GLOBALIZATION AND STRATEGIC MANAGEMENT  
(Paradigm Shift – New Strategic Theories)

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In this study, the driving forces and impacts of globalization is demonstrated in the world of business actors and their environment. The governance of multinational corporations indicates new opportunities and more complex tasks for the corporate boards. Therefore the strategic governance of corporate groupings as results of globalization, so as the planning and building of strategic actions become mainly the responsibility of the management boards, as governing bodies. New challenges could be best answered by new theories and methods. Therefore the new strategic theoretic directions, which are widely accepted are shown below.

GLOBALIZATION

Trade, even in the age of the earliest civilizations has passed regions and borders. The discovery of the material treasures of distant lands became one of the biggest source of adventures in history. The industrial revolution produced value by things were transported from one part of the world to the other where that was processed and then the finished goods were sold. This method worked for 200 hundred years in world trade. The business concept of concentrating on local markets, what was further strengthened by the slowly changing, locally typical technology and local standards, is replaced recently by the paradigm shift due to globalization.

The market integration which was made possible by market liberalization and deregulation and supported by telecommunication and developing transportation opportunities means that more and more corporations are applying world standards, therefore new products, results market entries can happen at the same time anywhere. While companies keep trying to become more and more international, they soon learn the paradigm of globalization: the world consists of the mixture of many cultures, thus first they have to get used to this pluralism.
Table 1.[1]

Paradigm shifts

<table>
<thead>
<tr>
<th>Local/national</th>
<th>Globalization</th>
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<tr>
<td>International</td>
<td>glocalization</td>
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<td>separation</td>
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<td>protection</td>
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<td>&quot;ataxia&quot;</td>
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<td>technological leading edge</td>
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<td>local standards</td>
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<td>time differences</td>
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<td>uniformity</td>
<td>pluralism</td>
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Considering the growing number, speed, variety and complexity of international corporations, Lester Thurow wrote the following in the “Future of Capitalism”: “The first time in the history of mankind, anything can be produced anywhere”. This thought about globalization demonstrates the integration of business activities all around the world. According to this statement, this integration is needed so as to growing market opportunities can be utilized. To achieve the full efficiency of their activities, proper coordination-ordination and control is needed. Behind the promise of the new and developing global markets, the growing competition of the local markets exist. Governments are busy in sustaining the competitiveness of their economy and minimize the losses of their business activities due to the defensive restructuring of the national industry and losses of work places.

The globalization of industries shows that firms do more and more cross-border activities, make international investments, trade and establish product development, production, resource management and marketing collaborations. These international activities make companies possible to enter new markets, make use of their technological and organizational advantages, and to decrease their costs and risk of business. The result and partly the incentive of the diffusion of international firms is the technological development, the liberalization of markets and the growing mobility of business factors. The complexity of cross-border activities more and more describes international economic systems, and distinguishes from those previous times, when the trade of end products in nearby markets was dominant.

As corporations spread their activities and devices through borders, national economies are becoming more integrated. The result is higher economic efficiency and wealth, but growing competition, emerging need for adaptation, greater expectations of local and international objectives at the same time.
Dimensions of Globalization [1]

Richard Petrella the director and chairman of EU's Forecasting and Assessment in Science and Technology-FAST prepared a study about the historic process of internationalization (internationalization, multinationalization and globalization). Internationalization of economy and society is the process, which began with the motion of trade activities, and the flow of raw material, half-prepared and end products, services, money, ideas and people between countries.

Through international trade has developed to a large extent, but the first transnational activities can be only mentioned after the end of the 19th and beginning of the 20th century. The multinational development of economy and society means that the resources, especially the capital and less the work is moving from one economy to another. What is typical when one firm builds production capacities by establishing a subsidiary, by acquisition or by other kind of cooperation (trade, financial, technological, industrial). To put it in a simpler way, that company is called multinational, whose activities gradually spread to other countries.

The characteristics of the end of the 20th century is determined by the size and speed of globalization. Petrella describes today's globalization with the following characteristics:

- Internationalization of financial markets.
- Internationalization of corporate strategies, especially with regard to competition as the commitment to the resource of value creation.
- Technological and the connecting R+D knowledge, the diffusion of management techniques.
- The change of customers' habits regarding certain products, and the development of international markets for these products.
- The internationalization of the control abilities of national social communities in the global political and business environment.
- The decreasing role of national governments in the issues of international governance.
- The growing role of management.
- The determinant role of corporate development strategies.

