

Four Steps to Going Global: It's Easier than You Thought [to Lose Everything]

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by David Stehlik

In 1958, free market advocate Leonard E. Read wrote a short essay entitled, “I, Pencil,” in which he explains the indecipherable emergence of a vast and complex web of exchange that brings a simple and common object, such as a pencil, into the classroom, home, and workplace. That essay, which was adapted into a short film in 2012, illustrates the manner in which commerce has connected the world so that even seemingly noncomplex products and processes actually involve the spontaneous arrangement of undefinable markets and accompanying transactions (Tucker, 2012). In short, nearly everything that is used by the individual or the firm in the modern era is of globalization’s lineage. One cannot disconnect, without incomprehensible difficulty, the ties that bind the simple pencil to innumerable decisions and decision-makers, from lumberjacks to road-pavers, from graphite mining to commercial shipping and supply purchasing. In the same way, the worldwide web of reality entails even deeper and wider connections for industries of seemingly more complex products and services. Even if one’s organization is not transacting overseas or across borders, s/he can be sure that globalization affects how they source their materials, distribute their goods, price their services, market their product offering, etc., i.e. globalization has naturally shaped every market response to varying degree. The following four steps, therefore, can help guide leadership toward a more intentionally global position.

Step 1: Be aware that globalization is fluid in form, open to all, and accommodating to few.

Lest you think otherwise, this is not another article explaining how the world is suddenly globalizing and those whose organizations do not pay attention will be left behind. Read was not a seer. Globalization has been occurring for millennia. The whole world traded with Egypt in the days of the seven-year, Fertile Crescent famine, when the wisdom of Joseph, son of Jacob, stockpiled reserves and saved Mesopotamia. Centuries later, the Queen of the South (Sheba) visited Israel with an abundance of spices in exchange for examining the visible wisdom of that nation and its leader, Solomon – that king who sent trading ships to Ophir to accumulate immense quantities of treasure. In both cases, the kingdoms prospered economically because of their leaders' savvy.

Clearly, globalization is not a modern phenomenon, though its influence has certainly increased and leavened everyday trade. Practically, its effect has given athletes cheaper clothing and equipment, along with a realizable consistency to product quality. It has given entertainment-chasers more choices, by spreading preferences across borders. Communication networks have expanded to reach the unreached, and technology has advanced at its side. Whereas, it took the West centuries to craft wireless telecommunications products and services. Once the West had them, it only took decades for the East to recognize and harness the advancement. Moreover, the increase in global population and profitability in concentrating efforts on semi-standardized products has actually led to the proliferation of industries whose purpose is to aggregate preferences (i.e. hygiene, medical care, popular culture branding, etc.). Yet, globalization is descriptive of trade, not prescriptive. It is something adjusted to; it is not controllable. Why? Because, globalization is fundamentally a network of semi-autonomous responses to opportunity. To grasp this perspective, consider globalization's affect upon the organization, its employees, and the environment in which it operates (or intends to operate). Proper responses, especially as the organization in question becomes larger and more complex, become increasingly dependent upon a special sort of leadership.

Because global trade has micronized, meaning individuals – rather than just nations or wealth-loaded organizations – are now capable of developing and sustaining incredibly resilient global trading arrangements, any firm contemplating extended forays into global markets needs to engage in much due diligence. Just because anyone can pan for gold does not mean that anyone, let alone everyone, will find gold. In fact, ease of entry often means ease of loss. *That* is how organizations should approach globalizing their efforts: supposing that any opportunity for low-hanging fruit in global markets was taken long ago; like with the market for hedge funds, the most fruitful arbitrage openings have closed. Here is what that means: globalizing the organization is no longer primarily

dependent upon immense physical capital. Such is not even a necessary condition any longer. Instead, globalizing is increasingly reliant upon intellectual capital for desirable gains. Those making, taking, and breaking deals are the key cogs to global endeavors. As international strategy, leadership, and human resources authorities Black, Morrison, and Gregersen (1999) point out, “global leaders in developing countries are the [organization’s] infrastructure” (p. 87, addition mine). Thus, for any organization taking its talents across the pond, the primary requirement is having individuals who can lead the effort running at a global pace.

Step 2: Determine if going global fits your strategy and accomplishes or aids in accomplishing its ends.

In the globalization equation, answering the organization and environment questions are largely a matter of organization design, whereas the employee question is one of leadership. Though each component deserves treatment, this installment will focus primarily on the latter (though all three are thoroughly interrelated) as it dictates the quality of response to the former. To begin, there are essentially three kinds of global market opportunities:

1. Generating arbitrage gains by identifying “cost and quality differences in production inputs,”
2. Identifying new markets for selling the organization’s goods and services, and
3. Leveraging scale and scope efficiencies.

