – provides senior managers and global team leaders a greater context for understanding the environment in which they operate. Understanding this context can help free the global team leader from feeling as though the global challenges they face are a result of poor senior management decision making, but rather are part of the dynamic environment within which all global businesses operate.

To be an effective global leader requires us to become competent in global business acumen and to develop a world view. Global business acumen includes the ability to comprehend our business environment in its entirety, while world view refers to developing an awareness of the global environment to include social, political, and economic trends (Cohen, 2007).

Economic Forces

The basis of global economics involves the creation of economic interrelations across geographic boundaries as defined by the world's nation-states through the production, exchange, and consumption of goods and services (Smith, 1776/1994). Global economics is stimulated by the flow of money and capital by large and small transnational corporations, international economic institutions, and trading systems that create interdependencies between national economies.

World economics of the past several centuries has been dominated by two philosophies: free-market economics and Keynesian economics. Free-market economics is rooted in the view of Adam Smith (1723-1790) who defined markets as self-regulating mechanisms that drive toward a balance between supply and demand of goods and services. Within a free-market system, trade in goods and services between nations is unhindered by government-imposed restrictions such as taxes, tariffs, and quotas. Free-market economics is characterized by free access to markets, free movement of labor among nations, and free movement of capital among nations.

Keynesian economics, on the other hand, advocates a nation-state influence of world economic policy. Jon Maynard Keynes (1883-1946), the father of Keynesian economics, believed that economic systems would not automatically balance by themselves; therefore macro-economic control by government institutions was needed

Table 1.

Scott Jones, Keytron, and Globalization

As Scott Jones hung up the phone, the reality of his situation began to set in – there are globalization leaders and there are globalization followers, and he was working for a globalization follower. Both he and the company he works for are feeling the pressure to rapidly catch up competitively to the globalization leaders within their industry.

Several months prior, Jones was offered and had accepted the Director of New Product Development position with a company in the consumer electronics industry named Keytron. Although he was not looking to change employers, he felt his career had reached a plateau, and a new challenge would be welcomed if the right opportunity presented itself. At the time, the position at Keytron seemed to be that right opportunity. Now, however, he was not so sure.

Even though Keytron is not one of the top enterprises in the consumer electronics industry, they have grown at a consistent and healthy rate and have plans to continue increasing their market presence. Primarily through a strategy of mergers and acquisitions, they are positioned to be one of the world's top five consumer electronics companies within the next five to seven years. As Director of New Product Development, Jones sees that he will be at the heart of the company's engine of growth as they create innovative products for new and expanding markets. However, this is a very different and more complex environment than what Jones has experienced to date. As a result of the mergers and acquisitions strategy, new product development at Keytron is now distributed across several countries and continents. Product design is performed at five sites – two in Europe, two in the United States, and one in India. Additionally, product integration and testing occurs in Mexico, final production is in the process of being transferred from the United States to China, and a major component for many of Keytron's products is designed and manufactured by a strategic alliance partner in Korea. Jones' new product development teams are now highly distributed across the globe and thus face many more challenges than Jones originally envisioned.

As the person responsible for improving Keytron's development performance in a highly distributed and global environment, Jones realized he was in a predicament. This highly distributed model is entirely new to him. New product development at his previous employer was performed at a single site in the United States and the new product development teams were co-located and highly integrated. Because of this, he lacks the direct experience in leading highly distributed global teams from which to draw upon and use in his new role. Like any good senior leader, however, he began looking to his network for people that he knew possessed the direct experience in leading global teams for advice, guidance, and support.

Jones decided to first contact one of his industry colleagues who has experience working for a large multi-national company. Like Jones, Melissa Doyle was a new product development director and worked for a leading manufacturer in the high-tech industry. As Jones and Doyle began their conversation, Jones explained that he had taken a new position since they met last, and was contacting Doyle in hopes of gaining some best practice advice on how to effectively lead global teams.

Doyle congratulated Jones on his new position and gave his inquiry careful consideration. After several minutes of non-specific conversation, Doyle responded that she honestly could not pinpoint her company's best practices for leading global project and program teams. She certainly agreed that her company was a leader in globalization strategy and execution, but she could not identify the handful of things that constituted their leadership position. She went on to explain that working in highly distributed teams was just how they did things at her company, and it is how they have been creating their products for over 20 years. They began working in highly distributed development teams long before most other companies came to realize that doing so could provide a competitive advantage. Distributed teams have merely become a component of their company culture, Doyle concluded.