The world is still far from being global. Trade, investments and the money flow are all concentrated on the triad of Europe, Japan and North America and this dominance is expected to live on. This three economic power have all the capacity, that if their objectives are harmonized, serious governmental influence can be exercised on stock markets and other fields of business activities.
<table>
<thead>
<tr>
<th>Category</th>
<th>Main elements/processes</th>
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</thead>
<tbody>
<tr>
<td>Globalization of finance and capitol possession.</td>
<td>Deregulation of financial markets, international flow of capitol, the growing number of alliances and acquisitions. The globalization of stock possession is in its early stage.</td>
</tr>
<tr>
<td>The globalization of markets, strategies and especially the competition.</td>
<td>The worldwide integration of business activities, the creation of integrated activities abroad (R&amp;D, finance etc.).</td>
</tr>
<tr>
<td>The globalization of technology and the connected R&amp;D and knowledge.</td>
<td>The primary incentive is technology: the development of information technology and telecommunication the establishment of global network became possible between one or more companies. The process of globalization as “toyotism”/ universalism of lean management.</td>
</tr>
<tr>
<td>The globalization of customer habits and culture.</td>
<td>The transaction and transplantation of lifestyles. The standardization of customer habits. The role of media. The transformation of culture to its symbolic food and products.</td>
</tr>
<tr>
<td>Globalization as political integration.</td>
<td>The societies of the world influenced by a dominant power are integrated in a global political and economic system. This is governed by a central state control. One pole world.</td>
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There is no doubt that the main actors of the dominance of the above mentioned triad are the multinational companies: while national states are less and less able to influence international business, the importance and assertiveness of these companies are growing. According to Petrella, multinational firms as the suppliers of technological infrastructure, and the
suppliers of world's goods and services, took the initiatives. Only those organizations turned into global actors, which act on the most influential level of decision making. World economy attributes major importance to technology, and for those who take part in forming technology and R&D-mainly multinational firms. These firms are the main actors of value creation.

According to the estimations of the United Nations, 36,000 multinationals operated in the world with 170,000 subsidiaries in 1991, with the revenue of more than 15.5 trillion USD. They produced approximately one quarter of the world's GDP, and an even greater percentage of the private sector's input. While not all the multinationals are huge, most of the large companies of the world are multinationals. Moreover, approximately 450 companies, all with more than 1 billion USD revenue are responsible for 80% of the foreign investments. The 100 largest corporations (excluded banks and other financial institutes) owned 3.1 trillion USD of assets worldwide. 2.1 trillion out of the 3.1 trillion was located outside the mother country.[3]

(Today the estimated number of the companies within this group is halved.)

The globalization of the industry can change the expansion and distribution of the world's business life and expands the existence and influence of foreign companies in national economies. As production factors are more and more mobile and communication costs are less and less, companies and industries are transformed and rationalized on a transnational level. New schemes and competitors are rising in an accelerated pace, changing the competitive positions of corporations and countries. Through the global strategies of the companies economies are becoming more and more connected and integrated at the same time.

Rosabeth Moss Kanter identifies four major processes as the four shapes of globalization in her book (World Class: Thriving Locally in the Global Economy, 1996) – mobility, synchrony, bypassing and pluralism. These all strengthen the other and fasten globalization:

**Mobility** - capital, people, ideas: The main constructors of enterprises-capitol, people and ideas- are more and more mobilizable. The electronic flow of capital enormously developed financial processes, and at the same time made them harder to control and regulate. The wandering of experts and professionals on the international scheme helped to create the global labor market in many sectors. Ideas entangle the world immediately through global media.

**Synchrony** - at the same time everywhere: Globalization also means that the differences in time of introduction between products and services are getting significantly less and less. In case of consumer electronics, the international diffusion of color TV sets decreased to three years, CD players to one year. Brand names circling around the world. New products establish their own infrastructure and support and influential devices in every country.
Bypassing-more alternatives: There are several alternatives for reaching and serving the customers and bypassing the dominant distribution channels: Mobile and satellite telecommunication systems circle around the world, Internet bypass the traditional trade channels. New international networks provide new opportunities and wide range of choice for the customers.

Pluralism: the once concentrated activities now spread to several professional centers, decentralization rules the world. Traditional control and regulation centers of money markets, telecommunication, car manufacturing and several other industries have to face the diffusion of innovation and influencing centers. Organizations are under pressure to share central expertise.

Global industries, mega-fusions [1]

The specialty of globalization is that in certain industries, more and more corporations become global. From the operational perspective, global industrial environment plays a major role. According to Porter (1993) a global branch of industry is where global position defines the position of the companies in a given branch on regional or national markets.

The position and competition in a given industry are dependent on the behavior of the market players, the geographical scope of the markets and the international operations of companies through the borders. Organizations with no national and international significance must also consider the steps taken by their large competitors.

