



# Unit 1 Globalization

## GUIDE TO READING

### ABOUT TEXT A

#### Background and Gist

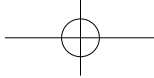
Outsourcing first began in manufacturing in the 1980s and 1990s when many Western companies shipped out production to countries where wages remained relatively low. In 1992, in *Decline and Fall of the American Programmer*, Edward Yourdon, an independent management consultant, predicted that US-based computer programmers would suffer terribly by the end of the decade, identifying India as the primary long-term competitive threat to the knowledge-based US economic engine. What he didn't foresee, however, is that what he defined as a destructive operation has turned out to be a megatrend 20 years later and it has affected almost every other field of the economy. In the text more details are given about outsourcing, the opportunities and risks involved in the process, as well as the varying measures adopted by major brands in the face of such challenges.

#### Text Language and Style

Being a special report in *BusinessWeek*, this text is characterized as impressively informative, comprehensive, and difficult to understand. While reading the text, you should try to grasp all the points related to outsourcing and then work out your own conclusion about this complicated issue. In addition, you should pay attention to the language, especially the involved sentence structures, formal words, and technical terms in the text.

### ABOUT TEXT B

Text B is about how global strategists should build, exploit and renew companies' capabilities to expand the international market and to ensure that their cross-border successes outnumber their failures.



## TEXT



### START-UP

#### I. Individual Work: Read and Think

1. Scan the text and try to get some ideas about the following questions.

- 1) What is outsourcing? Use examples in the text to illustrate your point.
- 2) What is Boeing doing with India HCL Technologies?
- 3) Why is “original-design manufactures” (ODMs) named so?
- 4) What is the ultimate result of brand-name companies’ duplicating one another’s efforts?
- 5) Who will be the winners in the outsourcing of innovation?

2. Scan the text again for the meanings of the following key terms.

- outsourcing (title)
- high-definition TV (para. 3)
- cockpit control (para. 4)
- R&D (para. 5)
- productivity (para. 5)
- software developer (para. 6)
- supplier (para. 7)
- microprocessor (para. 11)
- original-design manufacturer (ODM) (para. 11)
- personal digital assistant (PDA) (para. 12)
- circuit board (para. 15)
- in-house engineer (para. 22)

#### II. Team Work: Analyze and Discuss

1. Read the text and pick out some key phrases related to its theme.
2. Write an outline of the text by referring to the key phrases.

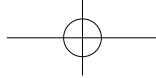
# Outsourcing Innovation

*Pete Engardio and Bruce Einhorn*

- 1 HTC? Flextronics? Cellon? There's a good reason these are hardly household names. The multimedia devices produced from their prototypes will end up on retail shelves under the brands of companies that don't want you to know who designs their products. Yet these and other little-known companies are emerging as hidden powers of the technology industry.
- 2 They are the vanguard of the next step in outsourcing—of innovation itself. When Western corporations began selling their factories and farming out manufacturing in the 1980s and 1990s to boost efficiency and focus their energies, most insisted all the important research and development would remain in-house.
- 3 Today, the likes of Dell, Motorola, and Philips are buying complete designs of some digital devices from Asian developers. It's not just cell phones. Asian contract manufacturers and independent design houses have become forces in nearly every tech device, from laptops and high-definition TVs to MP3 music players and digital cameras.
- 4 While the electronics sector is furthest down this road, the search for offshore help with innovation is spreading to nearly every corner of the economy. Boeing Co. is working with India's HCL Technologies to co-develop software for everything from the navigation systems and landing gear to the cockpit controls for its upcoming 7E7 Dreamliner jet.

## Competitive Dangers

- 5 Underlying this trend is a growing consensus that more innovation is vital—but that current R&D spending isn't yielding enough bang for the buck. With R&D as the biggest single remaining controllable expense to work on, companies either will have to cut costs or increase R&D productivity.
- 6 The result is a rethinking of the structure of the modern corporation. At a minimum, most leading Western companies are turning toward a new model of innovation, one that employs global networks of partners. These can include US chipmakers, Indian software developers, and Chinese factories.



