INNOVATIVE GLOBAL COMPANIES – SOME CASE STUDIES

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ABSTRACT

The world economy is becoming increasingly global and the magnitude of the globalization trend is so large that it is creating complexities for the managers and leaders of the organizations. Globalization brings both benefits and challenges for the organizations and striking a right balance between the two is critical for the organizations to succeed in the global marketplace. This paper aims to study and discuss the significance of globalization for organizations. The study is aimed at the complexities of the global environment and the competitiveness of the organizations. The paper elaborates the types of global organizations, followed by the role of managers and leaders in managing global organizations. The study also includes the role of the international business environment in the context of the global strategy of companies. Finally, an attempt has been made to study the importance of managing a culturally diverse workforce in a global organization. The method of study is primarily a literature survey and the websites of some of the organizations. The study proves the point that globalization is inevitable in the present economic scenario. Hence, companies that can adapt faster to this trend of globalization by adopting suitable management techniques will have a competitive advantage. The organizations need to strike a right balance between the challenges and the benefits of globalization and the four basic areas for striking the right balance are cost, strategy, people and risk.

Key words: Globalization, Global Strategy, Cultural Diversity, International Business Environment.

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INTRODUCTION

The globalization process involves the establishing of social, technological and political links among countries all over the world (E-commerce corporate infrastructure program, 2002). As a result of the integration of international economies, the last two decades have seen an unprecedented surge in globalization trends across industries and nations. And along with globalization, come significant opportunities and threats in the external environment to which the organizations have to respond. Globalization can be understood as a process which removes physical, political, economic and cultural barriers between different regions in the world, thus encouraging an exchange of goods, services, money and professionals between nations. As these exchanges grow, businesses become more and more integrated and interdependent (E-commerce corporate infrastructure program, 2002). Global companies can be defined as those that have a significant proportion of their sales, assets or employees outside their home markets although they are definitely not homogeneous. Globalization offers both benefits and challenges for the organizations (The Yearbook of International Organizations, (1978). Advancements in communications, technology and transportation have truly made the world a unified global field and have contributed significantly to the globalization process. The product development life cycles are growing shorter and communications are becoming instantaneous and thus, products can be manufactured and sold anywhere in the world (Fenton, Pettigrew, 2000). The employees within the organizations can be from anywhere in the world, since global organizations have offices in different locations and regions. Managing global companies poses many opportunities and challenges for the managers and the leadership of the company. For example, at the macro level, it could be property ownership arrangements, availability of resources and components, the role of government in business, as well as behavioral and cultural differences among nations and differences within the nations. Values, symbols, beliefs, and work cultures vary sharply between countries (Robbins, Coulter, 2012).

Managing these global organizations requires a fine balance of costs, strategy, people and risks. Globalization has become such an important factor in the survival and competitiveness of the organizations that those who do not think globally could get left behind.

TYPES OF GLOBAL ORGANIZATIONS

Companies conducting their business at international locations have been there for a while. For example, DuPont conducted business in China as far back as 1863 and the Ford Motor Company established its first overseas sales office in France in 1908. However, the concept and popularity of multinational corporations grew only after the mid-1960s (Griffin, Moorhead, 2011). Global organizations are conventionally
classified into three broad categories: inter-governmental organizations, international non-governmental organizations and multinational organizations.

1. The Inter-Governmental Organizations (IGOs) are based on formal agreements between the governments of nation states and consist of a permanent secretariat to perform their tasks (the Yearbook of International Organizations (1978)).

2. An International Non-Governmental Organization (INGO) is any international organization which is not established by inter-governmental agreement. These organizations may accept members designated by government authorities, provided that their membership does not interfere with the free expression of views of the organization (the Yearbook of International Organizations (1978)).

3. A Multi National Corporation (MNC) is a broad term used to identify any international company which has operations in multiple countries. Multinational companies have extensive experience in a number of international markets and have established marketing, manufacturing, and research and development facilities in many countries. A substantial portion of their revenues come from sales outside their home country.

4. Global Companies such as Royal Dutch/Shell, Unilever, Proctor and Gamble and Philips operate in a truly global manner and the entire world is their marketplace. These are also called Transnational Corporations and they maintain operations in several countries, while their management is decentralized into local countries. The management of such companies is based on interdependence rather than either full divisional independence or total dependence of their units in several countries on headquarters for decision-making and control.

5. Borderless Organizations are firms that have eliminated structural divisions that impose artificial geographic barriers and are organized along business lines (Robbins, Coulter, 2012).