This conversation led Jones to realize that Keytron was a globalization follower, not a globalization leader, and that he and his company were playing a game of catch-up to the globalization leaders within the consumer electronics industry. In fact, they were just beginning the transition process from a domestic-focused company to a global-focused company, and as such they were experiencing problems associated with leading highly distributed teams. Even though they were now operating in a global environment, the company's business processes, tools, and organizational and team structures were still based on a local development model in which much of the work was performed at a single site and within a common business and country culture. Additionally, the global project team leaders working for Jones were struggling to overcome the cultural, communication, time zone, and distributed virtual team challenges they were now facing.

As a result, Keytron's development teams seemed to be in disarray. Poor cross-team communication was causing severe development delays, poor documentation and disjointed work hand-offs were resulting in mistakes and rework, and a breakdown in trust had occurred due to continual finger-pointing, scapegoating, and blame for missed deliverables and goals. Additionally, organizational, functional, and geographic silos were causing a focus on local solutions instead of a single globally-integrated product solution. To make matters worse, a recent investment in a suite of new software-based collaborative tools had failed to improve the situation, and could actually be making matters worse by diverting attention away from some of the core problems causing the poor global execution. Needless to say, Keytron's product development performance was at risk and therefore their strategic goal to be one of the world's top consumer electronics companies was in jeopardy despite their growth strategy of targeted mergers and acquisitions of other companies.

Jones' predicament is not an isolated case. Like many others today, he finds himself in a business environment that is becoming increasingly more complex as organizations attempt to grow their firms globally. As a result, conventional ways of developing products and services that he has become familiar with during his career are no longer effective – Jones is feeling the pressures of globalization.

Are you feeling the pressures of globalization? If your answer is "no," you may not be paying close enough attention to your market, industry, customers, workforce, and the trends associated with each. It has been argued that our globe is quickly becoming smaller, flatter, and thus creating a more level playing field for organizational work (Friedman, 2006). The pressures caused by competition for global market share, for the world's most talented people, and the sheer desire for competitive advantage, fuel these occurrences. In this century, organizational leaders in every sector of every business must look globally for knowledge, skills, and abilities to achieve improved business results. The intellectual skills necessary for creative thinking and innovation as well as production and operational abilities are available and ready for use by any organization in the world. Many of them have already been tapped by companies that are successfully executing their globalization strategies. Some of these companies might be your direct competitors. So, we ask again, are you feeling the pressures of globalization?

to ensure balance and equity within an economy. This balancing includes controlling money supply, interest rates, and market access.

Today, the three most notable, and arguably most influential, economic institutions that were born out of Keynesian economics are the International Monetary Fund (IMF), the World Bank (WB), and the World Trade Organization (WTO). The IMF and WB were created near the end of World War II to administer an international monetary system and to fund development projects in developing countries. The IMF oversees the global financial system by observing exchange rates as well as offering financial and technical assistance. The WB is an internationally supported bank that provides loans to developing countries for development programs with the stated goal of reducing poverty (World Bank, 2010). The WTO was created in 1995 as the successor to the General Agreement on Tariffs and Trade to deal with the rules of trade between nations and is responsible for negotiating and implementing new trade agreements between nation-states (World Trade Organization, 2010). These three institutions continue to be instrumental in influencing the rules of the global economy by controlling international monetary and trade policy.

Whether dominated by free-market policy, Keynesian policy, or a combination of the two - which is dominant today in developed and rapidly developing nations - economics is the primary force behind globalization. It has been economics that has driven the world's entrepreneurs to seek new markets for their goods and services, find new suppliers for their raw materials, and develop world-wide sources for production.

Political Forces

World politics is the second primary force that drives globalization. Economic globalization forces have rarely been able to operate independently because most often global economic expansion and contraction is set in motion by a series of political forces. The basis of world politics is the generation, distribution, and control of power and influence (Business Week, 2006). For many centuries, control of power has been achieved by creating territorial lines that become defined as nation-states. In doing so, artificial boundaries have been created that allow us to view the world as a series of 'domestic' and 'foreign' relationships.