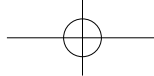
- 7 The downside of getting the balance wrong, however, can be steep. Motorola hired BenQ Corp. from China's Taiwan to design and manufacture millions of mobile phones. But then BenQ began selling phones last year in the prized China market under its own brand. Another risk is that brand-name companies will lose the incentive to keep investing in new technology. Yet if the innovation starts residing in the suppliers, you could endanger yourself to the point where there isn't much left.
- 8 Such perceptions are a big reason even when companies that outsource heavily refuse to discuss what hardware designs they buy from whom and impose strict confidentiality on suppliers.
- 9 The concerns also explain why different companies are adopting widely varying approaches to this new paradigm. Dell, for example, does little of its own design for notebook PCs, digital TVs, or other products. Hewlett-Packard Co. says it contributes key technology and at least some design input to all its products but relies on outside partners to co-develop everything from servers to printers. The key is to guard some sustainable competitive advantage, whether it's control over the latest technologies, the look and feel of new products, or the customer relationship.
- 10 Countries such as India and China, where wages remain low and new engineering graduates are abundant, likely will continue to be the biggest gainers in tech employment and become increasingly important suppliers of intellectual property. Some analysts even see a new global division of labor emerging: The rich West will focus on the highest levels of product creation, and all the jobs of turning concepts into actual products or services can be shipped out.
- 11 You can see this great division already taking shape in global electronics. The process started in the 1990s when China's Taiwan emerged as the capital of PC design, largely because the critical technology was standardized on Microsoft Corp.'s operating system software and Intel Corp.'s microprocessor. Today, "original-design manufacturers" (ODMs) from China's Taiwan, so named because they both design and assemble products for others, supply some 65% of the world's notebook PCs. Quanta Computer Inc. alone expects to churn out 16 million notebook PCs this year in 50 different models for buyers that include Dell, Apple Computer, and Sony.
- 12 Now, ODMs from China's Taiwan and other outside designers are forces in nearly every digital device on the market. Of the 700 million mobile phones expected to be sold worldwide this year, up to 20% will be the work of ODMs. About 30% of digital cameras are produced by ODMs, 65% of MP3 Players, and roughly 70% of personal digital assistants (PDAs).

### Sweeping Overhaul

- 13 India is emerging as a heavyweight in design, too. The top players in making the country world-class in software development, including HCL and Wipro, are expected to help India boost its contract R&D revenues from \$1 billion a year now to \$8 billion in three years.
- 14 Perhaps the most ambitious new entrant in design is Flextronics. Three years ago, it started losing big cell-phone and PDA orders to ODMs from China's Taiwan. Since then, CEO Michael E. Marks has shelled out more than \$800 million on acquisitions to build a 7,000-engineer force of software, chip, telecom, and mechanical designers scattered from India and Singapore to France and Ukraine. So far, Flextronics has developed its own basic platforms for cell phones, routers, digital cameras, and imaging devices.
- 15 In the 1990s, companies like Flextronics completely restructured the world's electronics manufacturing. Indeed, some 80% of engineers in product development do tasks that can easily be outsourced—like translating prototypes into workable designs, upgrading mature products, writing user manuals, and qualifying parts vendors. What's more, most of the core technologies in today's digital gadgets are available to anyone. And circuit boards for everything from cameras to network switches are becoming simpler because more functions are embedded on semiconductors.
- 16 Why then should Nokia, Motorola, Sony-Ericsson, Alcatel and other brand-name companies all largely duplicate one another's efforts? Why should each spend \$30 million to develop a new smartphone or \$200 million on a cellular base station when they can just buy the hardware designs? The ultimate result is that some electronics giants will shrink their R&D forces from several thousand to a few hundred, concentrating on proprietary architecture, setting key specifications, and managing global R&D teams.

### Close to the Heart

- 17 Still, most companies insist they will continue to do most of the critical design work. A Motorola spokesman says it plans to keep R&D spending at around 10% for the long term. Lucent says its R&D staff should remain at about 9,000, after several years of deep cuts. And while many Western companies are downsizing at home, they are boosting hiring at their own labs in India, China, and Eastern Europe. This shows that companies have all realized if they want a sustainable competitive advantage, they will not get it from outsourcing.
- 18 Companies also worry about the message they send investors. If a company depends on outsiders



for design, investors might ask, how much intellectual property does it really own, and how much of the profit from a hit product flows back into itself, rather than being paid out in licensing fees? That's one reason Apple Computer lets the world know it develops its hit products in-house, to the point of etching "Designed by Apple in California" on the back of each iPod.