(Black, Morrison, & Gregersen, 1999, pp. 151-152)

An organization moving globally will have a motivation for doing so among those three, perhaps more than one. Regarding the first, mindful organizational leaders keeping close watch on valued resources and service markets can hope to time surplus discounts and demand runs across international waters, but doing so can be more difficult than one first imagines. Unless the organization has transaction agents handling the various currency and unit exchanges, along with shipping logistics and detailed standard policies for international cargo in place, leadership might find the arbitrage opportunity a simple mirage. Still, the organization with key competencies in said areas can easily turn such into an arbitrage opportunity since networks of individuals are the infrastructure for profitable global ventures. The second kind, unlike the first, may have broader strategy in mind. Global ventures may help curtail losses, increase logistical capabilities, or build the strategic infrastructure that could make future arbitrage opportunities come to light. For example, with capital intensive investment industries like aircraft developers, “global markets serve as a means of amortizing these enormous capital and technological investments” (p. 155). The third kind

of opportunity, pertaining to efficiency-seeking through globalizing activities, is something akin to mixing the first two. Increased customer-bases can support larger production runs, which can help with variable costs. And, the new markets and client-relationships supporting these demand-pools are useful for exploring previously closed arbitrage environments, especially since firms in those markets now have reciprocal access to the arriving firm.

Step 3: Determine how “global” your firm will be in order to meet its strategic goals, and then ensure the proper organization design exists to support this measure of globalization.

Clearly, for a firm to handle all the strategic requirements for complex global initiatives, it needs to be designed for speed, flexibility, and reliability. New global communications systems, both wired and wireless, along with consolidation throughout markets where competitors are aligning as consortiums and otherwise to gain additional market reach, are changing the way global business is perceived and conducted. One can quickly setup an eBay account and sell globally, using global shipping firms and online payment transfer systems to handle matters without concern for banks, port or customs authorities, or professional price negotiators. But, eBay selling is perhaps one of the simplest forms of independent business. For that reason, eBay sellers have little in the way of competitive advantage in the global markets. As Galbraith (2000) notes in his study on the subject of global organization design, simple structures yield little in the way of competitive advantage (the strategic point of going or not going global). While simplicity is good for customers, it does little to help the organization, for “firms create competitive advantages by surmounting challenges that their competitors cannot” (p. xv). And, it is the organization’s quality leadership that can help develop that strategic, advantageous complexity.

Step 4: Recognize the preeminent value of the leaders heading up the global endeavors, and ensure they have the necessary competencies – not just that they are the best available. Furthermore, ensure they have the support and resourcing necessary to do what is expected while also handling the [to be expected] unexpected.

What kind of leaders can handle such tall orders? They are, according to global business experts Rosen, Digh, Singer, and Phillips (2000), competent personally, socially, professionally, and culturally. These “literacies” are cumulative development factors. “By understanding and valuing yourself, you are able to fully engage and challenge people, enabling you to focus and mobilize your

organization, ultimately leveraging culture as a tool for competitive advantage” (p. 58). Such leaders can more than help in organization design matters – they are also competent in scanning the environment and identifying global open doors (parsing the oasis from the mirage). They have organizational aptitude and experience with direct knowledge of organizational matters and are not just qualified, inspiring speakers. Given the numerous obstacles the global environment presents (language and dialects, subtle and not so subtle symbolism, positive and negative historic relationships, varying perspectives on equality, relative valuation markers like prioritizing monetary wealth before integrity or vice versa, etc.), leaders for globalizing organizations need to have qualities that put them beyond the frame of a capable domestic leader. Some of the qualities that global business researchers McCall and Hollenbeck (2002) found significant to the personal side of such leaders include uncanny listening skills that allow the global leader to frame and reframe situations from various perspectives (home office, local management, customer segments, local suppliers, domestic national labor, etc.), the ability to perform high-level risk assessments on the fly, and a courageous optimism to withstand unethical pressures while also considering oneself ultimately responsible for all decisions made as the organization’s official global ambassador (p. 91). As a local regent, they will handle more than is expected of the domestic business leader, since being the public front person for the organization often means learning to lead through the various public relations issues (appearances, media interviews, political sessions, union negotiations, and internal organizational culture quandaries) (p. 90). Considering that responsibility while also dealing with the bombardment – or surprise – of time-zone delayed memos, out-of-office responses on country-specific vacation days, irreconcilable regional technological systems, and differing standards (Letter vs. A4 paper sizes for example) would frustrate most. Global leaders, however, need to be able to not just accept the differences, surprises, and challenges, but they also need to appreciate them – to fill in their operating position’s blind spots and also to gain strategic information for reevaluating their globalization plans. They need to drive their own sense of learning at a furious pace but exercise a deft touch in matters of cultural nuance. They are an often misunderstood enigma, but their skillset is far undervalued.

In sum, reacting to globalization is an ongoing activity. It requires an organizational awareness of the global environment, wisdom as to determining how “global” the organization should be and who should lead the charge, and all the while be founded on the understanding that there are better ways to waste organizational resources than by going global if such is just a novel idea without strategic purpose. With an ever-changing environment, no two situations will present the same decision, and so excellent leadership is the surest way to rightly-guided global strategy. And, because the map is

frequently redrawn and relationships reevaluated, most competitors are on the same footing – and it is uncertain. That is a good thing for new entrants to the game.

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