The feature of global industries is that the major companies – with regard to the amount of revenue as an absolute measure – organize their activities through borders and continents. Thus a decreasing number of multinationals rule the branch of industry. Therefore the product development policy, solutions for restructuring operations and management, market actions and growth policy of global corporations mainly determines the opportunities and behavior of other players of the industry. These companies operate in open corporate form, and their shares are registered on major markets. Their main objective is extension, mainly the growth of the company value. When organizing their activities the following characteristics can be seen:

- in their operating capital investments they prefer majority or 100% ownership
- upon financing their operations they lean on international financial markets
- they organize the supply, production, and marketing through barriers
- potential competitors sign strategic alliances, which range from ownership to long term contracts and the most visible form is fusion
- they influence competitors and their satellite firms through indirect transmissions.
One of the main manifestations of global industries is the fusion of multinational companies. The three strongly interrelated driving forces of these fusions are the following: (1) business economic aspects (2) leadership ambitions (3) owners’ initiatives. The lack of any of these can hinder mega fusions.

1. Business economic aspects

Besides the common interest of owners and leaders, business economic aspect are important to be considered. The following ones are important to be defined:

- optimal market size,
- sales and supply benefits due to the fusion,
- the opportunities for broadening the range of product structure,
- R&D rate (the rate of marketable new products),
- the choice of the size and place of facility, cost benefits and the optimal number of workforce,
- the possibility of realized advantages against the competitors.

These aspects are examined and analyzed by a large number of experts and specialists before the final decision is made. If economic measures seems to be positive, then in most cases ownership and leadership are not against fusion. Arguments between the top management and the owners very often take place, when considering short term (profit maximizing) or long term strategic aspects (investment intensive).

2. Leadership ambitions [4]

At most multinationals management and ownership functions are separated. Leaders are charismatic and assertive personalities. Personal ambitions basically define how successful the multinational company will be. They are surrounded by great consultants and advisors who can constantly and quickly inform them about the political and business issues of the world. Besides personal ambitions the salary and incentive system of the top managers play an important role, especially in case of American managers. Their income consist of three items: fix salary, so called free services (i.e. car, pension, house) and a share option linked to the stock market value of the firm. Thus the increase of the firm’s shares is the top managers interest. This shareholder-view primarily motivates American managers’ way of thinking.
3. Owners' initiatives

Multinational organizations are in general corporations, in which the founding shareholders are in minority. The main stakeholders—especially in the US—are various investment, security, pension and other financial funds. The rise of the shares is also the interest of these investment institutes. Thus shareholders and top management are also interested in the rise of the shares on the stock market. Most of the conflicts on the top management level—especially at organizations in fusion—derived from the promotion of the leader, but the different leadership cultures, work environment and lifestyle can also play important role. Fusions and ownership transmission in various corporate groups makes further capital investments and the maintenance of managerial positions and influence possible.

CORPORATE GOVERNANCE

Influence Within Corporate Groups [5, 6]

As we have seen previously multinational firms operate in very complex structures. For example the five largest corporations of the London Stock Exchange have 230 operating subsidiaries, but the largest one consists of 100 groups. Moreover, these subsidiaries are on different levels (the chain of subsidiaries of subsidiaries). Taking the largest 50 British corporations, four levels of subsidiaries is normal, but some groups extend to the enormous eleven levels of structural depth. As it was previously mentioned, besides globalization significant benefits are gained from the establishment of influence and control through the ownership chain.

A chain is shown on Figure 1. on which three stock exchange quoted corporations are shown. In each of the companies the external investor has only minority shares, and all of these strengthen the interest of the final financier, Mr. Wong Sai Cheung. Thus, he controls the Hong Kong Building and Loan Agency with the 62.1% shares of the Lippo Capital Corporation, however his actual share is only 21.1% (0.9x0.683x0.5x0.69x1.0x0.212)

It is an interesting question why do corporations choose the above mentioned operation through chains of subsidiaries instead of operating divisions and auxiliaries linked to the mother company. There are several reasons for that in practice.

The traditional explanation is to gain protection of limited responsibility for the holding, and at the same time cover the subsidiary with the "veil of the corporation" thus the responsibility is limited to the capital invested in the subsidiary. Certain groups seeks for protection by establishing a subsidiary for each and every risky activities – chemical works, consumer electronic goods production, production of ships etc. – where the possible catastrophic damages
of the given activity could risk the whole corporation. The first explanation is that the members of the board of directors at the mother company are responsible for the minimization of such risks for the interest of the shareholders. According to a counter-argument corporations first have to realize their social and strict legal responsibility instead of using the veil of limited responsibility provided by corporate law.

A big argument accelerated in the EU because of the German practice about bankruptcy, according to which the unsatisfied creditor or minority shareholder or employee can justify his/her demands even through the last link of the subsidiary chain.

According to Hutchinson (1986): “arguments for operating fully owned subsidiaries were the ones, regarding benefits derived from the employment contracts directly with the lower level independent units instead of the mother company”.

Further tax benefits can derive from the different corporate forms subsidiaries are taken in different parts of the world. For example international
corporation registered in the Netherlands can enjoy tax benefits because of consolidating the profits and losses of subsidiaries in other parts of the world.

Finally another reason is the protection of the corporate image with the registration of the company’s or product’s brand name as a subsidiary, which in a given case can be a separate unit or a simple “post box or door plate company”.

