GLOBAL STRATEGIES FOR DOMESTIC FIRMS IN EMERGING ECONOMIES IN A WORLD OF MULTINATIONALS: TOWARD A MODEL*

Mingfang Li
PROFESOR DEL DEPARTAMENTO DE MANAGEMENT
CALIFORNIA STATE UNIVERSITY

Resumen

Un tema poco estudiado en el campo de la gerencia estratégica global es el de las estrategias que deben adoptar las empresas locales en economías emergentes para enfrentar con eficacia los desafíos de una economía globalizada repleta de multinacionales. Este artículo explora dimensiones clave de las estrategias de empresas locales, revisa los principales elementos de las estrategias empresariales, la estrategia corporativa, la orientación global y la mixtura de enfoques competitivos. Luego integra estas dimensiones y elementos estratégicos en un marco conceptual que permite identificar tipos de estrategias viables para que las empresas locales en economías emergentes puedan competir eficazmente con sus contrapartes poderosas y ricas en recursos. La investigación considera contribuciones anteriores, limitaciones y líneas futuras de investigación.

1. Introduction

The march toward a true global economy is going forward at a ferocious pace. Changes on the political landscape and at the technological frontiers have only enhanced this irreversible trend. So far, multinational enterprises (MNEs) seem to have been the major players in this drama put on a world stage for all to view. Certainly the MNEs enjoy a daunting array of advantages. They possess, to name a few, unmatchable resources, enviable advantage based on economies of scale and scope, and rich knowledge and skills acquired through their operations over the years and in many diverse locations. In addition, considerable research attention has focused on global oriented strategies (Bartlett & Ghoshal, 1998) and those for big businesses.

* Ponencia presentada al sétimo congreso internacional de la Western Academy of Management. Lima, 6-10 de julio de 2002.

At the same time, there are many domestic companies throughout the world that long to get ahead in this competitive and dynamic global game. While domestic firms in developed economies, with considerable research insights from scholars who study entrepreneurship there, might have developed effective strategies to deal effectively with their multinational counterparts (Sandvig & Colakley, 1998), domestic companies in emerging economies are confronted with the unique challenge of devising effective strategies to deal with these «new kids on the block» those almighty neighbors that just migrated from overseas due to the globalization of the world economy. Most likely, these MNEs arrived recently or currently are knocking on the door as these developing economies gradually open up to the world. China and countries in East European and South American countries may be cases in point.

So far in emerging markets, scholarly attention has been focused on how multinationals should compete effectively in the «New World» (Arnold & Quelch, 1998). Clearly this stream of research is important and will be informative for various companies, including domestic firms. Few researchers, however, have paid direct attention to how domestic businesses in emerging economies should develop their strategies to survive and thrive within this new world order. This is true in transition economies as well as in emerging economies. Simply stated, precious little guidance is available to domestic firms in such cases (Dawar & Frost, 1999). Research insights generated from this line of pursuit will not only broaden our understanding of global strategic management, but will inform the practice as well.

This study attempts to integrate several major research ideas to recommend effective global strategies for domestic companies competing in global environments within emerging economies, and researching potential global strategy types of domestic firms in emerging economies. Through a review of the challenge of global environments, constraints of domestic firms, and several streams of research in strategy, we first identified four key dimensions of strategy domestic firms need to pursue: localization, leverage, strategy divergence, and collaboration. We then reviewed three core elements and their attendant interactions of company strategy –corporate strategy or the question of scope, global orientation, and the mix of competitive approaches. Integrating the four dimensions of strategy with the three core elements, we devised a theoretical framework to evaluate and propose potential global strategy types for domestic firms in emerging economies. The paper concludes with a discussion of theoretical relevance, practical implications and future extensions.

2. Domestic Firm Strategy: Key Dimensions

Two aspects are relevant for a theoretical framework of global strategies for domestic companies in global environments or a world of multinationals. First of all, we need to understand the nature of globalization or the global environment in which we all must operate. Secondly, we must consider the key dimensions of strategies domestic companies in the global economy would adopt. Certainly our focus lends itself to the company strategies from the emerging as well as transitional economies.

