**Global Operations Strategy Options**

Many operations strategies now require an international dimension.

An **international business** is a firm that engages in international trade or investment.

A **multinational corporation (MNC)** is a firm with extensive international business involvement. It buys resources, create goods or services and sell goods or services in a variety of countries.

Operations managers of international and multinational firms approach global opportunities with one of **four operation strategies**:

* International strategy
* Multidomestic strategy
* Global strategy
* Transnational strategy

The four strategies are related to two variables:

**Local responsiveness**: the degree of differentiation among the strategies followed by a certain company in every country in order to adapt the products to the local market.

**Cost reduction**: the degree of cost advantage that the strategy gives to the company over the industry rivals.

**International strategy:**

An **international strategy** *uses exports and licenses to penetrate the global arena*. It is the least advantageous strategy, with little local responsiveness, as these companies sell the same product in every country, and little low cost advantage because they use their existing production process at some distance from the new market. Thus, an international strategy implies both low local responsiveness and cost reduction.

However, an international strategy is often the easiest one, as exports can require little change in existing operations, and licensing agreements often leave much of the risk to the licensee. In an international strategy markets are penetrated using exports and licenses.

An example of a company that follows an international strategy is *Harley Davidson* which sells “Made in America” products all over the world by exporting them from the US.

**Multidomestic strategy**

The **multidomestic strategy** has decentralized authority with substantial autonomy at each business by *creating subsidiaries, franchises or joint ventures with substantial independence*.

The advantage of this strategy is maximizing a competitive response for the local market, however this strategy has little or no cost advantage. It is a strategy in which operating decisions are decentralized to each country to enhance local responsiveness.

An example of a company that follows this strategy is *McDonald´s* that, depending on the country, uses different strategies. For instance, in France, where people do not like fast-food restaurants, *McDonald´s*created a sophisticated line of restaurants; in India, where people cannot eat meat, they created a sort of veggie restaurants.

**Global strategy**

A **global strategy** has a high degree of centralization, with headquarters coordinating the organisation to *seek out standardization and learning between plants*, thus generating economies of scale.

This strategy is appropriate when the strategy focus is cost reduction but has little to recommend it when demand for local responsiveness is high. It is commonly used by companies that produce customer hidden products. Thus, it is a strategy in which operating decisions are centralized and headquarters coordinates the standardization and learning between facilities.

An example of a company that uses this strategy is *Microsoft*, which centralizes its process in the headquarters and the product is standardized in the whole planet and the only thing they change is the language of their programs.

**Transnational strategy**

A **transnational strategy** *exploits the economies of scale and learning*, as well as pressure for responsiveness, by recognizing the core competence that does not reside in just the home country but anywhere else in the organisation.

Transnational describes a condition in which material, people, and ideas, cross national boundaries. Transnational companies are thought of as “world companies” whose country identity is not as important as its independent network of worldwide operations.

Key activities in a transnational company are neither centralized in the parent company nor decentralized so that each subsidiary can carry its own tasks on a local basis. Instead, resources and activities are dispersed, but specialized, so as to be both efficient and flexible in an interdependent network. Thus, a transnational strategy combines the benefits of global-scale efficiencies with the benefits of local responsiveness.

An example of a transnational company is *Nestlé*, which is actually from Switzerland but 95% of their assets and 98% of their sales take part abroad, so the country identity of *Nestlé* is really low and thus, it is a “world company”.

As large product manufacturing companies continue to grow their global reach and bring their products to consumers in new countries, they learn lessons about different business strategies that need to be implemented to create a successful selling campaign. Two examples of these strategies are multidomestic and transnational corporations.

**Multidomestic Company Characteristics**

A company that follows a multidomestic strategy fits its products to each country in which it does business. The product features are tailored to the local domestic environment, taking into account different food preferences, religious customs and other characteristics that define the locality. Companies choose to follow this strategy because their products will be better received by local customers, rather than seen as something unusual that is produced by a foreign company.

**Transnational Companies**

Transnational companies also sell their products in multiple countries across the globe. This strategy differs, however, in the way the product is marketed in each country. A transnational product keeps its same characteristics, regardless of the country in which it is sold. The product does not change according to local customs or preferences, so that the product sold in Asia or Mexico is exactly the same as the version sold in the United States or Europe.

**A Transnational Example**

A very well-known cola soft drink is one example of a transnational product. This company's beverage recipe is kept secret and has not changed in many years. The product is sold in over 200 countries worldwide, and this beverage company retains exactly the same beverage formulation in each country. The bottle’s label may reflect the local language, but the logo and contents remain the same.

**A Multidomestic Strategy**

One of the nation's most popular hamburger chains is an example of a multidomestic strategy. The company researches each country’s local customs and foods before creating its menu items and opening up a store. For example, the restaurant's stores in India do not sell any sandwiches made with beef, since the Indian culture sees cows as sacred. American theme parks provide another example of multidomestic companies. One well-known park has successfully expanded its operations into France. The theme park caters to local customs and tailors the rides and attractions to the tastes of the European public. When the park initially opened, business suffered because the culture was too unfamiliar. The company did more research, tailored the park to local preferences, and saw business increase.