- 19 Yet some outsourcing holdouts are changing their tune. Nokia long prided itself on developing almost everything itself. No longer. Given the complexities of today's technologies and supply chains, "nobody can master it all," says its Chief Technology Officer. "You have to figure out what is core and what is context." Lucent says outsourcing some development makes sense so that its engineers can concentrate on next generation technologies.
- 20 It's also about brutal economics and the relentless demands of consumers. To get shelf space at a Best Buy or Circuit City often means brand-name companies need a full range of models, from a \$100 point-and-shoot digital camera with 2 megapixels to a \$700 8-megapixel model that doubles as a videocam and is equipped with a powerful zoom lens. On top of this, superheated competition can reduce hit products to cheap commodities within months. So they must get out the door fast to earn a decent margin. Consumer electronics have become almost like produce—they always have to be fresh.
- 21 Such pressures explain outsourcing's growing allure. Take cell phones for example. Using a predesigned platform can shave 70% of development costs off a new model, estimates a senior vice-president for marketing at Cellon. That can be a huge savings. As a rule of thumb, it takes around \$10 million and up to 150 engineers to develop a new cell phone from scratch. If Motorola or Nokia guess wrong about the market trends a year into the future, they can lose big. So they must develop several versions.

### Moving Up the Food Chain

- 22 Who will ultimately profit most from the outsourcing of innovation isn't clear. The early evidence suggests that today's Western titans can remain leaders by orchestrating global innovation networks. Yet if they lose their technology edge and their touch with customers, they could be tomorrow's great shrinking conglomerates. Contractors like Quanta and Flextronics that are moving up the innovation ladder, meanwhile, have a shot at joining the world's leading industrial players. What is clear is that an army of in-house engineers no longer means a company can control its fate. Instead, the winners will be those most adept at marshaling the creativity and skills of workers around the world.

(Adapted from *BusinessWeek*, March 2005)

## GLOSSARY

vanguard (para. 2)	<i>n.</i>	a group of people who lead the development of new ideas, or a leading position in the development of something 先锋, 前锋
farm out (para. 2)		send work to other people instead of doing it yourself 托别人去做
enough bang for the buck (para. 5)		the best result for the smallest effort 最佳效果
confidentiality (para. 8)	<i>n.</i>	a situation in which important information must be kept secret 机密
paradigm (para. 9)	<i>n.</i>	a particular way of doing something or thinking about something, which is generally accepted or copied (被普遍接受或模仿的) 做事方法, 思维方式
churn out (para. 11)		produce large quantities of something 大量生产
overhaul (para. 13*)	<i>n.</i>	a complete change to a system that is intended to make it work more effectively (对制度的) 全面修订, 彻底改革
entrant (para. 14)	<i>n.</i>	a person who takes part in a competition or an examination 参赛者, 参与者
shell out (para. 14)		pay a lot of money for something, especially unwillingly 付款
embed (para. 15)	<i>v.</i>	fix something firmly into a substance 将某物固定于……
allure (para. 21)	<i>n.</i>	attraction, charm or excitement 诱惑
orchestrate (para. 22)	<i>v.</i>	arrange something carefully, and sometimes secretly, so as to achieve a desired result 精心安排
conglomerate (para. 22)	<i>n.</i>	a company that owns several smaller businesses whose products or services are usually very different 大公司, 企业集团
marshal (para. 22)	<i>v.</i>	gather or organize people or things in order to achieve a particular aim 组织, 集结(人力、物力)

\* 表示此词首次出现在所标段落上方的小标题中



## NOTES

1. HTC (para. 1) 宏达国际电子股份有限公司（简称“宏达电子”，手机与平板电脑制造商，总部位于中国台湾）
2. Flextronics (para. 1) 伟创力（电子制造服务供应商，总部位于新加坡，业务包括手机电路板设计、通信工程、汽车配件制造和物流等）
3. Cellon (para. 1) 赛龙（无线终端产品方案设计及整机供应商）
4. BenQ Corp. (para. 7) 明基电通有限公司（IT 科技产品公司）
5. Quanta Computer Inc. (para. 11) 广达电脑有限公司（笔记本电脑研发设计制造公司，总部位于中国台湾）
6. Wipro (para. 13) 威普罗公司（印度信息技术服务综合供应商）
7. Lucent (para. 17) 朗讯（通信网络设备提供商，总部位于美国新泽西州茉莉山。2006 年与法国阿尔卡特公司合并，更名为阿尔卡特朗讯企业通信，新集团总部设在巴黎）
8. Best Buy (para. 20) 百思买（美国电器和电子产品连锁零售商）
9. Circuit City (para. 20) 电路城公司（美国消费电子产品连锁店）



