

An Interview with Tomas Hult on Global Strategy

By Sarah Singer

Executive Briefing: This is an interview with Dr. Tomas Hult on global strategy and related issues pertaining to today's global marketplace. He is the Eli Broad Professor of International Business in the Eli Broad College of Business at Michigan State University. Professor Hult is viewed as a leading authority on the intersection of international business and supply chain management.

Professor Hult is one of 82 Fellows of the Academy of International Business and Director of the International Business Center at Michigan State University. In research, Professor Hult was ranked as the 75th most cited scholar in "economics and business" between 1997 and 2007 (Thomson Reuters). He was also the 6th ranked management scholars who graduated since 1991 (Aguinis et al. 2012). In total, Hult has received more than 10,000 citations to his research (Google Scholar).



Sarah Singer: You are one of the leading scholars involved in developing knowledge, researching and commenting on international strategy and how this relates to the increasing need for organizations to develop global strategies. Please tell me how international strategy has changed over the last five years?

Tomas Hult: International strategy has seen significant changes in the last 5 years. For one, we had to take into account the economic downturn that started in 2008 and that we are still trying to recover from globally. This has caused companies to evaluate their core uniqueness and how they can drive their uniqueness to be leveraged in the global marketplace better.

One major shift in companies' international strategy is the focus on similarities across nations and customers instead of differences. This is an important shift because companies and their people are trained to look for differences and form strategies based on satisfying the needs and wants of customers with slight or significant differences across the globe. Now we tend to look for similarities first, and then focus on the similarities that outweigh the differences in tastes, wants, and needs.

Singer: How critical is global strategy for companies in today's marketplace?

Hult: With more and more industries becoming global in nature – that is, more industries have more global companies today than ever before – this also means that companies need to figure out their market space in their industry and then figure out how global they are relative to their industry. In essence, alignment is the key issue.

Companies need to be aligned with the degree of globalness of their industry to some degree. If a company is too global, they need to spend resources on helping to educate the customers in their industry on global aspects. If the company is not global enough in an industry that is global, they are likely to lose out on opportunities.

The most successful companies find a balance between "overglobalizing" and "underglobalizing." A need exist to achieve alignment with the globalization in the industry. If you globalize too much in an industry which is not global, you have a national strategic disadvantage. If you do not globalize in an industry which is global, you have a global strategic disadvantage.

Singer: Describe what global strategy will evolve into over the next five years.

Hult: The need to evaluate the globalness of a company's industry will become more important. Companies are the most effective and efficient if they stress strategic alignment between their industry's globalness, the globalness of their strategies, and the globalness of the organizational architecture including its structure, people, processes, and culture.

In creating this alignment, companies will have to focus on a manageable but effective set of key global triggers, such as a small set of industry globalization drivers, global strategy levers, and organization factors. There are a myriad of options in terms of what can be important but those firms that really identify their market position based on global strategy levers such as market participation, products/services, location of value-added activities, marketing, and competitive moves available to them are the ones that will succeed in global strategy five years from now.

Singer: Does developing an international strategy, or even a global strategy, matter for a small or medium sized business?

Hult: Global strategy is more important now for all sizes of companies because the emerging reality for global companies is on a focused set of smaller number of global businesses within an integrated global economy. That is, successful global companies of the past used to be large multinational corporations that had a great breadth of product lines. Successful global companies today come in all sizes.

But, a key feature for the small and medium companies that are successful globally is that they adopt a global strategy, focus on a much smaller set of products, and strategically identify a preferred intermarket segment across countries. This means that small and medium sized companies implementing a global strategy do not sell to large market shares in a relatively small set of countries, they focus on a larger set of countries with a smaller market share in each but where their core uniqueness can be stressed without much adaptations because of the markets. Their strategies are driven by identifying similarities in wants and needs among global customers instead of satisfying customers based on their different needs.

Singer: How has the trade volume and landscape of the global marketplace changed in the past five years?

