

North American Specifics

The golden rule of Economics:
“When things get scarce, their price
goes up.”

Now we shift attention to how best to
manipulate this rule; i.e., how to
make what we sell seem scarce.

Porter's Infamous Diamond

- Factor Conditions – Each nation has factors that condition its trade advantages. These factors tend to be tangible things, and are relatively easy to compare between nations.
- The Porter diamond model to trade analysis is primarily used by central governmental bodies to determine public support policies of private sectors. Companies seldom use Porter's model. MBA courses generally do.

Factor Conditions: Identification and Allocation of Resources



- Physical
- Capital
- Human
- Knowledge
- Infrastructures (social and technological)

Demand Conditions: Attributes of home country consumers and industries



Porter argues that the size of home market demand may be less important than the qualitative aspects of it; i.e., customers can seem strange. (This was Buren-Stan Linder's theory long before Porter.)

Related and Supporting Industries



Downstream,
upstream, supplier and
competitive industries
enter the equation to
define success, or
failure.

Strategy, Structure & Rivalry



1990s – Emergence of Global Strategic Capabilities



Gary Hamel and C.K. Prahalad argued for creation of:

- Global business
- Global competition
- Global company
- Global strategy

Global Strategic Capabilities involve activities such as:

- Setting up manufacturing facilities overseas to match lower labor costs of foreign competitors.
- Expanding internationally to amortize investment in world scale production, and/or funding for world scale R & D.
- Rationalization of product lines to achieve scale of economies in design, purchasing and production.
- Restructuring an organization to consolidate strategic responsibility for business at headquarters.

This involves Traditional Internationalization Factors:

- Asset intensity
- Technology intensity
- Low labor costs or other factor advantages
- Extra-national economies of scale
- Multinational customers
- Universality of customer needs

This supports a Logic of Global Standardization via Expansion

This presumes moving towards world-standardized products via practices such as ISO-9000. The rationale is world customers will lay aside their cultural and individual differences to consumer mass-produced, cheaply produced products.

*Standing in the way of this logic
are attributes of reality as
humans practice it*



Some of these Complications are:

- Growing importance of the “service sector”
- Emergence of “immateriality”
- Productivity measures being replaced by measures of general efficiency
- Failures of governance schemes and models
- Failures of models of modern management

*Traditional Globalization Logic
denies the Non-Rational nature
of humanity, known as Weirdness
by the Rationalists*



This Strangeness is seen in the limits in theories for explaining Internationalization in the 1990s



This called for a new logic, one that could accommodate human globalization meaning – it is known as the AIW approach to IB.

*This Requires Reaching Back
into issues Defining the Human
Condition*

- The Design Argument (Possibilities)
- The Entropy Law (Limitations)
- The Faustian Tragedy (Dilemmas)

A Conclusion?



This requires pushing
against ignorance, and its
ugly sister - arrogance.

This encourages us to
shift from knowing,
to learning, and then
allows learning to learn.