## EXERCISES

### I. Discuss with your partner and answer the following questions.

1. What was the strategy adopted by Western companies in the 1980s and 1990s?
2. What is the new trend now?
3. What is the biggest single remaining controllable expense to work on?
4. What do global networks of partners include?
5. What are the sustainable competitive advantages that companies try to keep?
6. What roles will the West and the East play in the new global division of labor?
7. Do you think successful outsourcing depends on the industry the company is in? Why or why not?
8. In what fields do you think outsourcing is more practical? Why?

### II. Paraphrase the following sentences.

1. While the electronics sector is furthest down this road, the search for offshore help with innovation is spreading to nearly every corner of the economy. (para. 4)
2. Underlying this trend is a growing consensus that more innovation is vital—but that current R&D spending isn't yielding enough bang for the buck. (para. 5)
3. The downside of getting the balance wrong, however, can be steep. (para. 7)
4. Yet if the innovation starts residing in the suppliers, you could endanger yourself to the



- point where there isn't much left. (para. 7)
5. Yet if they lose their technology edge and their touch with customers, they could be tomorrow's great shrinking conglomerates. (para. 22)

### III. Translate the following sentences into Chinese.

1. The multimedia devices produced from their prototypes will end up on retail shelves under the brands of companies that don't want you to know who designs their products. (para. 1)
2. Such perceptions are a big reason even when companies that outsource heavily refuse to discuss what hardware designs they buy from whom and impose strict confidentiality on suppliers. (para. 8)
3. Still, most companies insist they will continue to do most of the critical design work. (para. 17)
4. Using a predesigned platform can shave 70% of development costs off a new model, estimates a senior vice-president for marketing at Cellon. (para. 21)
5. Instead, the winners will be those most adept at marshaling the creativity and skills of workers around the world. (para. 22)

### IV. Translate the following paragraph into English.

现在，像戴尔、摩托罗拉和飞利浦这样的公司从亚洲开发者手中购买某些数码设备的全套设计。然而，外包存在风险。例如，这种趋势可能会培养新的竞争对手，投资者的评价可能会下降，公司可能会丧失众多知识产权。总之，在外包自己的研发工作时，公司应遵循以下原则：无论外包什么，公司都应该竭尽全力地保持自己可持续的竞争优势。如果丧失了自己的技术优势以及与客户的关系，公司将成为明日萎缩的大企业集团。胜利者将是那些最擅长将全球各地的创新和工人的技术整合在一起的公司。

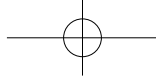


#### Questions for Discussion

1. Try to summarize and present to your classmates the points in this text about outsourcing. What important messages about outsourcing do you think Chinese enterprises can get from this text?
2. Do you think the decline of the companies like Motorola is related to their outsourcing? Give evidence to support your idea.

#### Case Study

Choose a company online or in real life and find out its outsourcing strategies. Illustrate whether these strategies are good or not and give your evidence and suggestions. Write a report on your study.



# TEXT B

## Building Your Company's Capabilities Through Global Expansion

*Donald Lessard, Rafael Lucea, and Luis Vives*

- 1 Today, global strategists need to go beyond such traditional questions as which are the most attractive markets for their company, and which markets are “closest” to them in terms of institutions, level of development and culture. They must sharpen their global strategies by focusing on how to exploit, enhance and renew or even transcend their home-based sources of advantage.

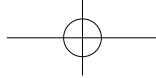
### Capabilities and Competitive Advantage

- 2 The task of the global strategist is to build a platform of capabilities culled from the resources, experiences and innovations of units operating in multiple locations; to transplant those capabilities wherever appropriate; and then to systematically upgrade and renew them— ahead of the competition.
- 3 Apple is a preeminent case of a company whose unique capabilities give it a worldwide competitive advantage, particularly with respect to its ability to build platforms from a product base that integrates functional and aesthetic design. Apple has been able to leverage and exploit its California-based design and marketing advantages successfully throughout the world. IKEA is another such case. The do-it-yourself furniture and housewares company first developed a compelling set of capabilities to design, manufacture and ship furniture at low cost and sell it in a novel way in Sweden. Later, IKEA successfully replicated this formula in many other countries.
- 4 These examples might lead the reader to believe that creating a global advantage is an easy task. But many other instances of expensive failed experiments suggest that creating a lasting

global advantage actually requires a great deal of strategic and operational finesse.