Understanding the nature of the global environment constitutes a first step towards developing effective strategy recommendations for domestic firms, especially those in emerging economies. Scholars believe that two powerful forces are at play in the global environment. The first force is the pressure to globalize. Scale economies and scope economies, ever expanding R&D costs, shortened product life cycles, and convergence to fixed-cost economies (Bartlett & Ghoshal, 1998; Ohmae, 1989) all point at the need for companies to seek global power and efficiency. Global integration from political and cultural perspectives, and advances in transportation and communication technologies reinforce this pressure. At the same time, a second force, the pressure to localize, is fighting back. Local cultural traditions persist in spite of global integration. Regional political forces are actively influencing various processes. Technological forces that are responsible for globalization are also responsible for accommodating and possibly reinforcing localization (Bartlett & Ghoshal, 1998). For example, utilizing advanced manufacturing technologies would enable firms to produce highly customized products to meet unique customer needs and tastes without sacrificing scale economies (Schlie & Goldhar, 1995).

Clearly these opposing forces have placed conflicting demands on businesses big and small, multinationals as well as domestic. Multinationals that pursued either pure global strategy (world product orientation) or multi-domestic strategy (multi-local product orientation) are now facing both pressures (Bartlett & Ghoshal, 1998). Furthermore, the simultaneous need to create global power and efficiency, and local differentiation and responsiveness, leads companies to seek another important advantage, that of worldwide innovation and diffusion. Innovations along various aspects of business are critical for responding to localization pressures. At the same time, diffusing those innovations, when appropriate, will be critical for gaining and enhancing global power and efficiency.

From a strategic point of view, two levels of analyses are necessary (Lengnick-Hall & Wolff, 1999). First, at the individual company level, the critical question is what strategy a company can adopt in order to survive and thrive within its respective environment. Second, looking at the level of companies as a business ecosystem, the critical question is how a community of businesses should behave in order to develop and sustain the business ecosystem. Given the focus of this paper, effective strategies for domestic companies in global environments, these two questions should be restated as: (1) what strategic responses can a domestic company adopt to compete successfully with its multinational counterparts? and (2) what should be the collective behavior of the business ecosystem within which both multinationals and domestic companies coexist?

The model of strategy as actions (Grimm & Smith, 1997) offers a promising starting point for developing effective strategic responses for domestic firms. Briefly stated, the authors believe that company strategy can be classified into four types of actions: *entrepreneurial actions* based managerial insight and unique understanding of markets and technologies; *Ricardian actions* based on superior resource endowment; *deterrent actions* based on powerful market positions; and *co-optive actions* based on tacit understanding of each other's competitive actions and assumed acceptance of those mutually beneficial actions.

The action-based perspective is beneficial for understanding the respective strategic moves and counter-moves initiated by players in an industry. For these strategic actions to enable firms to build competitive advantage, they must somehow delay and/or prevent competitive responses from other firms. More specifically, entrepreneurial actions enable a firm to build competitive advantage if the action-initiating firm can exploit competitive uncertainty, blind spots or both. To the extent to which competitors will not be able to detect the significance of these strategic moves, they will not respond in time, and the long delay will enable the action-initiating firm to build competitive advantage and may even enable it to create superior resources to invoke Ricardian actions. The case of Wal-Mart is but one example. Naturally entrepreneurial insights are critical for pursuing entrepreneurial actions. Ricardian action on the other hand is based on superior resources. If a firm possesses unique resources and competencies others can not imitate and take away easily (Hamel & Prahalad, 1994; Peteraf, 1993), it can pursue competitive strategies such as differentiation and cost leadership, and delay meaningful responses from its competitors. The longer a firm can delay meaningful responses from its competitors the more likely it will build additional competitive advantage. Deterrent action requires power, dominance and reputation of a market leader. When such a firm pursues deterrent action, it may be powerful enough to prevent others from responding effectively. In contrast, co-optive action is usually appropriate for stable and mature industries where players are all better off by maintaining peace instead of competing against one another.