Political globalization involves the partial permeation of these nation-state boundaries in order to expand the trade of goods and services. Fledgling entrepreneurs have not been able to achieve expansion of their businesses on a global basis without the support of their governments, and of the governments of their trading partners. For example, the three major economic institutions described above – the IMF, WB, and WTO – were all created as a result of the formation of new global political policy following World War II.

The direction of globalization is generally guided by the political agendas of the world's most influential nation-states. Governments play an extensive role in globalization by exerting their political agendas through the opening and closing of free markets. While recently we have seen the world influenced by the decisions of the Global-20, over the past 50 years, governments (primary the United States and Russian governments) have funded the early development of technologies that were later commercialized and are now common in our personal and work lives today. Many of these advancements came out of the competition and conflict between the United States and Russian governments in trying to win the race to the moon and to win the Cold War.

Today, we are witnessing competitive business wars beyond Russia and the United States. Businesses from around the world are competing to be first to market with a sustainable product base and growing customer demand. Those with the most compelling offerings and most effective globalization strategy/execution combination will win, and the followers will be forced to resort to reactive strategies for survival.

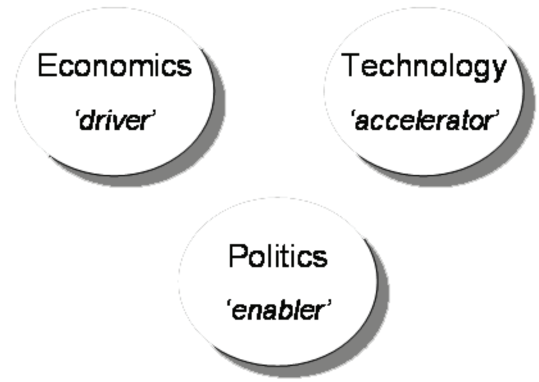
Technology Forces

Technology is the third primary globalization force. While economics is the true driving force for globalization and politics is mainly a guiding force that either stimulates or contracts global economic expansion, technology is the force that makes globalization both more effective and efficient. Said another way, the speed of globalization is dependent upon technology advancements.

The basis of technology as a globalization force is in the development and dissemination of new ways to expand our global reach, to facilitate the interaction and interdependencies of humans across the globe, and to enable the flow of monetary exchange across national borders. Early technology development focused on more effective forms of transportation to help explorers overcome geographic barriers which prevented them from opening new trade routes to expand their markets. Later, new power technologies helped to make transportation of goods and services much more efficient by tapping new power sources such as coal, steam, and petroleum. This led to the invention of mechanized shipping, railway systems, and automotive and air transportation. The introduction of electricity spawned new communication technologies such as the telegraph, telephone, electronic money exchange, and radio.

Today, much technological development has been focused on the introduction of collaborative technologies, resulting in further permeation of nation-state boundaries. These include internet technologies, business-to-business e-commerce technologies, and workflow technologies that enable knowledge work to be disaggregated, distributed, and re-integrated across the globe.

Figure 1. The primary globalization forces



INTERACTION OF GLOBALIZATION FORCES: A HISTORICAL PERSPECTIVE

Although it helps to look at each of the three primary forces of globalization separately to better understand their influence on globalization, the forces themselves do not operate independently. It is the interaction of economic, political, and technological forces that has historically had the most dramatic influence on globalization.

We use the tri-circle model shown in Figure 1 to graphically demonstrate some of the historical interactions between the globalization forces and the resulting impacts on the world economies. While we present the interaction of the globalization forces in chronological order, it is purposely fragmented in time. Our intent is not to show a contiguous chronological timeline of globalization. Rather, we focus on demonstrating the effects of the interaction between the globalization forces during specific periods in history to provide an understanding of the results of this interaction. In doing so, we demonstrate that the global environment is very dynamic, with periods of globalization expansion as well as periods of globalization contraction. We provide this analysis to help the global practitioner become more aware of the dynamic forces in play within the environment where they operate.