The governance of multinationals is such a new and complex topic in corporate governance, which, regarding the managerial and owners’ interests, provides enormous opportunities for the previous ones (i.e. the managers) as a result of globalization. It is not a coincidence that globalization and manager capitalism is mentioned together more often. It is not the intention of the present study to deal with the structures of management boards but it must be stated that these structures- in most cases- reflect the governance- and organizational policies and the power relations within the corporate group. It is also an important issue, that strategic responsibility and the control of management is exercised through the corporate governance structure by the directors of the corporate group.[8]

**Corporate governance, the structure of the board’s tasks**

The dominant body of corporate governance is the board, which tasks can be gathered in two groups (Figure 2.).

- The pressure of outside-indise view which derives from the role that the board as a body is responsible for transmitting the environmental challenges and trends to the organization due to owners’ expectations.

<table>
<thead>
<tr>
<th>accountability</th>
<th>strategy building</th>
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<tbody>
<tr>
<td>Operation through and together with the CEO</td>
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<tr>
<td>inward looking</td>
<td>control and supervision</td>
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<td></td>
<td>goal-setting</td>
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<td></td>
<td>past and present oriented</td>
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<td>future oriented</td>
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*Figure 2. The framework of the board’s activities*

This task can only be fully satisfied if the environment, competitors, market and technology changes are constantly monitored and evaluated. This looking outside can never be an absolute measure, the evaluation of the situation always starts with the comparison to internal states and characteristics.
The validation of the time horizons of past, present and future. The board has to manage the life of the company as a process, therefore the retrospective evaluation and future positioning of events and phenomena should also be taken care of and formed.

Thus, according to the logic above, directors on one hand have to pay attention from the inside out to the strategic and competitive environment, and related to that, the events of the past, especially the recent past and the future horizon of the organization.

The board should translate the strategy to an action program and goals to serve as a guideline for the management of the company. On the other hand the board of directors have to control and supervise the activities of the executive management, looking inward on the activities of the recent past and the present managerial actions. Finally in the light of accountability, the board have a reporting duty towards the shareholders and towards everybody else who has the right to make them report. (tax office etc. and other legal obligations.) Therefore Figure 2. can be structured by the time horizon. Future tasks serve the performance of the firm, while the past and present is the bases for objectives and the suitability to plans. (Figure 3.)

<table>
<thead>
<tr>
<th>Outward looking</th>
<th>Suitability role</th>
<th>Performance role</th>
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<tbody>
<tr>
<td>Inward looking</td>
<td>Past and present oriented</td>
<td>Future oriented</td>
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*Figure 3.*

*The two primary functions of the board*

With regard to this study the performance role, especially the importance of strategy creation should be emphasized. The governance of multinational corporate groups significantly upgraded the role of boards in this aspect.

**THEORIES OF STRATEGY**

**The development of strategic theories [4]**

Researches of strategic theories gradually validated the priority of the strategic context by creating competitive and adaptive strategic methods. Thus strategy creation became the constant task of the strategic management. There is no doubt that the most important task and phenomenon is the turbulence, the conscious adaptation for the rapid changes of the environment for the strategy
creating, transformation leadership recently. (See István Szintay: Corporate Governance és a stratégiai szemlélet kapcsolata – The Relation of corporate and governance and strategic perspective. [in Harvard Business Manager, 2000/3, pp. 53-64] for more details.)

It is natural that several paradigm shifts happened in the last forty years of strategic theories.

After World War II the economic development influenced the companies by its own dynamism until the middle of the '60s. Everything was scarce and whatever was produced that could be sold. Competition was very much limited, because all the companies focused on their slice of the growing cake. They played the game what game theorists called the “game against nature”. The trick of this game is that one has to estimate the expected market demand and adjust its production to that. (Ansoff, 1965) In this game, the market, just like the weather, remains independent from the actions of the company. The company can only adapt itself to estimated level of the market and cannot influence that. The critical abilities, which are needed to fight the weather and nature is foresight – i.e. pre-estimate the future conditions – and strategic planning, to give adequate answers.

When the cake of economy was not growing anymore in the late '60s, enterprises began to make careful decisions, where to invest to sustain their future development. They were also aware of the fact that any future growth is against their competitors. In the previous impersonal game against nature did not include their competitors. Due to the changes this game turned into a fight against identified players. Thus strategy creation starts with identifying the competitors and the analysis should include or exclude the possible players of the game. The game turned into an interaction between organizations and institutions, where on must be able to oversee the possible actions and reactions. The application of the mechanical forecasting and planning methods became limited in this situation, and the passive adaptation of the management can lead to dangerous consequences. The complex part of making a new strategy is the simultaneous task of fighting with the competitors and new markets at the same time. In the beginning it was a correct assumption, that the number of competitors are not so large – therefore the market is oligopolistic – thus the analysis of the key actors was easy to made. It was quite unfortunate that the growing awareness of the importance of the competitors influenced strategic theories in such times, when the globalization of markets increased the number of players and made them less identifiable, thus making the observation and analysis harder. For many strategists, the competitor analysis with these conditions – and maintaining the expectation of perfection – became an impossible problem to solve.