For a variety of reasons, most domestic companies for a variety of reasons do not possess rich resources. Clearly in circumstances approximating a market environment, companies would not enjoy powerful market positions when faced with powerful multinationals. However, many of these firms may possess unique knowledge of their local markets. Their unique insights would enable them to pursue entrepreneurial actions. Stated formally, domestic companies should emphasize their ability in pursuing localization based on entrepreneurial insights. We identify this as the first key strategic dimension, *localization*.

Multinational enterprises are certainly not oblivious to the challenges and benefits of localization. Domestic companies, while emphasizing localization in their strategies, therefore need to incorporate another important consideration, what to do with resources and skills accumulated through constant pursuits of localization advantage. It is indeed important for these firms to consider applying these resources and skills to a greater scale and to other businesses (Dawar & Frost, 1999; Sandvig & Coakley, 1998). These firms ought to consider expanding their business operations effectively, and the path for growth ought to be based on expandability of accumulated resources and skills. Stated formally, domestic companies should emphasize development of resources and skills applicable to other promising growth opportunities. We identify this as the second key strategic dimension, *leve-*

raging. Clearly a precondition of leveraging is that domestic firms utilize entrepreneurial insights successfully to pursue localization strategy and to create competitive uncertainty and blind spots to delay responses from their more resource-rich competitors.

The discussion so far has covered actions at an individual company level. It is also important to consider strategic responses at the business ecosystem level. Porter suggests that economic clusters or various entities closely related to one another and congregated within a geographic confine are important for developing competitive advantage (Porter, 1998). Complexity theory scholars also emphasize the importance of business ecosystems (Lengnick-Hall & Wolff, 1999; Moore, 1996; Stacey, 1996). They believe that mutually reinforcing entities present in a successful business ecosystem will help each other gain advantage. Applying this theoretical perspective, domestic companies should not view those powerful new neighbors as their worst nightmare. Instead they should seek to develop, jointly with the multinationals, a business ecosystem or economic cluster that will allow every participant to benefit.

One way to do so stems from the first strategy dimension above, localization. Instead of pursuing common and generic strategies, domestic companies should pursue innovative strategies and develop and upgrade competences based on those unique strategies. Together as a business ecosystem or an economic cluster, the whole community would then exhibit greater strategic divergence and achieve greater vitality (Hamel, 1996). Stated formally, domestic companies should seek to pursue innovative strategies. Greater strategic divergence will enable individual companies to gain unique advantage and enhance the vitality of the business ecosystem as well. We identify this as the third strategic dimension, *divergence*.

The emphasis on seeking innovative strategies and strategic divergence should be complemented with the emphasis on collaboration within the business ecosystem. Domestic companies should collaborate among themselves to learn from one another and to extend their unique advantages. Domestic companies should collaborate with their multinational counterparts as well. These collaborations will not only enable firms to learn from one another but also expand their respective strategies. Stated formally, domestic firms should seek to expand their advantage via collaboration. We identify this as the fourth strategic dimension, *collaboration.*

Table 1
Effective Strategies for Domestic Companies in Global Environments

	Differentiation	**Integration**
Individual Firm Level	*Localization* Strategy	Resource Expandability Oriented Growth or *Leveraging*
Business Ecosystem Level	Strategy *Divergence*	*Collaboration* for Competition

As Table 1 indicates, from both an individual company level and business ecosystem level, the four strategic dimensions emphasize differentiation and integration together. There clearly exists a tension between the two directions. Such challenging tasks call not only for creative and visionary managers, but also active involvement of other participants in the business community, such as government agencies, venture capitalists, consulting companies and universities.