INNOVATIVE STRATEGY OF GLOBAL FIRMS BASED ON PROJECT MANAGEMENT

“Changes in today’s business environment have been caused by globalization, increasingly stricter demands of the end buyers, tendencies towards reducing the shelf life of a product, the dependence of a company on business partners, as well as the focus of companies on key components” (Jovanović, Vasiljević, 2008).

Small and medium sized companies in the USA and Europe have spread their global holdings and restructured themselves in the aim of increasing their competitiveness on global markets. The globalization of the world market, rapid technological progress and the application of developed technology have led to the fact that many companies understood that the conditions for surviving on the market are contained within the ability of a quick adapting to variable conditions in the environment. Competitive advantage is the aim of every company and the
majority of them have become aware of the fact that today the mere satisfying of buyers’ needs is not enough to be competitive, but rather along with this they have to exceed the expectations of the buyers, as this is the only way to persuade the buyers that the company is the best of all (Vujičić, Vukadinović, 2011). The majority of companies mostly use the innovative project management strategy, which via efficient planning and coordination can help a firm use its resources and the available time in a much more productive way.

Namely, in today’s highly competitive environment, project management is used with all types of professional service organizations. Namely, a sure way to achieve success, whether this involves legal and lawyer services, consulting, accounting services, civil or other services, is to think and act outside the traditional framework. This implies using new knowledge in the application of the best practical experience, as well as the experience of other organizations which are involved with the same or similar services. The development of contemporary technologies, especially the Internet on one side, and changes in management practice, communication and the organization of work in companies on the other side, have led in the last years to changes in regards to knowledge type and acquiring method (Radovic et al., 2012). The new way of acquiring knowledge combines formal and informal learning with practical experience. Raising awareness, training and qualifying employees is a key factor in market competitiveness (Radovic et al., 2012).

In this way, managers can more efficiently manage projects, respond more quickly to the pressure of clients to implement new technologies, etc. The ability to learn more quickly than the competition can be the only sustainable competitive advantage in today’s business environment. Individuals must constantly improve their knowledge and build themselves up as individuals who are bearers of the organization’s abilities – after all, a successful organization is a group of successful individuals (Stanisavljev et al., 2011).

Except for this, there have been several suggestions to engage project managers on the side, that is, from other firms which are involved with other activities. In other words, it is considered that someone working in an accounting firm can better view the work in a lawyer’s office, and launch the necessary innovations in its work. Also, it is recommended that firms overcome and gradually leave the traditional organizational methodology. Many firms have thus turned to project management and have realized admirable results. It should be stressed that project management is not only used in service activities, but also in many industries.

One of the managers of the famous consulting firm Bearing Point considers that he has found the formula of success of project management. It is made up of the following:

- An adequate business strategy
- Coordination between resources, teams, activities and stages
- Good communication between team members, as well as the consumers
- Careful planning and control via detailed planning
• A set structure for each project, including the description of their management and decision-making method
• A constant educating of project team members
• Ensuring that all team members understand the project aims, their tasks and way of realization.

Along with the mentioned conditions which are to be met by the project founded firm in order for it to succeed, it should be stressed that there is a degree of risk of possible failure. Primarily, considering the fact that project organized firms function in very uncertain environments, they need to be constantly formed, with the teams changing as well as the members working on the project.

Most of these project teams work virtually, considering they are not in the same place nor do they meet at the same time in order to deliver the project, but they work constantly networked and linked with different types of IT (Radovic Markovic, 2007a). In order for the virtual organization to succeed, it must meet conditions such as high technology, mutual trust, an endeavor to satisfy the buyers as much as possible as well as a striving for excellence. The most important feature of a virtual organization is its interdependence by certain members (persons or organizations) from the network, although they mostly cooperate between themselves.

The links between individuals in national firms are very close but they are also linked with international global services. In their research for innovation projects, Filippov and Mooi (2010) stress the significance of exploring the relations between innovativeness and project management. In that sense, very often an innovation project is equated with the development of a new product.