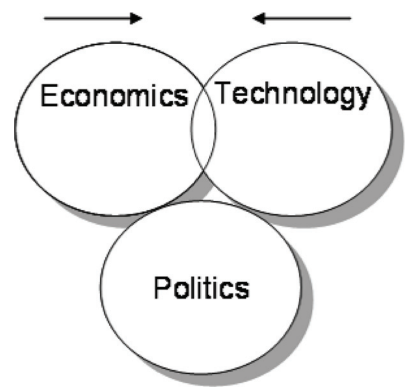
We characterize economics as the globalization driver, meaning the quest for greater economic gain has driven human desire to connect with others across the globe to expand the production and sales of goods and services. Politics is the globalization enabler. Political policy is driven by the agendas of the world's nation-state leaders, which in turn either positively or negatively affect global economic interconnection between nations. The third globalization force, technology, is the globalization accelerator. Historically, significant advances in various technologies have increased the pace in which people and economies have become interconnected. The following sections illustrate various points in time where significant technological advances served to accelerate the globalization of the world's economies.

Globalization: 2000 – 0 BC

Major technological advances during this early period included the invention of the wheel and wheel-based transportation, and the invention of printing technologies. The invention of the wheel spawned more efficient forms of transportation as well as the development of new trade routes across geographic barriers which previously prevented the efficient movement of people and goods. This facilitated the economic expansion for the entrepreneurs who were able to take advantage of the technologies and reach new trading partners for their goods and services.

During the same time period, advances in printing technologies facilitated more effective dissemination of ideas, philosophies, and decrees. This served to bring people together in the first formation of large nation-states and to enable further globalization between newly formed formal economies. Figure 2 demonstrates the resulting interconnection between the technological and economic globalization forces in play during this time period.

Figure 2. Early economic and technology interconnection



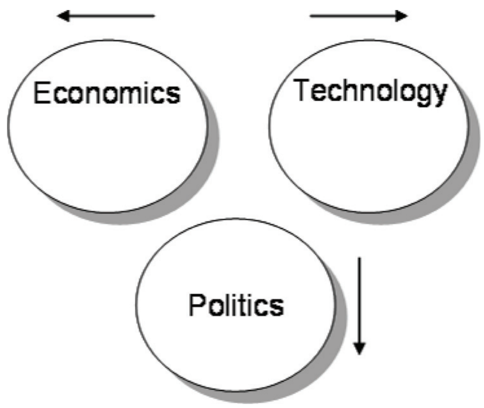
The most proficient technological innovators and global entrepreneurs during this time period were the Chinese, who were successful in opening massive trade routes across modern Europe, to the Mediterranean region and into parts of Africa. Support of technology and economic expansion by the rulers of the Chinese empire during this time period was crucial for the expansion of globalization across these regions.

However, political decisions by the same Chinese rulers near the end of this time period put a halt to further economic and technological expansion. Even though other large empires existed, such as the Roman Empire, the political agendas of these empires were not concentrated on the further expansion of global trade to the extent witnessed by the Chinese empire. Hence, the globalization forces began to separate and globalization contracted for many centuries (see Figure 3).

Globalization: 1400 – 1700 AD

Although they benefited from the economic and technological advances of the Chinese empire, the relatively smaller European nations failed to further the advancement of globalization for many centuries following the fall of the Roman Empire. However, aided by the advent of new maritime technologies and navigation systems, European

Figure 3. Politically motivated globalization contraction



entrepreneurs began to seek new trading partners for their goods and services.

Additionally, liberal political ideologies at the time focused on limited government involvement in commerce, paving the way for early capitalists to begin exploring westward for new markets. Governments such as Spain, Portugal, France, and England were instrumental in providing monetary capital and other support for 15th, 16th, and 17th century west-bound explorers. The motivation behind this government-sponsored support centered on the prospect of colonizing and controlling parts of the 'new world'. Thus, as illustrated in Figure 4, both technological and political forces were becoming tightly integrated with the economic forces driving the resurgent interest in globalization of trade.

Also during this time period, the first transnational corporations – international stock companies such as the British East India Trade Company – were founded to create formal trading posts in the newly discovered parts of the world.