Nowadays the competition is taken place on four levels: inside the company, in a local environment, national environment and on a global level. Leaders of the companies focused on the internal processes of the organizations
(organizational structure and culture, activities and expertise, benefits due to processes etc.) and on the local competitive environment (e.g. the innovations of local competitors etc.) in the past and they defined their position in the competition according to that. Today’s managers have to consider and identify the advantages and disadvantages due to their nationality. The national sources of competitive advantages include national resources and cultural benefits, which can be gained in different countries; the looseness of the environmental regulations in developing countries which makes production cheaper; how much the direct entry of foreign competitors is preferred on local markets etc.

Finally the rapid change and uncertainty of global markets provides exceptional opportunities for corporations with clear vision to form the markets, to establish the characteristics of the markets, and this can ensure the achievement of good positions on all the four levels of competition.

The most important leadership activity of the future will be the creation of such knowledge and devices, which are supporting companies to identify their competitors and their alliances, and help them to compare their resources and skills. To carry out a strategic analysis, strategists should evaluate the knowledge of the organization and the state of the competition on the level of the company, the industry and the country. Furthermore, leaders should extend their plans regarding the nature of the skills and objectives of the company, with the inclusion of such factors that constantly focus on the participation in the worldwide competition.

It is not a coincidence, that the tasks of strategic management more and more move to the level of the top management (bodies) and the corporate development strategies become the determinant framework of its operations.

The seven perspectives of strategic theories are summarized below, emphasizing that all were developed and applied today by enforcing each other.

The Essence of Resource Based Strategic Theory [8]

Scholars of the resource based perspective identify organizational resources as brickstones of understanding organizational development. These resources can be financial, human, intangibles, material, organizational or technological. The direction and size of the growth of the company depends on how the top management evaluates the limits of these resources. These constraints form the possible ways of growth and the opportunities of developing strategies. This strategic theoretic framework provides the “dominant logic” of management, thus the leaders define the business concepts and make critical resource allocation decision within these boundaries. Internal decisions and resources have their influence on the competitive environment, thus determining the economic productivity of companies. The dominant management logic is based on things which proved to be successful in the past. If the structure of the demands of the environment change, the leadership adapts a new business
direction, resources must be adapted to that new business conditions, it is aiming.

If the top management misevaluates the resources of the organization and follows an inconsistent strategy, then the company's performance will constantly fail and can even go bankrupt.

The Essence of the Competency Based Theory [5]

The other theoretic perspective which is closely linked to the resource based perspective and dominant logic, is the competency based perspective. According to this, the most important knowledge and skills, namely the core competency is constructed as a result of the collective learning of the organization. Thus, at the same time constructs the content of the internal organizational communication, by which members integrate the knowledge, expertise and technological skills needed for production. The company which successfully establishes and uses these knowledge essence can take good use of it in gaining and maintaining competitive advantage.

The characteristics of corporate core competence:
1. Provides opportunity to enter a wide scope of markets.
2. Significantly contributes to the increase of the value perceived by the customer.
3. Unique, therefore it is hard to copy.

Core competency is a knowledge base or skills, which is general enough to be applied in many cases, thus it creates benefit for the customer, but would be too complex for other firms to benchmark. Comparably too much investment in R&D or the constant reduction of costs by the more efficient use of the facilities are not core competencies. The characteristic of core competency is that it develops slowly and id does not get used but renewed by its extensive and repetitive usage.

Core competency does not only include fields of features and design of the product. However Microsoft is the world market leader of operation systems and word processors, its core competency has nothing to do with programming. Programs of Microsoft, especially the earlier versions, very often did not have the same characteristics as the competitors. The strength of Microsoft, which made its software market dominance possible, lies in the marketing and distribution skills. Due to the contracts between Bill Gates and IBM, Compaq and other PC producers, Microsoft operation system turned into a world standard. Soon all IBM Pcs were equipped with MS-DOS and Windows as standard applications. Users thus got closer interaction with the name Microsoft and its products, when loaded new programs. Microsoft used this distribution technique in case of other users' programs as well, numerous contracts were
made with several PC producers, to install every new PC with Microsoft applications like Microsoft Office. Microsoft has developed core competency, very different from the others, which could be used for several products, thus a differentiative advantage were offered for the customers. This meant the familiar sounding of the name, the easy applications, which other software producers could not produce.

The resource based perspective and the competency based competition both starts from the organizational level and focuses on the skills different from those of the competitors. The weakness of this perspective that it fails to provide clear policies on identifying core competencies and the needed resources. It also lacks the support to compare with the competitors’ competencies and resources.