GLOBALIZATION AND ORGANIZATIONAL CULTURE DIVERSITY

Globalization has transformed organizations, societies, economics and politics all over the world. For global organizations, the definition of global diversity has become broader. Global diversity must encompass not only an understanding of the differences between different countries, but also the internal diversity of each country. The scope of diversity has become truly global and knowledge about each country’s customers, employees and suppliers has become essential. Thus, global organizations need to move quickly towards the better management of a culturally diverse workforce. This movement towards better management has to be adopted by organizations due to three main reasons, as illustrated with some real examples. Some companies like Xerox were obliged to develop better management of a workforce made more diverse by affirmative action. Other companies like Hewlett-Packard grew very rapidly and then they realized that they had to work with multicultural constituencies. A third type of company like Avon Products needed to have a diverse workforce in order to match the diversity in the marketplace (Robbins, Coulter, 2012).
All these three kinds of companies had to work towards managing their diverse multicultural workforce better in order to gain a competitive advantage in the six dimensions of cost, resource acquisition, creativity, marketing and problem solving and system flexibility (Griffin, Moorhead, 2011). Thus, a culturally diverse workforce must be valued and managed well by all organizations in order to remain competitive in the present global scenario.

The workforce is becoming more diverse; hence, the companies that value and integrate diversity among employees will reap the benefits of globalization. Lower personnel costs and improved quality of the workforce are two obvious benefits for these organizations. In addition, a diverse workforce leads to diverse perspectives in problem solving, decision making, creativity, product development and marketing activities which are essential for creating a competitive advantage in an increasingly global marketplace.

Globalization has led to a growth of multicultural organizations which are characterized by six features, namely, pluralism, full structured integration, integration of informal networks, absence of prejudice, equal identification with goals and minimal intergroup conflict (Griffin, Moorhead, 2011). The table below depicts the characteristics and tools for creating a multicultural organization:

Table 1: Creating a Culturally Diverse Organization

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Tools</th>
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<tbody>
<tr>
<td>Pluralism</td>
<td>Training and orientation programs</td>
</tr>
<tr>
<td>Full Structural Integration</td>
<td>Education, training, affirmative action, performance appraisal and rewards systems, benefits, work schedules</td>
</tr>
<tr>
<td>Integration of Informal Networks</td>
<td>Mentoring, social events, support groups</td>
</tr>
<tr>
<td>Absence of Prejudice</td>
<td>Bias-reduction training, focus, task forces</td>
</tr>
<tr>
<td>Equal Identification with Goals</td>
<td>Encourage participation of all employees from the diverse workforce in formulating goals, strategies and mission</td>
</tr>
<tr>
<td>Minimal Intergroup Conflict</td>
<td>Conflict reduction training, survey feedback</td>
</tr>
</tbody>
</table>


Global organizations are essentially multicultural organizations in which employees from different backgrounds, ethnicities, experiences and cultures can contribute and achieve their fullest potential, benefitting themselves as well as the organization. Developing a multicultural organization is a very important step in managing a diverse workforce in a global organization, and it is crucial for sustaining a competitive advantage in the global marketplace.
EXAMPLES OF GOOD PRACTICES

NORTEL NETWORKS

Nortel Networks is a global firm founded as far back as 1973, and today it is one of the largest world telecommunication providers, employing nine hundred people, 200 of which are engineers (E-commerce corporate infrastructure program, 2002).

When Nortel Networks started its work, the CEO came to the idea of introducing new standards into the company, managing projects which are orientated towards consumers. Considering this firm has a wide range of products, each project is independent and relates to a special product which is offered to the market. However, with time, consumers started to take an interest not only in certain products, but in the complete production range offered by the firm. In such circumstances, the general manager made the decision to establish consistent standards of project management for the organization. Thus, project management included all processes - deliveries, product installment, product testing, consumer training, etc. From 1999, this firm also started to carry out restructuring, that is, from an organization which is based on products it grew into an organization geographically based in six regions - America, Canada, Latin America, Brazil, Asia-Pacific and EMEA (Europe, the Middle East and Africa). In each region, the firm founded its representing offices and appointed directors, defining their responsibility for project management marketing. In fact, management teams worked with regional representatives according to standard management projects from all over the world. Regional managers formed the managing body, which voted on bringing all standard decisions. In the majority of cases, voting was carried out in secrecy and it was anonymous. Thereby, the managing body was the key for the firm to become a global company.

Figure 1: Nortel Adaptive All Optical Intelligent Network

Source: http://www.networkworld.com/community/node/44588
With global logistics, Nortel Networks has installed standardized automatic project management tools, integrated with Oracle database. Along with securing the standard tools, the global team also standardizes practice, combining it with the best regional experiences. The website of the firm lists the best experiences, divided into two categories:

1. A list with the tested experiences of the firm
2. A list with suggestions made by employees and associates

Considering that the list with suggestions is made public, the members of the management body vote for proposals. The best proposals are on the first list, while the others are erased or eliminated. In this way, the best ideas and experiences are stimulated, and individuals working on their own are not encouraged. Namely, only those ideas and practices which have the support of the majority are accepted. Twice a year, the firm presents awards, one for progress in implementing the global process, and the other for the best results in practice.