From an individual firm level, the tension lies in creating unique strategy while at the same time applying skills to greater use. Localization strategy would enable domestic companies to create unique advantage and lock out powerful multinational competitors. Pursuing growth strategies based on leveraging resources and skills developed through localization strategy would enable firms to gain scale advantage, important when dealing with multinationals. These arguments therefore assume that expansion and even globalization should be viable options for domestic firms.

From the perspective of the business ecosystem, strategy divergence and collaboration for competition can and should be mutually reinforcing. Creative and innovative strategies from individual companies, including multinationals, will not only contribute to each firm's success but also enhance the attractiveness and competitiveness of the business ecosystem. Collaboration among members of the business community at the same time will benefit all firms in the ecosystem for several reasons. First of all, collaboration can help provide complementary skills and resources other members might be lacking, and therefore will help create badly needed products without long delay. Second, learning that takes place through collaboration will contribute to creative strategy making. In a sense, companies learning from their partners may be able to create even more innovative strategies than they can by exploring alone.

The four dimensions of strategies for domestic firms constitute the first step in understanding global strategy implications for such firms. To move further, it is necessary to review the literature on core elements of company strategy: the corporate strategy or scope question, global orientation or approaches to global arrangements, and a mix of competitive strategies.

3. Company Strategy: Core Elements and Interactions

Central to the study and practice of strategic management are three research streams related to various aspects of company strategy: product-market scope (Ansoff, 1965; Goold, Campbell, & Alexander, 1994; Mintzberg, 1988), global management gestalts (Bartlett & Ghoshal, 1998), and competitive approaches (Campbell-Hunt, 2000; Porter, 1980, 1985). The product-market scope question focuses on the extent of diversification, synergistic connections among multiple businesses within the same corporation and the role of corporate headquarters (Ansoff, 1965; Goold, Campbell, & Alexander, 1994; Mintzberg, 1988). The global management gestalts or typologies identify critical challenges multinational enterprises confront: whether they are pressures for globalization, pressures for localization, need for worldwide learning and innovation, or the combination of all three. These typologies then propose strategic solutions at global, multi-local, international and finally transnational levels (Bartlett & Ghoshal, 1998; Bryan, Fraser, Oppenheim, & Ral, 1999). Competitive approaches or generic strategies (Porter, 1980, 1985) are concerned with specific competitive orientations a business would adopt from a list that includes cost leadership, differentiation, cost-based focus and differentiation-based focus.

The notion of fit, a central assumption in strategic management, would suggest that competitive environment, company strategy, organizational structure and processes, and resources and capacities need to be meshed together in a coordinated and compatible manner (Bartlett & Ghoshal, 1998; Lengnick-Hall & Wolff, 1999; Miles & Snow, 1978; Porter, 1980). Any consideration of the substance of company strategy therefore needs to integrate all three core-elements and their attendant interactions.

3.1. Competitive Strategy

Porter, in his seminal work on analyzing competitive landscape, proposed a parsimonious typology of four competitive strategies (Porter, 1980, 1985). This typology was organized into a conceptually elegant framework of sources of competitive advantage (cost leadership and differentiation) and market scope (broad and focused) to host the four strategies of cost leadership, differentiation, cost-based focus, and differentiation-based focus. Several important predictions stemmed from this framework. First of all, Porter predicted that businesses that adhere to one of these typologies would outperform those that do not. A closely related assumption of this prediction is the existence of businesses that configure their resource base according to the typology. Second, after assessing resource requirements, Porter predicted that effective competitive approaches should be pure types instead of combinations. Businesses that attempt to achieve multiple advantages will get «stuck in the middle» and suffer poor performance as a consequence.

In general, cost leadership strategy requires substantial economies of scale, stability of production to facilitate learning, tight cost-control process and reporting structure, product design for easy manufacturing, and a low-cost distribution system. Differentiation strategy, on the other hand, depends on marketing ability, product innovation and creativity, coordination among key functional areas including R&D, marketing, and product development, highly skilled labor, and cooperation from channels (Grimm & Smith, 1997; Porter, 1980, 1985). Both variations of the focus strategy will depend on their respective resources directed at the particular target market.