The second weakness of these theories is the lack of systematic approach in identifying the competitors as competitive reference group. Finally, when it is about competition on a global market, leaders should consider the advantages and disadvantages regarding the home country.

The Theory Based on the Competitive Advantages of the Home Country and Nations [9]

The characteristics and own resources of countries, though not owned by one only company, can be significant sources of competitive advantages on the market. It is not necessary to have all the elements of the value chain in one particular country, rather to have it in a country which has the biggest competitive advantage regarding the added value. What is crucial, whether the given country is the adequate place for the activity of the organization in the given industry. The bases is the place where the strategy is made, where central product and production development are carried out, where the most important expertise is "located", which influences the opportunities of the companies to enter foreign markets and take part in the competition there.

Four factors are determining the advantages of the national background:
1. factor conditions,
2. conditions of the demand,
3. connecting and suppliers industries and
4. the strategy, structure and competitors of the company.

These four elements function as a system mutually enforcing and limiting one another.

Factor conditions are the total of those national characteristics and factors, which are necessary for production, input or the maintenance of competitiveness in a particular industry. Factor conditions include, the basic elements like human resources (e.g. quantity, knowledge, cost of staff, work hours, work ethics etc.), physical resources (e.g. natural resources, geographical
location and size etc.), capital resources and infrastructure. The reason of competitive advantage might as well be the wealth of factor elements and the lack of some elements. Wealth very often leads to the inefficient usage of resources, whereas geographical and climatic disadvantages, high production costs, lack of work force can lead to innovativeness. For example the lack of work force and scarce production- and storage space led Japanese automobile producers to the automatic and space sparing just-in-time storage technique.

Conditions of the demand shows the level of demand in a particular country. The benefits of an existing local demand is not growing efficiency but innovative quality development. Thus large local demand leads to the development of further competitive advantages. First of all, if the demand is higher in the home country than in other countries, then home country companies will more possibly develop skills and products, which lead them to higher competitiveness in other countries. Secondly, local firms faces by higher and more sophisticated demand respond by higher quality products and services. Finally it is also a competitive advantage that local customers' needs can forecast the needs of foreign customers. This kind of prior knowledge makes it possible to enter the competition on the top in abroad as well.

The impact of these factors is clearly shown on the example of Japanese consumer electronics industry. Since they primarily concentrated on tight urban areas, Japanese started to miniaturize their products for better space efficiency much earlier than their competitors. Japanese were very demanding customers at that time, especially on the consumer electronics market, where products were status symbols. Japanese customers seriously analyze the market before making decisions about buying particular products. They are able to forecast and identify the needed features of next generations of the products. Such characteristics of the Japanese demand provided a kickstart and huge amount of information for Japanese electronic corporations.

The third factor in the international competition is the existence of the related- and supplier industries. However the existence of the key suppliers leads to cost savings, the primary benefit is derived from the skills of suppliers to coordination-ordinate their shared activities, and take part in the identification and solving of a problem. Suppliers can help producers - through their relations- in the application of new methods and technologies, provide quick access to information, and can serve as testers of new products and innovations. Related industries are the ones, where companies jointly coordination-ordinate and share certain activities, and those which have complementary products.

The fourth element of national characteristics, which can lead to competitive advantage is the existence of strategy, structure and competitors in the home-country. However numerous strategies and structures can exist in a particular country, certain general tendencies are obvious for the external observer as well. Local companies can benefit from these tendencies, if they coincide with those strategies and structures, which provide competitive
advantages in a particular industry. Such factors of the corporate level, like the management structure, the nature of share ownership, features of capital markets, the motivation and time horizon of corporate credit providers, incentives shaping leaders motivations, and governmental regulations significantly form the structure and strategy of companies. For example it is not forbidden for banks to own shares of the corporations they are creditors of in Germany and in Switzerland. These institutional investors hardly trade with their shares, and pay no attention on the actual price of the shares. Representatives of the banks are members of the board of directors, thus influencing the activities of the company. In spite of this, smaller investors also play an important role in the United States, with keeping their eye on the price of the shares and the management of the company, however most of the shares are in the hands of institutional investors. American institutional investors also pay more attention to the short term movements on stock markets and other measures of corporate performance. These differences in the governance influence the risk taking mindedness of the companies, and also the length of the tolerated return on investment.

Fierce competition on a local market in a particular industry can lead to the development of competitive advantages. Strong competitors stimulate each other for innovation, and the development of the quality and quantity of the products and services, which can also lead to the increase of competitive advantages. Furthermore, the development of the local competition can force the development on foreign markets as well, and so the competing companies can benefit from the size too. Corporations are very often capable for governmental lobbying, which benefits for the whole industry not only for a few players.

Theory of Strategic Groups [4]

The theory of strategic groups primarily argues, that companies of the same industry, with the same set of resources will follow the same competitive strategy, which lead to basically the same performance. Therefore companies can be grouped into groups, based on the similarity of their resources. However the expected performance is quite similar within one strategic group, seems to alter between the different groups.