Globalization: 1800 – 2000 AD

Aided by new technological advances in transportation, globalization in the 19th century increased at a rapid pace, led mainly by Europeans who were laying the foundation for capitalism. The advent

Figure 4. 15th through 17th century integration of globalization forces

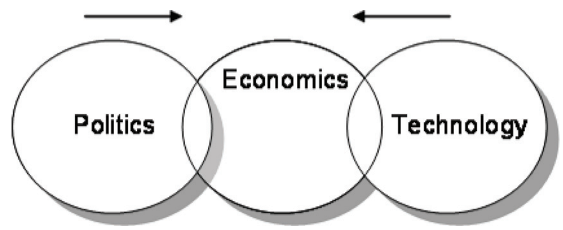
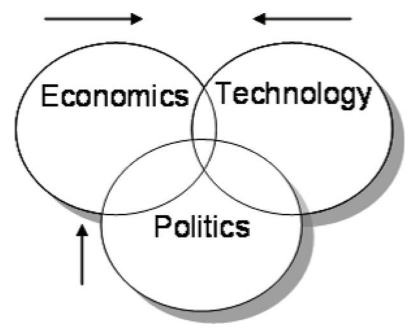


Figure 5. Fully integrated globalization forces



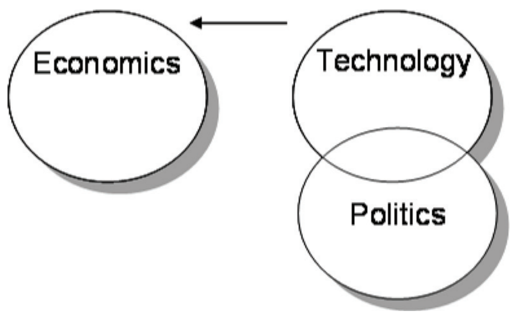
of power technologies such as steam, petroleum, and electricity made it possible to transport people to resource-rich regions of the world such as the United States and Canada, and to return the extracted resources back to Europe for both production of goods and for further trade. Also during this period, the creation of new communication technologies such as the telegraph, telephone, and wireless radio served to bring the people of the world closer together through the advent of near-instantaneous communication.

It was during this period that the first true integration of all three globalization forces first occurred, as shown in Figure 5.

During this period, the global free-market system of economics was in full swing, aided by significant technological advances and favorable liberal government policies. According to researcher and author Manfred Steger (2003):

"the volume of world trade increased dramatically between 1850 and 1914. .. merchandise trade

Figure 6. Contraction of globalization



measured as a percentage of gross national output totaled about 12% for the industrialized nations, a level unmatched until the 1970's."

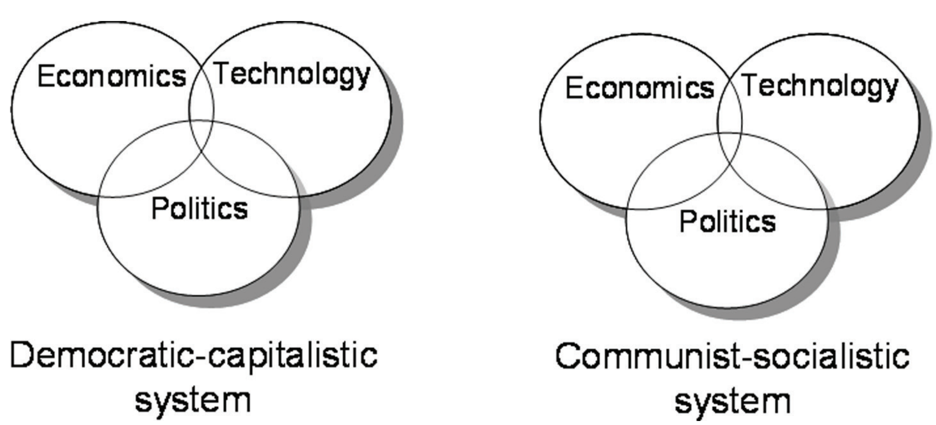
However, not everyone was benefiting from this explosion of world trade. Over time, disparities between nation-states benefiting from the new globalization and those that were not became strikingly obvious. This caused discourse within some of the countries being left behind and opened the doors to the formation of nationalist ideals of what the world economy should look like. Eventually, this separation of economic and social ideologies led to political differences between nation-states, which had devastating effects – two world wars and a period of severe economic depression.

Once again, political forces caused the contraction of globalization, as depicted by Figure 6. In this case, technology and political forces remained interconnected, but disconnected from the prospect of a single world economy based on free trade. The result of this new order was the focus toward creation of new technologically advanced weaponry to gain military advantage over political foes with differing economic ideologies.