### Exploit Existing Capabilities

- 5 The simplest way in which a company can gain advantage in foreign markets is to exploit capabilities first developed at home. A number of companies have been able to successfully leverage their homegrown capabilities in foreign markets. As we noted above, IKEA successfully transferred its conception of low-cost, modular furniture with Nordic design. McDonald's took the capabilities that made the company a successful fast-food player in the United States to international markets, achieving an impressive degree of international presence and success with minimal regional adjustments.
- 6 But not every transplant takes root. Two crucial questions every strategist must ask are how well the company's capabilities will travel and where they might best be replicated. One way to answer these questions is to use what we call the "RAT Test;" RAT stands for *relevant*, *appropriable* and *transferable*. The RAT Test helps identify whether a particular market is suitable for the successful deployment of one of a company's home-market businesses.
- 7 The RAT Test comprises three questions:
  - Are the capabilities developed in the home market *relevant* to customers in the target market?
  - If deployed in a foreign target market, would these capabilities be *appropriable*? In other words, do they allow for the capture of value?
  - Are the capabilities *transferable*? Can the company deploy its capabilities effectively in the target foreign location without sacrificing too much value creation and capture potential?
- 8 The RAT Test is as important in ruling out expanding into a particular country as it is in confirming that a proposed expansion makes sense. While there are many ways to identify what appear to be attractive markets, careful consideration of these three factors is a must, and failure to do so may result in serious blunders. Some international expansions are frustrated because the capabilities that make a company a leader in some countries are not relevant in others. IKEA, for example, made a misstep when it moved into Japan, not recognizing that the Japanese had a deep aversion to assembling their own furniture—a key element of the IKEA business model.
- 9 Wal-Mart Stores' botched initial expansion into Germany is another example of a similar failure. When Wal-Mart began opening its doors in Germany it found, among other things, that local discounters were already offering low pricing—making it impossible



for the discount giant to achieve acceptable levels of profitability and ultimately forcing its exit.

- 10 The RAT Test focuses on how to avoid such missteps and successfully exploit a company's existing capabilities in a new context. For a company to do so, its capabilities have to be relevant to customers in the foreign market, providing products and services that they value. In addition, the fruit of this effort must be appropriable by the company, a factor that largely depends on the strength and uniqueness of the company's capabilities vis-a-vis those of incumbents in the host country. The RAT Test reminds us that transferring relevant knowledge and capabilities across countries is rarely easy. Often, capabilities derive from experience or knowledge that is hard to codify, or they are tightly integrated with the capabilities of the company's suppliers or complementors.

### Create New Capabilities

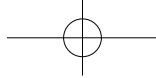
- 11 Companies also expand internationally to gain access to strategic assets or to develop new capabilities. In these cases, it is critical for strategists to determine whether the new additions will actually result in an *overall* enhancement of the company's capabilities and its global competitive position. Developing new capabilities is on some occasions achieved through a single, deliberate action, such as the acquisition of a foreign company known to have mastered a particular technology, but at other times it derives simply from coping successfully with the challenges presented by another country's competitive and institutional environment.
- 12 In either case, the key concerns of the strategist are to determine whether the new capabilities complement the company's existing set of capabilities, whether these new capabilities can actually generate additional value for the company, and whether it is possible to transfer them from the specific context in which they were developed to the rest of the organization.
- 13 One method that internationalizing companies have traditionally employed to improve their capabilities is to set up shop in well-known "lead markets" or in technology hotspots. Shimano, a sporting gear manufacturer based in Sakai, Japan, offers an interesting example of such a strategy. Early in its internationalization during the period after World War II, Shimano "tapped" the United States for a then-new technology—cold forging—that significantly increased the company's manufacturing capabilities. Later, in the early 1970s, Shimano set up marketing and technical operations in Europe to learn from the world's most sophisticated road bicycle consumers and competitors. In the mid-1980s, it repeated the operation on the

West Coast of the United States to meet the requirements of mountain-biking pioneers. In all three instances, Shimano gained either technical or market knowledge that complemented its already deep capabilities in the design and manufacture of bicycle components—new knowledge that Shimano was able to exploit not only in the specific markets in which the knowledge originated but also globally.