Since the resource requirements for cost leadership and differentiation strategies are different, Porter formulated what some authors termed the «inconsistency hypothesis» (Corsten & Will, 1994). The hypothesis predicts that as businesses attempt to achieve a combination of cost and differentiation advantage, they will not be able to deal effectively with the conflicting resource requirements and as a consequence will not be able to outperform those that pursue one of the pure strategy types. As summarized in a later section, extensions of Porter's theoretical formulation focused on (1) identifying the existence of these strategic approaches in practice, (2) evaluating their performance implications, and (3) exploring the necessity, feasibility and even desirability of hybrid forms of competitive approaches.

There is an extensive body of literature that empirically tests Porter's theorization (Campbell-Hunt, 2000), and extended the typology to include other possible competitive approaches (Corsten & Will, 1994; Goldhar & Lei, 1995). Briefly stated, the extant literature on competitive strategy suggests there might exist other types in addition to the basic types proposed earlier, and the performance implications remain unclear at best. In the meantime, the conceptual extensions proposed moved beyond the basic four types to include other possibilities. Putting these extensions into perspective, we propose other types as illustrated in Table 2. This extended model essentially uses the original dimensions of competitive advantage and market scope. By adding combinations of cost leadership and differentiation advantage on the one hand, and multi-niche scope approach on the other, we produce a set of nine possible competitive strategy types. While earlier studies may have focused on one of the additions outlined above without clear deliberation on the other, in this model we clearly identify the possibility that companies might pursue a cost leadership and differentiation combination based on broad or focused market scope, and that companies might pursue a multi-niche strategy based on either cost leadership or differentiation. Clearly, in this model mass we propose customization as embedding all the key strategic elements of cost leadership, differentiation and forever-increasing segmentation.

There are important reasons to propose this extension. First, we suggest the possibility of a variety of combinations of competitive approaches. By identifying these possible types of competitive approaches it will be possible for researchers to probe the resource implications. Second, we suggest that each strategic type identified in this model may be useful prescription depending on firm characteristics and competitive environments. There clearly is no ideal strategy until one considers both internal and external factors. This proposition becomes even more evident once we start to consider the challenging tasks of global manage-

Table 2
An Extended Typology of Competitive Approaches

	Market Scope Approach		
Basis of Advantage	*Broad*	*Focus*	*Multi-niche*
Simultaneous Advantage	*Simultaneity*	*Focused Simultaneity*	***Mass Customization***
Differentiation	**Differentiation**	**Differentiation-Focus**	*Multi-niche Differentiation*
Cost Leadership	**Cost Leadership**	**Cost-Focus**	*Multi-niche Cost Leadership*

ment in which firms need to tailor their competitive approaches based on local conditions of the area in which they are operating.

3.2. Corporate Product-Market Scope or Diversification Strategy

One of the major topics of strategic management has been the product-market scope of a corporation and resultant managerial challenges (Ansoff, 1965; Chandler, 1962; Goold, Campbell, & Alexander, 1994; Rumelt, 1974; Rumelt, Schendel, & Teece, 1994). From a resource development and utilization point of view, competitive advantages are believed to form the basis for corporate scope determination (Porter, 1987). This reasoning is consistent with thinking on appropriate corporate scope, that core competences developed in various businesses ought to be leveraged and utilized in a synergistic fashion (Hamel & Prahalad, 1994). Other researchers also suggest that corporate headquarters should make a useful contribution –or provide parenting advantage– by identifying heartland businesses –or those critical businesses on which a corporation truly depends on for its survival and development– and guiding core competence development and leveraging an on-going businesses (Goold, Campbell, & Alexander, 1994).

3.3. Global Strategic Gestalts

Most firms competing in today's global markets are believed to fit one of the three dominant organizational forms: global, multi-local, or international (Bartlett & Ghoshal, 1998; Boudreau, Loch, Robey, & Straud, 1998; Leong & Tan, 1993; Rugman & Verbeke, 1992). The specific form chosen is believed to be a function of the critical strategic challenge each firm faces: the need to globalize (products), the need to localize (markets), or the need to specialize (functions) through innovation and learning.