After the end of World War II and the defeat of the axis powers, renewed opportunity for globalization emerged due to changes in the political globalization force. Formation of the United Nations, the International Monetary Fund, the World Bank, and the General Agreement on Trade and Tariffs were all focused on creating a new political order to bring the world's nation-states together.

Unfortunately, this new united political world order quickly deteriorated into what is now referred to as the Cold War during most of the last half of the 20th century. The Cold War segregated much of the world into two political and economic camps: the democratic-capitalist camp led by the United States and the communist-socialist camp led by the Soviet Union. Instead of regaining a single global economy driven by the reintegration of economic, technological, and political globalization forces, the world became segmented into two integrated systems, as depicted in Figure 7.

Figure 7. A segmented world economy



During this period, world economies were segregated between two sets of ideologically-aligned trading partners - those continuing to practice within a free-market economic system, and those practicing an extreme form of Keynesian economics controlled by political policy. For the most part, trade of goods and services was performed between nation-states sharing common economic and political ideals.

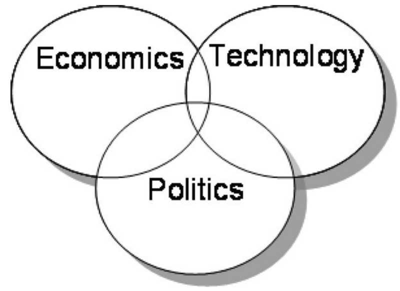
Beginning in the 1980's and continuing into the 1990's, a crack in the segregation of world economies began to form. This was largely driven by a war on Keynesian economics that was waged by U.S. President Ronald Reagan and British Prime Minister Margaret Thatcher. Their anti-Keynesian economic philosophy was enacted by massive change in political policies that accelerated free-market trade. This was achieved through the deregulation of government controls on various industries and the lowering of trade barriers between nation-states.

Economic prosperity within the free-market systems along with deficit spending policies by the U.S. government funded advanced technological research and development that ultimately threatened to fully bankrupt the communist-socialist system based on Keynesian economics. The result was a new free-market economic order that began to drive a new wave of globalization spurred by the fall of communism in the Soviet Union and Eastern Europe. Once again, the renewed internationalization of trade and monetary exchange increased the power of large multinational corporations and a resurgence of influence of the International Monetary Fund, World Bank, and World Trade Organization set the stage for modern globalization.

Globalization: Early 21st Century

With the collapse of the communist-socialist system in the 1990's, markets once again began to reach around the world by the beginning of the 21st century. The modern expansion of globalization has been accelerated by satellite and fiber optic communication technologies, which have served to connect computer systems, businesses, and people in all corners of the world.

Figure 8. Modern reintegration of globalization forces



The final phase of the reintegration of the globalization forces, as shown in Figure 8, was initiated by the advent of new work-flow technologies which enables knowledge work to be disaggregated at its source, distributed digitally to knowledge workers across the globe, worked on by geographically dispersed knowledge specialists, and then reintegrated into a new solution back at the source or at some other location in the world.

Computerization and collaboration technology has digitized the world causing massive change in the way we communicate and work. In 1990 email was virtually unknown. Less than two decades later communication technology allows for the immediate distribution of information virtually everywhere instantly. In the matter of two short decades the number of international calls from the United States increased from dramatically. Some of this volume increase was due to the off-shoring and outsourcing of call center support out of the United States into other countries such as India.

It is interesting and valuable to take a historical look at significant periods of extensive globalization to create perspective for the fact that what we are experiencing today has been experienced by others in the past. Consistently throughout time, when the globalization forces work in concert,

the world feels smaller and flatter to those taking a global perspective in their business ventures.

Although alignment of the globalization forces can create an environment supportive of globalization, the benefits of globalization have to outweigh the costs to motivate individuals and organizations to begin working in the global marketplace. The next section looks at the primary factors and associated strategies driving modern globalization decisions.

WHY GLOBALIZE?

The short answer to the question "Why globalize?" is survival and sustainability. Most senior leaders have realized the need to become a part of the global marketplace, and in many cases have developed strategies to move their organizations into the global arena. These strategies include developing strategic alliances with overseas development and marketing partners, off-shoring and outsourcing of their product or service development and manufacturing processes to outside firms that can perform the work more efficiently, moving portions of their operations into foreign countries to enter new markets and acquire new talent, and acquiring other companies in other parts of the world that complement and expand their business. These strategies of course have created a trend away from co-located teams and toward highly distributed teams.