One of the theories of strategic groups distinguishes three groups of asymmetry between companies. These are the expansion of the vertical integration, the level of variety of products and the differences in product differentiation. Based on these dimensions it defines four strategic groups (companies producing the whole scale of products, companies producing partial scale of the products, unique brands and suppliers) and then demonstrates the entry constraints of the particular groups. Several scholars have started to work out the slightly alternated structural behavior-performance paradigm based on the same principals for strategic groups.
According to the traditional approach of industry analysis, the structure of the branch influences the behavior of the company, which in turn have an impact on the performance. The strategic group perspective argues that the strategic behavior of the organizations influences the structure and the total performance of the industry, through the shaping of strategic groups. Certain constraints to entry (e.g. capitol demand, legal regulations) form the players of the industry and the competition between them. Not only entry constraints existed within the industry, but constraints of mobility between the strategic groups, which limit the possibilities of converting to another strategic group of the industry. Therefore the interest of the high performance strategic groups to build constraints to mobility, which hinders other companies to change their strategies and convert to another group.

Automobile industry is a good example of how an industry is divided to strategic groups. One study distinguished eleven groups with 35 car manufacturers based on six factors (relative size, market share, expansion of the product scale, the sophistication of the production technology, organizational skills, cost of labor). The strategic groups were the following ones, large American manufactures (GM, Ford), secondary American producers (AMC, Chrysler), largest Japanese manufacturers (Nissan, Toyota), secondary Japanese producers (Honda, Mazda, Mitsubishi), small Japanese manufacturers with European and American presence (Suzuki, Daithasu, Isuzu), small-car producers with modest market share (Hyundai, KIA, Daewoo, Seat, Alfa, Rover) and high performance, limited series sport car producers (Lamborghini, Ferrari, Maserati, Lotus). However many of the groups were formed alongside national or continental origin, others, like the one with modest market share are clearly cross-border groups. Several of these strategic groups, like the large and middle sized American and Japanese corporations compete with each other on certain markets but hardly with anybody else. Meanwhile high performance sport car producers gained a profitable market share for themselves and hardly face any competition from outside their strategic group. The concept of strategic groups is a useful device in demonstrating the determinant relative performance and the adequate corporate strategy.

Information and methods, used by the experts, are easy to access for the leaders as well. However the large number of dimensions and choosing the adequate factors for grouping is not an easy task to do. In this statistics oriented tradition analysts use several financial and performance measures for grouping the companies into strategic groups. Companies with similar financial indicators and resources possibly will compete more with each other and will suffer from the same environmental impacts than other players in the industry, using different resources. As a result of these similarities, companies will follow the same competitive strategy like other member of the strategic group. Performance also expected to be quite similar in the same strategic group, greater differences are expected to occur between strategic groups. Not much is mentioned in the
theories about how companies can get into the situation of applying the same resources and configuration of means of production.

**The Theory of Reference Groups [6]**

The second perspective of the identification of competitive reference groups roots in psychology and focuses on the cognitive processes of the leaders. It also concentrates on how to use the perceptions of the leaders about the skills and complexities of the companies for groupings and creating “cognitive communities” within branches.

Leaders have to evaluate the strength and weaknesses of their organizations and also how to use those as competitive advantages to avoid the threats from the competitive environment. Therefore leaders develop such a mental map, which includes the existing market position of the company. This can happen through attempts, mistakes, the monitoring of others’ performances, formal commands and interactions with others. This process is an understanding with unique characteristics based on experience about the industry and the competition. The common set of perspectives of leaders in the same industry about the nature of the competition could be called “cognitive community”. This set of beliefs, based on common understanding leads to the creation of norms and receipts. It also grounds the identity of the enterprises and helps to build a stable network of transaction, where the behavior of the competitors can be forecasted.

The theory of strategic groups starts from the industry level, works downwards, and collects various companies into same groups by the similarity of externally defined features. In spite of this the cognitive approach works upwards from the level of branch groups by using the mental models of leaders regarding the existing structures and perceived competitors. The biggest question of the theory is, how to identify and measure the common framework of understanding and action plans. One of the primary methods used by researchers of the topic is the personal interview. Several complicated means for analysis are used for the structuring of the interview and making the evaluation. However the scholars, as an independent third party have the needed expertise and time to carry out these processes of data collection, it is very unlikely in case of leaders to sit and talk for hours with their competitors about their views on the dynamics of the competition. An average leader is not aware of the statistical relations needed for the systematic summary of mental models, however they can and need to gain these information if they have the chance to do so. Meetings of boards of directors, conferences, workshops of chambers and other associations provide opportunities to discuss some of these questions and by doing so, be aware of their cognitive community.
Theory of Network Strategies [6]

Companies find it very hard to develop the abilities, skills and knowledge which is needed for efficient operations in the more and more dynamic and competitive environment. This is especially true, if one decides to enter foreign markets. As a consequence many globally competitive firms are becoming members of various alliances, collaborating joint ventures together with their present and future competitors. Corporations hope to gain such knowledge through the relations between these collaborating organizations, which is needed for the more effective competing.