The firm also carries out training of project managers all over the world, while Nortel Networks organizes three types of training (Radovic Markovic, 2007):

- First the managing body members visit the region and carry out training, organizing most often Walk-the-Wall classes. They create a network diagram or Gantt chart and set it up on the wall, in order to show to all those present the differences between planned and current processes, and then they determine what should be done to eliminate the differences (Radovic Markovic, 2007a).
- Second, the firm makes contracts with external associates for securing training and a large number of classes, which offers them enough knowledge about project management.
- The managing body provides the CDs which contain information which pertain to the new process, procedures, and tools.

This is just one aspect of the global dimension of project management from the organizational perspective. The experiences of Nortel Networks can serve as a guide on how to carry out successful implementing of global project management.

**COOPERS & LYBRAND**

Along with the mentioned example, we will also use research by Fenton and Pettigrew (2000), which tested the work of Coopers & Lybrand Consulting, which renders services from pharmaceutics on a global level. At the time when this research was conducted, Coopers & Lybrand employed 70,000 people from all over the world (30,000 from Europe) in more than 140 countries (Radovic Markovic, 2007a).

At the beginning of 1989, this firm integrated with partner firms and this is how Cooper & Lybrand Europe came about, joined by AbacusConsulting in 1992. From its founding, this consulting firm increased the number of employees from 4 in 1987 to more than 2,000 in 2013 (Figure 2).
The merging of these two consulting firms was carried out primarily in the purpose of rendering consulting services in Pakistan.

Along with merging and linking with AbacusConsulting, Coopers & Lybrand integrated the network of partner firms in 16 European countries. In this way, it created a virtual company without a center which would exert control, with two representing offices in London and Brussels. Also, some 74,000 people provide consulting services in 142 countries all over the world (PR Newswire, 1997).

Strategic decisions are brought globally, and it is significant to say that each network member can from time to time be included in one or more project teams. Thus, Richmond Groups is a perfect example of cooperation with individuals, whose expert services are used by this company. This cooperation is carried out on a global level through a great degree of integration of all the associates, during which they do not lose their independence and identity. This firm, with its cooperation with individuals and small firms endeavors to support and upgrade the interests of all the team members and function according to the principle of linking all the members regardless of their activity.

However, there is another side of the story, when individuals join the multinational project team and leave the country in order to manage the project in
another part of the world. On that occasion, they face certain difficulties, considering that it is not easy to build up relations, understand others and be understood by others properly in an unknown culture and environment. It is equally difficult when project team members speak different languages, when there are ethnic, national and regional differences.

**BENETTON**

The case of Benetton is a good example of the application of an innovative strategy and an innovative global company in the traditional sector.

Benetton was founded in 1965 in Ponzano, Italy, as a small company with 60 employees. Five years after its founding, intense development and the expansion of the firm started. In 1970 the firm employed 912 employees, and in 1985 some 1,446 employees. From 1970, Benetton was orientated towards exporting, a company which in the 1970-1985 period increased its placement on foreign markets from 5.3% in 1970 to 59.9% in 1985.

Today, Benetton products can be found in 124 countries and in around 6,300 stores all over the world, of which 95% are franchises.

The beginning of the rise of Benetton is linked with a specific franchising system which this firm applies in the textile industry. Through franchising Benetton imposed solid conditions of control, as salesmen of Benetton products cannot sell any products but those of Benetton in the stores. In this way, along with its products, Benetton has also exported its organization and marketing strategy.

The access to foreign markets and an export orientation put this firm in the situation to compete with other global competitors such as Gap and Zara for survival and further development.

The success of Benetton was enabled by numerous innovations which were realized in the following areas: products, processes and organization. In the 70s, Benetton based its competitive advantage on using light colors and conforming to the taste of young people. Furthermore, Benetton’s strategy is global and famous all over the world for its brands:

1. United Colors of Benetton - UCB is the brand name which Benetton used at its beginning.
2. Sisley – this company participates in the total Benetton sale with 19%. Sisley is promoted as a high quality, high-priced product.
3. Playlife – Playlife was created to produce sportswear for the age group 20 to 40 years of age.
4. Killer Loop – a brand aimed at young buyers aged 14 to 27 and consists of urban clothing and sportswear.