Firms pursuing global strategies aim at achieving greater economies of scale and global efficiency by producing standardized products for worldwide markets. In the early years of its international operations, Honda was a good illustration of this approach. Firms emphasizing local responsiveness follow a multi-local strategy that seeks to be sensitive to variations in local tastes and preferences. These firms tend to develop complete value-creation activities in respective countries and geographic regions; they provide differentiated products and apply differing marketing approaches appropriate for each local market. Procter & Gamble adopted this strategy. Finally, firms pursuing an international strategy transplant their home country innovations and unique skills to new markets where indigenous competitors lack such capabilities. Xerox adopted this strategy.

Each of these approaches effectively deals with one critical strategic challenge, which are, respectively, global efficiency, local responsiveness, and innovation and learning. Today's global business environment has been described as posing all three challenges simultaneously. The integrative solution proposed for dealing with all three challenges is the transnational strategy (Bartlett & Ghoshal, 1998). The transnational strategy may provide an effective way to embed global power and efficiency, local responsiveness and differentiation, and specialized worldwide innovation and learning within one strategic organizational form. Many firms are believed to be evolving into the transnational strategic form (Bartlett & Ghoshal, 1998; Boudreau et al., 1998; Leong & Tan, 1993).

Clearly, corporate strategy or the extent of diversification will play a key role in influencing global strategies by enabling a corporation to position its various businesses on a global scale in order to utilize resources, explore markets, and, most importantly, initiate strategic moves to deal with competition. On the other hand, global strategic leadership focusing on corporate renewal will influence the extent and nature of diversification. Thus, we can summarize the connection between diversification and global strategies as global strategic positioning (from corporate to global) and corporate renewal (from global to corporate strategy). Earlier, we summarized the connection between business and corporate strategy as core competence building in heartland businesses (from business to corporate strategy) and parenting advantage (from corporate to business strategy). The links between business strategy and global strategy are of interest as well. We identify requisite variety of competitive approaches (from global to business) and worldwide innovation and diffusion of effective competitive approaches (from business to global strategies). Requisite variety of competitive approach refers to a multinational's needs to use different competitive strategies in different environments based on local conditions, and worldwide innovation and diffusion calls for multinationals to encourage innovative competitive approaches and experiments on a local basis. At the same time, global innovation and diffusion encourages dissemination to larger regions when there exists enough homogeneities within the region. The interconnections among these three strategies are depicted in Figure 1.