Leaders miss significant information about the nature of the competition, if they only focus on the resources of other companies and ignoring the nature of the relations and network between them. The application of the network approach to define the nature of competition is a new concept. With the identification and monitoring of the relation between organizations, leaders can have a clearer picture about the dynamics of the competition. The network approach opened new fields of analysis in the possible collaboration opportunities of companies.

Many competition and collaboration of particular industries have been analyzed from a network perspective. Companies with the establishment of such strategic networks as joint ventures, agreements on share division, joint research centers, foundation of subsidiaries etc. develop new skills, thus counterbalancing their weaknesses. Organizations make collaborations to gain new technologies, to make the entry to new markets easier, to increase the utilization of activities, to access resources over the boundaries of the new firm, and to share the risk of activity, which exceeds the possibilities and skills of a single company.

Corporations establish these strategic networks with their competitors, suppliers and customers, sharing certain resources and information and keeping others in secret. American and Japanese car manufactures buy significant amount of shares of their competitors and make formal alliances with those. (e.g. Chrysler and Mitsubishi; Ford and Mazda; GM and Isuzu.) These companies jointly make the product design and very often produce joint models in common plants. (e.g. Mitsubishi Eclipse/ Plymouth Laser), while carry on competing on toher markets (e.g. in the high performance sport car market segment Dodge Viper and Mitsubishi 300 GT).

However the network with other companies provides many advantages, the opportunities are limited. Networks make certain interactions possible and limit others. If the environment of an organization changes quickly, obligations due to the network can hinder the adaption to the changes. The creation and maintenance of networks and the prevention of partners to gain benefits for the other’s cost can lead to sever costs. The benefits of establishing and taking part in such network can be higher than these costs. If transactions are of a routine
kind, and the content is a simple product the simpler collaborations (e.g. license contract) are efficient and less costly.

The identification of relation networks is easier for leaders than the previously mentioned data collection processes. Business press, TV news, daily newspapers and companies themselves publish agreements and collaborations between organizations and also the ending of those. This knowledge, combined with the information about the skills and resources of the future partners in the alliance can provide leaders a better understanding of competitors’ strategic plans. The development strategies of the competitors may include the growth on existing markets or the expansion on new markets.

The Theory of Strategic Vision, Strategic Objectives [9]

Instead of reactive behavior and instead of figuring out how to compete within the farmework of an already existing industry and its structure, it is more useful, while concentrating on the future opportunities, to think about the establishment of the yet non existent structures. According to these perspective, companies must focus on the share of opportunities rather than the market share, on markets of the state of birth.

Companies have to strive for the maximization of future opportunities due to present competencies. If an organization do not posses the competencies needed for grabbing the opportunities, then it has to invent how to develop those. In these new industries the competition will be on the corporate rather than the product level. The task of management is to identify those core competencies, which overlap several business units. It is very unlikely that one organization would posses all the competencies needed for future competition, joint ventures and alliances will be the key players of the future competition. To hold a leading position in the competition in a developing industry, clear vision of the future, persistence and commitment are needed. Future industries are yet unstructured, the rules of the game are not defined, therefore companies must be able for operation in unclear market conditions and for active experimenting of the establishment of the boundaries of the new industry.

The competition in these new industries expectedly will go through three stages:

*In the first one*, the competition will aim the founding of the industry’s future and the intellectual leading: companies will strive for the better understanding of those technological, demographical and life style trends, which shape the boundaries of the industry and offer new fields for competition. In this stage of the competition the identification of possible opportunities is the main task.

*In the second stage*, companies entering the competition should define the possible ways of development. In this stage organizations should deal with
the gathering of the needed competencies, the testing of alternative product —
and service opportunities, the attraction of competitors with complementary
skills and the shaping of the directions of the industry.

In the last stage, corporations have to step into the arena for market for
market positions and market share. Technological issues, the rival products and
service ideas and distribution channels are all known. Competition will be about
such traditional issues as price, quality, cost and performance.

The main strength of this perspective is the weakness at the same time.
While it is very useful in times of creating future market positions, this effort
attracts the attention from the necessities of present markets. The winning in
battles for future markets has a high importance, but companies must pay
attention on things right in front of their eyes.

SUMMARY

The objective of the present study was showing that in a globalized on pole world
corporate development or survival opportunities of multinationals or smaller local firms
have to be worked out and implemented in a very complex strategic context. One things
is for sure, which is clearly demonstrated in all three parts of the study, globalization
requires top management the development of global competitive and adaptive strategies
on all the four levels.

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