But what is driving this distribution of work? The most common belief is that it is to reduce the development and manufacturing costs of products and services; however, when one digs deeper into this claim, it becomes clear that reduction of cost is but one of three primary business strategies that are used by leading companies to gain competitive advantage through globalization of their business – all of which result in highly distributed workforces.

The three primary globalization business strategies are the following:

1. Reduction of product and service cost driven by lowering development and manufacturing cost;
2. Expansion of product and service sales into local, emerging markets; and
3. Employment and retention of the world's top talent to create and develop new products and services.

Globalization Strategy One: Reducing Cost

Historically, the most common reason cited for globalization has been to reduce development and manufacturing costs. Companies have been off-shoring their manufacturing work for several decades to take advantage of low cost labor and advanced automation. For many companies, this is now a normal part of their business practices. The new frontier in cost reduction is in the off-shoring and outsourcing of a company's design and development work as a strategic method to reduce research and development cost.

Leading companies have become quite proficient at developing their products and services in a highly distributed model that spans the globe, and have established competitive cost advantages over their rivals for more than a decade by integrating the global model into their core business practices. As a result, these companies use a cost reduction strategy less frequently today. As the saying goes, they have "been there and done that." However, this is only true for the globalization leaders, and is not the case for companies that are globalization followers.

Globalization followers are being forced to employ a cost-reduction globalization strategy in order to remain competitive with the globalization leaders by taking advantage of lower-cost labor or advanced manufacturing automation in other geographies from which they are based. In this case, the primary strategy is reactive and defensive in nature as they are being pulled into globalization as a means of lowering product

development and service delivery cost to protect against being forced out of markets based on price. Such is the case, for example, of InFocus Corporation. Once the world leader in business projection technologies, InFocus was forced to lower its product cost in order to stay competitive with the globalization leaders in office products such as NEC and Panasonic. They have mostly failed in their attempts to lower their product cost through a reactive globalization strategy to move their manufacturing and various parts of product design to countries with a lower cost of labor. As a result, they have moved from being a domestic leader in their industry to a global follower, and are currently on the cusp of being driven out of the industry completely.

The danger with a reactive globalization strategy is that when we react we do not necessarily calculate risk versus benefit adequately, or thoroughly map out a plan of action. As a result, the reactive strategy often ends up being more costly and time consuming for the organization rather than more efficient.

Globalization Strategy Two: Expansion into Emerging Markets

The wants and needs of customers within developing nations and emerging markets are much different than those of a company's mainstream markets. It becomes difficult to define and design products and services that will meet the needs of developing and emerging market customers without in-depth intelligence of that particular customer base. To gain this required intelligence, companies are employing the strategy of hiring individuals within the emerging markets they plan to serve to define and design their new products and services. As one participant in a *Business Week* study on global product and service development stated:

"No one understands the local customers as well as the people we have within those markets" (Business Week Research Services, 2006).

In other cases, government policy requires companies to establish an investment in a local market before it is allowed to sell its products and services into that market. This investment often takes the form of establishing a local operation and hiring people within the market to participate in the design, development, manufacturing, and marketing of a company's products and services.

This global expansion strategy is primarily used by the globalization leaders as they capture the lion's share of their primary markets and seek to open up new markets for their products and services. The result of this global strategy is a distributed network of people working as a development team chartered to produce products and services to be sold into that emerging market. The obstacles here include learning new languages, cultures, and developing new policies – none of which are easy to overcome by most companies.

Globalization Strategy Three: Acquiring the World's Top Talent

For many companies, acquiring the world's top talent and relocating them to the company's home base has become much more challenging today than just a few short years ago. Two significant factors are at the source of this challenge: world terrorism and growing employment opportunities in developing nations.

Largely due to the threat of terrorism, the United States and other western governments have severely restricted the number of work permits and citizenship opportunities to foreigners. Further, there are new restrictions on the length of stay in the country for foreign nationals looking to immigrate to these countries. Collectively, this restricts the number of foreign workers that companies can bring to the country each year and

prevents access to some of the world's best and brightest people.

