

DYNAMIC ADVANTAGE



Building sustainable competitive advantage for global firms

Reaping the advantages of a global resource network

By Stephen Wyatt

How do leading firms with global operations extend their success in today's context of business environments, geo-political uncertainty and demanding customers that threaten to switch loyalty at the swipe of a smart phone screen? Many global firms may have expanded internationally, yet still continue to operate in geographical or functional silos. These firms have not reaped the advantages of their global resource network.

Frankly, global firms need to do more to stay ahead of the curve. They have to share and leverage knowledge and resources available to them from across their global operating networks, and efficiently adapt and apply these insights in other markets and across their organisation. This ability to learn and adapt across a network of territories can create value and sustainable competitive advantage for the firm, a characteristic that I call Dynamic Advantage.

Leading firms have altered their strategies, organisation, governance, products and even branding to enable them to act seamlessly across their geographically

dispersed markets. Based on the experience of such companies, this article outlines how the tenets of Dynamic Advantage can be used to ensure successful globalisation strategies.

can offer many more advantages: it can be a means to tap into know-how, talent and other scarce resources, as well as to exploit opportunities for reducing costs, minimising

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Why Dynamic Advantage?

Jack Welch, the former chairman and chief executive officer of General Electric, commented, "Market success is only part of globalisation. We must globalise every activity in the company....our challenge is to capitalise on the vast intellectual capital available around the world."¹

Firms pursue international expansion to improve business performance—seeking advantages of scale, access to new markets and the consequent sales they provide—while being able to better serve key clients and extend their market power. But globalisation

fiscal burdens or accessing incentives.

There are three mechanisms through which Dynamic Advantage heightens the ability of the firm to create and capture value. The first, **replication and reconfiguration**, refers to the set of processes that enables a firm to apply learning from one market directly to another; leveraging the benefits of experience of external market actions and reactions, together with learning about internal processes for effective implementation that will enable competitive advantage in other markets.

For example, Unilever continuously



than establishing a committee or taskforce that will report-in progress to the existing power structure and reporting lines. This helps to minimise the risks of the 'important' being subjugated to the 'urgent'. Addressing the issue with a 'who' instead of a 'how' requires that a leader with sufficient stature, skill and energy is appointed—one who is also able to obtain and command all the resources that are required to get the job done. Thus the length of tenure of the senior executives becomes very important, as well as the depth of trust between the executive and the rest of the TMT.

The Tata Group has achieved an enviable record of success in integrating acquired companies, relying on a formula of complementing the insight and energy of the leadership of the acquired company with the resources, capabilities and perspectives of the Tata Group. By deploying a key executive to work with the leadership of the acquired company, it has achieved success even in notoriously difficult contexts such as Daewoo Commercial Vehicles in Korea.

DIVERSITY OF MARKET AND COMPETITIVE CONTEXTS

Firms with a higher Dynamic Advantage invest and rely on exploration, that is, the pursuit of new knowledge and discovery, from their activities throughout their networks. New markets bring new challenges, and leading firms look inward for knowledge and experience from successfully established markets. As one executive from McCann

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Worldgroup reported, "We seek ideas everywhere, continuously, no matter who you are, in whichever division, in whichever part of the world—if you see something that you think is relevant and important, you are encouraged to share it."

Sourcing knowledge globally through participation in diverse markets is a key driver of Dynamic Advantage of a firm. As researchers Doz, Santos and Williamson state, "Innovate by learning from the world. Tomorrow's winners will be companies that create value by searching out and mobilising untapped pockets of technology and market intelligence that are scattered across the globe".ⁱⁱⁱ

The key attributes here are the willingness to share, and receive, knowledge and insight, as well as the ability to transform the knowledge shared into actionable learning. Sune Karlsson, a vice-president of ABB Power Transformers describes this capability: "Our most important strength is that we have 25 factories around the world, each with its own president, design manager, marketing manager and production manager. These people are working on the same problems and opportunities day after day, year after year and learning a tremendous amount. We want to create a process of continuous expertise transfer. If we do that, it is a source of advantage none of our rivals can match."^{iv}

A learning journey

Globalisation can reap tremendous value for a firm if its operations across

geographies are well integrated, and draw on information, activities and resources across the corporate network. Companies need Dynamic Advantage to compete in a dynamic business environment. Therefore, this capability to seamlessly integrate across geographies, functions and business units is one that firms need to continuously review, revise and reinvest in order to stay competitive in the global marketplace. Stressing the unceasing learning journey of every successful global firm, Ginni Rometty, chief executive officer of IBM, concludes, "A constant change, test, change, test [in] real time... I think all businesses are going to move into that: experiment, learn, try."^v

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Reference

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- ⁱⁱ Nin-Hai Tseng, "Honeywell CEO: How I'd Fix the Economy", Fortune, January 25, 2012.
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- ^{iv} William Taylor, "The Logic of Global Business: An Interview with ABB's Percy Barnevik", article in "Fast Forward: The Best Ideas on Managing Business Change", edited by James Champy, Nitin Nohria, Harvard Business Press, 1996.
- ^v Richard Waters and Martin Dickson, "FT Interview: Big Blues", The Financial Times, May 13, 2014.



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