- 14** New assets and capabilities can also be gained through joint ventures and acquisitions. Lenovo Group’s acquisition of IBM’s PC division in 2005 allowed the Chinese electronics company to access a new set of capabilities and recombine them to improve its advantage in international markets. More recently, the Tata Group, based in Mumbai, India, has also looked for complementary capabilities, such as when it acquired Land Rover and Jaguar in the United Kingdom or purchased Spanish bus maker Hispano Carrocera. Indeed, acquiring complementary capabilities is a key goal for Tata in its acquisitions strategy.
- 15** In order to evaluate the potential for enhancing the current sources of advantage through the assets and new capabilities developed in foreign markets, global strategists can use what we call the “CAT Test.” The CAT Test, explores whether new capabilities will be *complementary*, *appropriable* and *transferable*.
- 16** The CAT Test is comprised of three questions:
- Are the new assets and capabilities that the company will develop/acquire in the new market *complementary* to the existing capabilities that constitute the base of the company’s competitive advantage?
  - Are they *appropriable*? Can the company appropriate enough of the value of these new capabilities, or will other companies extract the value of the capabilities/resources that they supply?
  - Are they *transferable*? Can the company effectively bring them back from the source location and integrate them into its capability set without sacrificing their value?

### A Virtuous Cycle

- 17** Taken together, RAT and CAT represent a cycle of capability exploitation and enhancement. For most companies, the process of internationalization starts when they begin exploring which of their capabilities have the potential to be relevant, appropriable and transferable in other markets. As a company starts to operate in new foreign markets, it typically finds that some aspects of its existing products, services or business model need to be adapted to the local context in order to maximize the company’s competitiveness in the new market. Interestingly, while its home-developed capabilities allowed the company to enter and



survive in the foreign market, its subsequent efforts frequently require the development of new host-country-specific capabilities. As corporate managers become aware of these new capabilities, they should consider to what extent those new capabilities can be incorporated into the company's global capabilities and be relevant, appropriable and transferable to other countries. The result is a continuous cycle of exploration, exploitation, adaptation and enhancement.

- 18** Wal-Mart provides an interesting example of this virtuous cycle. Although we earlier cited Wal-Mart as a company whose home-market capabilities did not pass the RAT Test in Germany, other markets subsequently provided Wal-Mart with CAT-ready opportunities, which it is now using to renew its business model in the United States. In 2010, for example, Wal-Mart announced it would introduce a small-store format, called Wal-Mart Express, aimed at rural and urban areas without nearby grocery stores. The decision to introduce this new format to the United States came about because of the success of Wal-Mart's small stores in Brazil, Mexico and Argentina. As stated by Bill Simon, chief executive of Wal-Mart's US business, "Our group in Mexico and Latin America operates small formats very well and very profitably, and we are going to beg, borrow, steal and learn from them as quickly as we can."
- 19** Accor, a hotel operator based in France, offers another example of how to create dynamic renewal through new capabilities acquired in foreign markets. Based on the success of its French hotel chain Novotel, Accor started by exploring new markets in which the set of capabilities had developed in France could be relevant, incorporating new hotels and hotel chains through acquisitions. However, in this process, the company also learned how to identify new assets and capabilities that could enhance the company's existing set of capabilities and integrate them back into the group's core practices—setting off a new exploration-exploitation cycle.
- 20** The relative importance of the RAT and CAT Tests, and the pace at which this dynamic cycle operates, will depend on a company's maturity, its stage of internationalization and the overall state of the industry. For companies based in rapidly evolving lead markets, RAT opportunities to transfer their home-market model to other countries will likely be most relevant. However, companies in businesses characterized by a multiplicity of competitive markets or that are late entrants into highly competitive global industries should be more focused on CAT opportunities. A CAT focus is also likely to be most relevant for companies that have settled into what appears to be a fairly comfortable position and that feel the need to shake up the cozy status quo and set off a new round of upgrades.

21 The rising level of global competition and the acceleration of technological change mean that global expansion is no longer an optional activity. Today, virtually every sizable private enterprise must have a global strategy. No program of company expansion is risk free, but taking a well-considered, strategic approach to expansion can help companies ensure that their cross-border successes outnumber their failures.