Hult: Trade volume across the globe has really exponentially increased in the last five years. In fact, the volume has about doubled since 2005 and about tripled since 2000. These are really amazing numbers that stress the need to be globally active for small, medium, and large companies. And, small, medium, and large companies have an opportunity to implement effective and efficient global strategies to be globally active, especially where a focus is on similarities among customer segments that outweigh differences, and where the target market takes the form of an intermarket segment with a small number of products being sold instead of going after larger portions of country markets with more product choices.

Singer: What is the significance for various industries and businesses and how they will develop strategy for the next five years?

Hult: It is clear that industries differ in the degree of globalness that they exemplify today, and what they are predicted to be in the next few years. For example, the furniture market and the book publishing market are both rather domestic today and perhaps predicted to stay somewhat domestic in the next few years.

They are domestic for different reasons though. Book publishing actually

involves major global competitors but they act very locally in their book offerings. The furniture industry on the other hand only has some global competitors and none of them are really using effective global strategy to go after customer worldwide (with perhaps the exception of IKEA).

On the other hand, the computer industry, cell phone industry, and credit card industry are all rather global and predicted to become even more global. Companies in those industries that try to offer very local products are going to have a tough time competing.

Singer: What are the critical elements of a successful global strategy?

Hult: For any given company and industry, there are literally hundreds of strategic choices and options. But the key global strategy levers that all companies operating globally need to focus on are market participation, products/services, locating value-added global activities, marketing, and competitive moves. These five global strategy levers are the key ones that make global companies thrive – assuming they evaluate each and make appropriate development and implementation decisions regarding each. My guess is that 80 percent or more of a global company's success comes from effective and efficient evaluation, development, and implementation of these five global strategy levers.

Singer: Can you provide a recent real-world example of a business changing or executing their global strategy that was successful?

Hult: A number of firms are focused on global strategies these days. One example is Nestlé. Nestlé conducts research and development (R&D) on a global scale with some 30 research and development facilities worldwide. Much of Nestlé's current R&D efforts are concerned with creating global products that are easily adaptable to different locations. As a result, based on its product and positioning strategy, Nestlé is often considered a local company in the many countries it has operations even though it has developed and implemented a universally applicable global strategy.

Singer: And an example that was unsuccessful or perhaps an example of a company that made a wrong decision as a result of not having a cohesive international strategy?

Hult: It is hard to talk about bad companies making significant mistakes. But let me mention a few examples of companies that right now are in critical decision-making mode as far as global strategy or should be if they are not seeing it. My research shows that:

American Express is pretty good at developing a global strategy but, as an organization, they have major drawbacks in implementing such global strategy effectively. In effect, there are too many positive and negative influencers within the infrastructure of American Express, making it very hard to predict their global strategy effectiveness.

FedEx is very driven by its market participation – they really claim to be everywhere. But their organization structure ends up having a negative influence on their market participation. So, they cannot fully leverage that they are everywhere because of their limitations in structure.

Nokia appears to have some global issues with their management processes. They negatively affect Nokia's market participation and their overall effect on performance. Globally, they need to improve their management processes to maintain their current global success.

Singer: What job roles would normally be associated with developing an international or global strategy in large organizations? And in medium sized organizations? And in small organizations?

Hult: The differences between small, medium, and large companies operating within a global strategy can be significant but also not significant at all. Ideally, the leverage points – such as what markets to participate in, what products to offer, where to locate value-added activities, how to do global marketing, and what competitive moves to consider – are all done by all sizes of companies.

More likely, small companies focus their efforts on more exporting than setting up shop overseas or integrated global networks and strategy. In such cases, home country nationals often run local marketing subsidiaries.

Medium-sized companies engage people who travel a bit more than the small companies' people do, but not much more; they have nationals run local businesses; and they have a select set of professional expatriates from the company's home base.

Large companies engage people who can and want to have multicountry careers; employ many more foreign nationals in home and third countries; and expect more of their employees to travel throughout the globe extensively.

Singer: You have developed an effective Global Strategy Framework in your most recent book titled *Total Global Strategy* [published in 2012 together with George Yip by Pearson Prentice Hall]. Describe how topics and concepts presented in the Global Strategy Framework can be applied on the job once a person understands the concepts in the book. Please give some recent examples from your work and studies.