In 1964, Benetton, in order to satisfy the taste of buyers, transferred from traditional to new processes, so instead of producing clothes in colors it started to
make clothes in natural fabrics and then, based on market information, marketed the trend. This was contrary to traditional production but this is how Benetton used the Just in Time (hereinafter: JIT) production strategy and in this way reduced the production time, increased efficiency and led to technological improvement. The most important innovations in the clothing industry relate to production flexibility, an accelerated goods turnover and the invested capital. A direct link from Benetton’s headquarters in northern Italy with other Benetton branches all over the world was enabled by computer. The EPOS system (the electronic point-of-sale system) helped follow the trends of demand and realize the supply according to the JIT system. The profit was thus quite large and represented a unique marker of process management in the conditions of the globalization and internationalization of business.

Figure 3: Postponement application in Benetton

Source: Yang, Burns, 2003

It can be said for Benetton that it grew through strategies of vertical and horizontal integration. At the end of the 70s, Benetton’s organization could be defined as “quasi-vertical integration” (Blois 1972) as the company controlled the entire value chain, even if various activities were not organized through an exclusive hierarchical control. The main advantages of a vertical integration from
the aspect of the company are mostly better control and an optimizing of operational costs. If the company wishes to stay in step with the times, it must continuously invest into new technologies and system development. A common feature of all fashion companies is their vertical integration. They differ according to degree and integration direction (Figure 4).

![Figure 4: A presentation of different degrees of the vertical integration of fashion companies](source: F. Caro, The Fast-Fashion Business Model, 2008.

Benetton also established a process of horizontal integration. The strategy of the total look was completed with the introduction of products such as shoes, spectacles, perfumes, watches and, most recently, jewelry. The Benetton strategy is global and communication and advertising are a significant area for innovations in the Benetton system. In its advertising strategy in the aim of stimulating consumers to think they will be happy by buying company products, Benetton managed to attract the attention of the public and single itself out among the other fashion companies. In 2012, with the UNHATE campaign, Benetton invited the unemployed aged from 18 to 30 to send their projects and participate in the innovations competition. The best 100 projects were awarded with 5,000 Euros which shows the interest of this company for innovativeness and creativity.

It can be said for Benetton that it is one of the most successful companies in the world, to a large extent thanks to a sophisticated IT system which it innovates every 10 years.

**ZARA**

Zara is the leading store chain in Inditex, owned by Spaniard Amancio Ortega. The first Zara shop was opened in 1975 so that today Inditex is one of the fastest growing retail world companies. This company with the Zara brand has managed to enter the market with quality brands and very reasonable prices.
The strategy applied by Zara on the international market is a combination between a generic strategy of cost leadership and a strategy of differentiation. From the very beginning, Zara has invested in opening new stores all over the world, and Zara’s business model has the features of vertical integration which is very high in comparison with the models developed by other international companies. Zara’s business model enables the satisfying of the needs of the buyers as the key of this model is in adapting to the wishes of the buyers in as short a time as possible. Vertical integration enables shortening processing time and achieving high flexibility, reducing supplies to a minimum and reducing risks.

The figure shows Zara’s business model which it uses to adapt to changes which occur during the season, reacting to them by sending the products to the stores as quickly as possible and in this way managing to retain its position on the market.

Figure 5: Zara’s business model

Source: http://cmuscm.blogspot.com/2013/02/design-and-forecasting-case-of-zara.html
CONCLUSION

The concept of global organization is definitely not new; it has a long history dating back to the 10th century Venetian trading empire. But in recent years, the importance of being global has increased tremendously. It is largely driven by the emerging markets and facilitated by the advancements in communication technology.

The increasing trend of globalization is evident by the fact that companies are becoming global earlier in their lifecycles. In line with this, while organizations like Sony and Honda took more than 15 years to become global organizations, AbacusConsulting became a global company in only 5 years. The global companies are no way homogeneous; rather they belong to one of the five archetypes, namely, resource seekers like the mining and oil & gas companies, researchers like pharmaceuticals or some high tech companies, the global offers like the luxury goods manufacturers that offer the same product worldwide, the customizers that make customized products for the local markets and the networkers such as airlines or logistics companies. Essentially, the true value of being global lies in the fact that global organizations are able to strike the right balance between the challenges and the benefits of globalization and the four basic areas for striking the right balance are cost, strategy, people and risk. Striking the right balance can be difficult, but there lies the importance of management and the role of managers and leaders in the organization.

Benetton and Zara are the best examples of global firms which have in an efficient and effective way combined a production and commercial strategy with technological innovations. Such an approach has enabled them a high competitiveness and a strong position on the global market.

REFERENCES