The increase in prosperity and associated growth in availability of work for highly skilled and educated workers in countries such as India, Taiwan, China, Brazil, and Russia has made it possible for workers from these countries to remain home and establish a standard of living as high, or higher, than they could enjoy by moving abroad. This means that the supply of highly skilled workers willing to immigrate to countries in North America and Europe is continuing to decline.

Companies that have been leading the modern globalization movement have seen this trend for several years, and have enacted strategies to move portions of their operations to the highly skilled workers abroad. Large satellite operations of North American and European companies can now be found in cities around the world that have a large concentration of highly skilled workers. These cities include Bangalore, Shanghai, Sao Paulo, and Moscow to name but a few.

Other companies that have been slow to establish globalization strategies have begun to feel the pinch for highly skilled workers. Once again, these companies find themselves having to establish a reactionary strategy to set up operations within foreign countries that they have had limited or no experience with to date in order to attract the skilled workers they need to compete in the global marketplace.

GLOBALIZATION STRATEGY IS A STARTING POINT

As evidenced from the historical perspective of globalization presented previously, business leaders of today have a great opportunity to advance global commerce beyond horizons ever imagined in the past. Many have executed various strategies to move their companies into the global arena. For some, the strategies have been well executed. For most, however, senior leaders and their staff are realizing that good strategy is not good enough. Changes in globalization strategy have to be accompanied by changes in global execution. Within an organization, focus must quickly shift from the development and initiation of their globalization strategies to operational success in developing products and services in a globally distributed model.

This is where many senior leaders and their organizations fail. They fail to redesign and realign their execution structures, processes, tools, practices, and skills for operation in a highly distributed and global environment. This failure has caused many of the global execution problems that are common today.

Caught in the middle of the misalignment between globalization strategy and poor global execution are the middle managers and project or program team leaders who are trying to sew globalization strategy and global execution together from the middle of the organization. Unfortunately, many have found this a daunting and nearly impossible task.

CONCLUSION

Most of us who are experiencing the current wave of globalization are doing so with the impression that it is a new phenomenon – something that has only been playing out over the past several decades. In fact, globalization has been occurring for centuries, driven by the human desire to expand commerce and trade beyond established national boundaries.

Each wave of globalization, including the current wave, has been facilitated by three primary factors, which we call the globalization forces – economics, politics, and technology. When these three factors become aligned, such as they are today, periods of rapid and extensive globalization have occurred throughout history. Conversely, when contention develops between

the globalization forces, globalization stagnation and contraction have occurred.

Contention between the globalization forces is not the case today. World economics and monetary exchange are driving globalization, political stability and alignment are enabling continued globalization into new and larger markets, and the advent of new work-flow technologies has accelerated knowledge work activities. These forces are allowing work to be disaggregated at its source, distributed digitally to workers across the globe, worked on by geographically dispersed specialists, and then reintegrated into a new solution back at the source or at some other location in the world.

Most senior business leaders have realized the opportunity to become a part of the global marketplace and in many cases have developed strategies to move their organizations into the global arena. The three most common globalization business strategies are: 1) Reduction of product and service cost driven by lowering development and manufacturing cost; 2) Expansion of product and service sales into local, emerging markets; and 3) Employment and retention of the world's top talent to create and develop new products and services.

Change in corporate strategy to enter the global marketplace is necessary and essential. However, change in strategy alone is insufficient. The institution of globalization strategies has to be accompanied by changes in global execution. Redesign and realignment of structures, processes, tools, practices, and skills has to occur for successful operation in a highly distributed and global environment. Failure to do so is the root cause of many common global execution problems today.

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KEY TERMS AND DEFINITIONS

Free-Market Economics: Economy within which trade in goods and services between nations is unhindered by government-imposed restrictions such as taxes, tariffs, and quotas.

Globalization Followers: These organizations are in many cases being forced into the global arena in order to compete with and survive against the globalization leaders.

Globalization Leaders: Organizations experienced with globalization who have established a recognizable competitive advantage in their respective industries through effective global strategy and execution.

Keynesian Economics: Named for Jon Maynard Keynes (1883-1946). Advocates a nation-state influence of world economic policy based on the belief that economic systems will not automatically balance by themselves and therefore require macro-economic control by government institutions.