Hult: The global strategy framework that we cover in *Total Global Strategy* centers on the key trigger points for companies to be successful in the global marketplace. We cover four industry globalization drivers (market, cost, government, and competitive); five global strategy levers (market participation, products/services, locating value added activities, marketing, and competitive moves); and four organization factors (structure, management processes, people, and culture). These 13 drivers, levers, and factors are what make most global companies successful. Readers of TGS will learn the drivers, levers, and factors and how to measure and implement them effectively in their companies.

The global strategy framework has been studied in a number of companies – such as ABB, American Express, Cemex, Daimler, Dell, FedEx, Microsoft, Nokia, Skandia, and Swatch – and the results have been tracked. The global strategy framework has also been incorporated in some 60-70 large multinational corporations such as FedEx, Ford, IBM, Masco, Steelcase, and Textron – along with a large number of small and medium-sized companies across the U.S. but with a focus on Michigan, Tennessee, and Florida.

Singer: Can you explain how managers at every level of an organization could benefit from your book on *Total Global Strategy*?

Hult: Global strategy needs to permeate the fabric of an organization to effectively build it into a global company. The global strategy levers we discuss are most effectively evaluated, developed, and implemented at the business unit level – but within a corporate strategy-focused infrastructure.

This means that corporate C-suite individuals, business unit managers and individuals, country-level employees, and front-line service employees need to have an understanding of the global strategy levers, their importance within the organizational system that each employee operates within, and how the organization can effectively implement a global strategy at the corporate, business unit, and functional levels.

Singer: Describe the most important take away from *Total Global Strategy*.

Hult: The key takeaway from TGS is a proven global strategy framework that is working for many global companies. The secondary takeaways include which key triggers lead to success for global companies, how to measure them, and how to strategically align them with a company's industry and organizational capabilities for maximum global impact.

Singer: How will *Total Global Strategy* help someone gain a competitive advantage for their career?

Hult: I am a great believer that the process of doing global business is the key to learning about global markets and achieve success. Learning depth knowledge about a country, language, or specific issue may be important if such a narrow focus is critical to success. But, for example, learning Swedish (my native language) is not important for people who are not going to operate in Sweden on a regular basis.

TGS will make each reader of the book have a greater degree of global competence but, most importantly, have a process understanding of what it takes to operate effectively in the global marketplace. If you have a process for better understanding what are the key aspects of running a global company, what are the key aspects of creating value in the global supply chain, and what are the key similarities and differences to focus on cross-culturally – you will be a winner as a global manager.

Singer: How important is it for business professionals to understand international strategy and global strategy and how they impact their strategic decision making?

Hult: It is incredibly critical for business professionals to understand global strategy to effectively leverage their companies' unique core and, by implication, take advantage of the companies' market potential which leads to long-term success.

In essence, we need to be trained better at looking for customers' similarities in needs and wants,

figure out when those similarities outweigh the differences, and then drive the key trigger points of global strategy levers available to the company to success.

The most important global competence business professionals need to have is the ability to evaluate the degree of globalness of their industry, their own globalness in strategy and organization vis-à-vis the industry, and then create an effective and efficient alignment with the industry as it is predicted to be for the next several years. Such global competence takes a great deal of knowledge of the right trigger points to evaluate (i.e., global strategy levers) along with foresight to predict the degree of globalness of their industry continually to always maintain an appropriate global alignment. ♦ [gBR Article 07-02](#), Copyright © 2013.

About the Author

Dr. Sarah Singer is the Managing Editor of the *globalEDGE Business Review* and the Assistant Director of the International Business Center at Michigan State University (MSU-CIBER). Sarah can be reached at singersm@msu.edu. Dr. Tomas Hult, the Eli Broad Professor of International Business in the Eli Broad College of Business at Michigan State University, can be contacted at hult@msu.edu or 517-353-4336. More information about Tomas Hult can also be found at tomashult.com. His most recent book is *Total Global Strategy* with George Yip (published in 2012 by Pearson Prentice Hall).