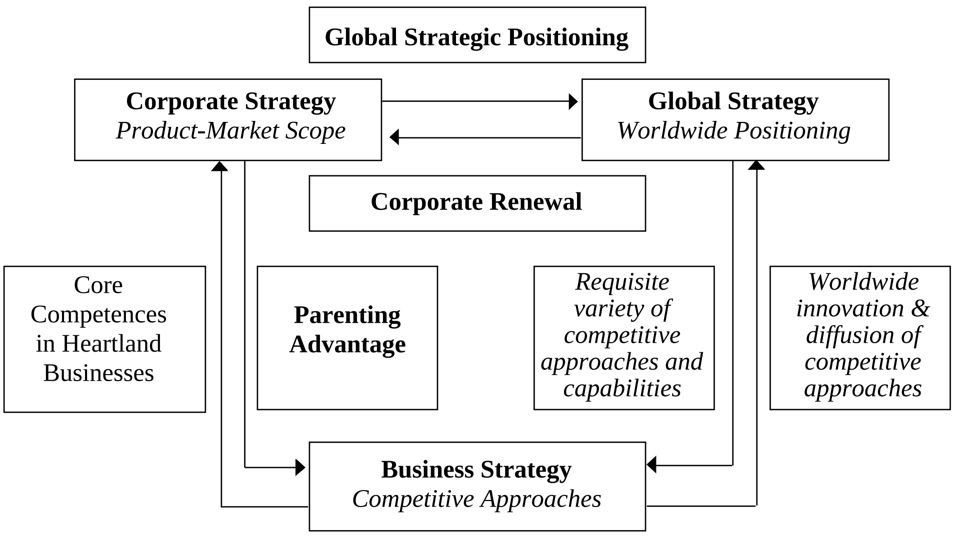

Figure 1. Strategy Triangle

By combining the four key dimensions of strategy for domestic firms and the three core elements of strategy as outlined above, we can now proceed to assess potential global strategic approaches for domestic companies in emerging economies. The key elements of the conceptual framework are presented in Table 3.

Table 3
Evolving Strategies for Domestic Firms in Emerging Economies in a World of Multinationals

	Core Strategy Elements and Attendant Interaction			
Strategy Dimensions	*Corporate Scope*	*Global Orientation*	*Mix of Competitive Approaches*	*Interaction Among Strategy Elements*
Localization	• Firm scope • Group membership • Group scope		• Focus	• Skill development
Leveraging		• Regional • Global niche • Group member	• Focus	• Skill enhancement
Strategy Divergence	• Segment choice	• Location choice	• Location choice	• Competitiveness enhancement
Collaboration	• Firm scope	• Collaborative global	• Increasing variety of competitive approaches	• Competitiveness enhancement

4. Evolving Strategies for Domestic Firms in Emerging Economies

As emphasized before, domestic firms may be at a disadvantage with respect to resources, technologies and managerial know-how when compared with mulitnationals. Entrepreneurial actions, based on a keen understanding of local market conditions and an ability to link otherwise common resources to deliver unique products or services (Grimm & Smith, 1997) may be key for domestic firms. The success of such localization strategy to a large extent depends on domestic firms' ability to create competitive uncertainty and blind spots so as to avoid or delay competitive reactions (Grimm & Smith, 1997) and to implement localization effectively. Given the lack of resource advantage, domestic firms would be well-served to initiate a focus-based competitive approach. The firm scope may be quite limited as well.

A key factor that may influence firm-scope decision may be the nature of the institutional environment (Khanna & Palepu, 1997). Emerging economies may not have developed the necessary product, labor, or capital markets, may still lack the laws and regulations that govern economic activities effectively, and may not be able to enforce contracts consistently. Scholars believe these institutional voids may dictate that firms perform various functions that are otherwise undertaken by the institutional environment (Khanna & Palepu, 1997; Li, Li, & Tan, 1998). For a firm to fill in the institutional voids, it may wish to increase its scope. For example, it may develop a brand name, enhance its reputation, conduct internal certification of product quality, and leverage its name across multiple products as a way to fill the institutional void created by the lack of a well-developed product market.

Another alternative may be group companies (Khanna & Palepu, 1997; Khanna & Rivkin, 2001). A firm may choose to be affiliated with a group company so as to benefit from group advantages. The group may then help fill institutional voids. For example, the ability of a group to raise capital may help elevate the problem of a poorly developed capital market, and the ability of a group to provide managerial training may lessen the shortage of managerial talent, thereby filling the institutional void within the labor market. Clearly, group benefits may incur group-related costs (Khanna & Rivkin, 2001). For example, affiliated companies may be bound by various requirements of membership with the group. Thus, firm scope and group membership become consideration for domestic firms. Another potential consideration may be the scope of group, that is, the extent the group is engaged in many unrelated activities. Some group companies are highly focused. For example, the information technology groups in China (Lu, 2000) are mostly engaged in information technology activities. Others are diversified into a whole range of economic activities. Potential benefits and costs of group diversification therefore will be another important consideration. These are summarized in the first row of Table 3 (localization).