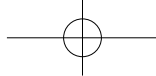
(Adapted from *MIT Sloan Management Review*, Winter 2013)

## GLOSSARY

cull (para. 2)	v.	select or obtain something from various different sources 从各个不同的方面挑选出或获得某事物
preeminent (para. 3)	adj.	outstanding, distinguished 杰出的, 与众不同的
leverage (para. 3)	v.	spread or use 传播, 利用
modular (para. 5)	adj.	consisting of separate parts or units that can be joined together 组合式的
blunder (para. 8)	n.	a stupid or careless mistake 愚蠢的错误, 疏忽
botch (para. 9)	v.	spoil something by poor or clumsy work 弄坏, 弄糟
set up shop (para. 13)		start a business, especially a business that involves selling things 开业, 开店

## NOTES

1. Wal-Mart (para. 9) 沃尔玛 (零售业全球连锁企业, 总部设在美国)
2. Shimano (para. 13) 禧玛诺集团 (制造和销售自行车零件、钓鱼具、滑雪板和高尔夫用品的跨国集团公司, 总部位于日本大阪府)
3. Sakai (para. 13) 日本堺市 (位于大阪府中部)
4. Tata Group (para. 14) 塔塔集团 (大型跨国企业, 总部位于印度孟买, 业务范围涉及通信和信息技术、工程、材料、服务、能源、消费产品和化工产品等)
5. Land Rover (para. 14) 路虎汽车集团 (英国)
6. Jaguar (para. 14) 捷豹汽车公司 (英国)
7. Hispano Carrocera (para. 14) 西班牙一家巴士制造和设计公司 (2009 年被塔塔集团收购, 更名为 Tata Hispano)
8. Novotel (para. 19) 诺富特酒店集团 (法国)



## EXERCISES

### I. Decide whether the following statements are true (T) or false (F).

1. Global strategists must sharpen their global strategies by focusing on how to exploit, enhance and renew or even transcend their foreign sources of advantage.
2. IKEA failed to replicate its formula in many other countries.
3. Many companies failed in their globalization because they had invested so little.
4. Shimano tried to create new capabilities by setting up marketing and technical operations in the US and Europe.
5. Wal-Mart's home-market capabilities did not pass the RAT Test in Germany, but got CAT opportunities in other markets.
6. Based on the success of its French hotel chain Novotel, Accor started incorporating new hotels and hotel chains through acquisitions.
7. For companies based in rapidly evolving lead markets, CAT opportunities to transfer their home-market model to other countries will likely be most relevant.
8. Not all programs of company expansion have risks.

### II. Translate the following sentences into Chinese.

1. Apple is a preeminent case of a company whose unique capabilities give it a worldwide competitive advantage, particularly with respect to its ability to build platforms from a product base that integrates functional and aesthetic design. (para. 3)
2. The RAT Test is as important in ruling out expanding into a particular country as it is in confirming that a proposed expansion makes sense. (para. 8)
3. Often, capabilities derive from experience or knowledge that is hard to codify, or they are tightly integrated with the capabilities of the company's suppliers or complementors. (para. 10)
4. Lenovo Group's acquisition of IBM's PC division in 2005 allowed the Chinese electronics company to access a new set of capabilities and recombine them to improve its advantage in international markets. (para. 14)
5. No program of company expansion is risk free, but taking a well-considered, strategic approach to expansion can help companies ensure that their cross-border successes outnumber their failures. (para. 21)

### III. Translate the following paragraph into English.

全球战略家的任务是通过多个地点运营单位的资源、经验和创新的总结提炼，来构建一个能力平台，将这些能力移植到适当的地方，然后对这些能力进行系统性的升级和更新。一家公司在外国市场获得优势的最简单方法是利用已在国内获得的能力。公司也通过



国际化扩张获得战略资产或培养新能力。由于公司经理人了解这些新能力，他们应该思考这些新能力能在多大程度上整合进公司的全球化能力中以及这些新能力与其他国家的相关性、适用性和可转移性。总而言之，全球竞争水平的提升以及技术变革加速意味着全球扩张不再是一项可选择的活动。现在，几乎每家一定规模的私营企业都必须拥有全球战略。

#### IV. Research and discuss.

Do you think it is necessary to build a company's capabilities through global expansion? If yes, give the reasons for your opinion and the means of business globalization as well as examples to support your ideas. If no, give the reasons, and then propose other strategies for a company to build its capabilities and use evidence to support your ideas. Then discuss with your classmates.