The second strategic dimension identified for domestic firms is leveraging. As argued earlier, firms that are able to pursue entrepreneurial insights successfully may be able to accumulate resources, and therefore be in a position to leverage those resources. One important direction for leveraging these resources is to go global. A key motivation here is for firms to apply the resources and skills on a greater scale. One possible alternative is to pursue a regional strategy (Schlie & Yip, 2000). By identifying a cluster of geographic areas that is reasonably homogeneous, domestic firms may be able to utilize their skills and resources more efficiently without having to deal with added complexity. Another direction is to pursue a global-niche strategy. Firms in high tech and specialized areas have been able to pursue such global-niche strategy effectively over the years (Chang & Grub, 1992; Keeble, Lawson, Smith, Moore, & Wilkinson, 1998). Domestic firms in emerging economies may be able to pursue the same approach as well. Information technology may create other opportunities as it alters physical locations of value-chain activities, and the manner with which they are performed. A third possibility would be for domestic firms to pursue globalization with their respective group companies. This might be another important consideration when domestic firms assess their group affiliation decision and group-scope choice as well. These three choices are listed in the second row of Table 3 (leveraging). The first two choices clearly should be tied with focus-based competitive approaches. The third one –group approach– may provide possible opportunities for firms to pursue other competitive approaches, but we believe that unnecessarily complicated competitive approaches may represent a strategic liability.

Strategy divergence consideration offers some useful insights as well. From a corporate scope consideration, domestic firms should consider the need to enhance the set of complementary businesses available in the business eco-system or economic cluster (Porter, 1998). In its global approach to selecting locations, firms should take into consideration competitive diversity and the ability to learn from others.

Collaboration, the fourth strategic dimension, has important implications for various strategic elements as well. Collaborative partner selection may represent scope consideration. In addition, collaboration might represent another significant alternative for domestic firms. Collaborating with other companies –domestic or multinational– would allow companies to learn from others, accumulate experiences, leverage resources, and share risks. Many firms pursue collaborations (Hamel, Doz, & Prahalad, 1989; Ohmae, 1989). Firms in emerging economies may wish to fully utilize this approach to pursue their global strategies. There are successful examples of such collaboration among information technology firms in China (Lu, 2000). Pursuing collaborative global approaches would probably enable firms to pursue other competitive approaches as well.

5. Conclusions and Discussions

This study represents a preliminary step in understanding global-oriented strategies for domestic firms in emerging economies in a world of multinationals. Its major premise is based on the inevitability of globalization. The extant global strategy typologies are only but some of the potentially viable choices. Domestic firms in emerging economies should also pursue globalization. Given their resource disadvantage when compared with multinationals, domestic firms may need to start with a localization approach and pursue other alternatives as appropriate.

After identifying four strategic dimensions domestic firms need to emphasize and reviewing core elements of strategy in the existing literature, this study proposed a conceptual framework (Table 3) to understand how domestic-firm strategies may evolve from domestic to global in scope. Four approaches were identified. They are: global niche, regional, group-based global, and collaborative global.

From the perspective of strategic dimension, the lessons for businesses and local governmental agencies are clear. First, these institutions should remove barriers and embrace competition instead of inhibiting it. Second, businesses should compete creatively instead of imitating one another. Third, firms should encourage creative strategy-making, for it lifts up every participant and the whole business community. Finally, collaboration with competitors will enhance both the competitiveness of participants and the attractiveness for the business ecosystem. In terms of strategies for domestic firms to evolve into global firms, several choices appear to be viable. Each however has its advantages and limitations and each has its resource and managerial implications. Firms should assess their resource positions, review unique industry conditions that may place additional constraints, and identify their own viable approach. Of course, it is possible that some of the approaches can be combined to form a hybrid, for example, a company may be able to pursue a global-niche strategy while collaborating with other firms at the same time.

Space constraints dictate brevity. However, a number of tasks remain. A critical assessment of this theoretical framework is important. For example, do the four dimensions we identified in this study represent the most important ones for domestic firms to consider? Are there other relevant dimensions that should be incorporated? Elaborating on the interaction among the elements and dimensions of the strategies identified here would be another useful study. Furthermore, empirical studies –either through extensive case studies or surveys to test these predictions against business practices– will yield more insights.

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