THE COMPETITIVE ADVANTAGE OF NATIONS

- SIMILAR TO “WHAT MAKES SILICON VALLEY/FIRMS DIFFERENT”
- LOCATION, LOCATION, LOCATION…
- “OH, AUNTIE BEE, THERE’S NO PLACE LIKE HOME!”

SOME DIFFERENCES THAT COUNTRIES MAKE

GLOBAL STRATEGY

& IOB

FALL 200

COMPETITIVE ADVANTAGE OF NATIONS II

- SIMILAR TO PORTER'S 5 FORCES for INDUSTRY ANALYSIS BUT INDUSTRY STRUCTURE IS NOT A SURROGATE FOR NATION/NATIONAL DIFFERENCE
- GOVERNMENTS HAVE NATIONAL STRATEGIES COMPOSED OF GOALS AND POLICIES TO ACHIEVE GOALS
- BUT GOVERNMENTS ARE NOT CON-SISTENT/COHERENT/ISOMORPHIC LIKE INDUSTRIES

COMPETITIVE ADVANTAGE OF NATIONS III

- STRATEGY---> GOALS & POLICIES---> PERFORMANCE
- INTERNAL & INTERNATIONAL **CONTEXT** AFFECTS GOALS/POLICIES
- SO, STRATEGY, PERFORMANCE & CONTEXT ARE INTERDEPENDENT
- TAUTOLOGICAL & DETERMINISTIC COMPARED TO INDUSTRY 5 FORCES

CONTEXT

- DOMESTIC
  - ECONOMIC RESOURCES
  - POLITICAL SYSTEM
  - SOCIAL STRUCTURE
  - INSTITUTIONS
  - IDEOLOGY
- INTERNATIONAL
  - TRADING RELATIONSHIPS
  - MULTILATERAL INSTITUTIONS
  - GLOBAL INDUSTRIES

STRATEGY

- POLICIES
  - FISCAL
  - MONETARY
  - INCOMES
  - TRADE & INVESTMENT
- GOALS
  - ECONOMIC GROWTH
  - FULL EMPLOYMENT
  - PRICE STABILITY
  - CONSUMPTION
  - HEALTH, EDUCATION & WELFARE

PERFORMANCE

- SOCIAL
  - LITERACY
  - HEALTH, HOUSING, INCOMES
- POLITICAL
  - INDEPENDENCE
  - TRANSFER OF POWER
- ECONOMIC
  - GNP
  - UNEMPLOYMENT
  - INFLATION
  - BALANCE OF PAYMENTS

THE PROBLEMS WITH COUNTRY ANALYSIS

- IF MARKETS ARE SOCIAL SYSTEMS, LIKE SAXENIAN'S SILICON VALLEY
- THEN, ECONOMIC FORCES LIKE EFFICIENCY & COMPETITION ARE NOT EVERYWHERE THE SAME
  - SOCIAL RELATIONS & INSTITUTIONS MAKE A DIFFERENCE
- IF BEGIN DIFFERENTLY, DIFFERENT RESULTS FOLLOW

IF SYSTEMS ARE DIFFERENT

- THE UNDERLYING GOALS, POLICIES AND RULES ARE DIFFERENT
- SO, WHAT TO MAKE OF GROWING NUMBER OF INTERNATIONAL AGREEMENTS GOVERNING MONETARY EXCHANGE, TRADE FLOWS, ENVIRONMENT, NUCLEAR NON-PROLIFERATION, ETC.???

COOPERATION OF ANY SORT PROCEEDS

- MORE EASILY AMONG LIKE-MINDED ACTORS, MEANING W/SIMILAR NATURE & FUNCTIONS, SIMILAR ENDOWMENTS, FACING SIMILAR INCENTIVES & OPPORTUNITIES
- COOPERATION ASSUMES SIMILAR OUTLOOKS OR OUTCOMES

DOUGLASS NORTH'S RULES & PLAYERS OF THE GAME

- WHILE RATIONAL CHOICE PERSPECTIVES ARGUE THAT ALL HUMANS ARE SELF-INTERESTED
- RULES OF THE GAME PERSPECTIVE SAYS SELF-INTEREST ARTICULATED THROUGH INSTITUTIONALIZED CONSTRAINTS THAT VARY WIDELY

HIST OF INSTITUTIONAL RULE-AND SENSE-MAKING

- BOTH RULES & PLAYERS (FIRMS, GOVS, & NGOs like UNIONS EVOLVED IN DIFF WAYS IN DIFF PLACES
- SO, RULES OF COMPETITION AND HOW LOCAL FIRMS COMPETE VARY
- DIFFERENCES NOWHERE MORE EVIDENT THAN NORTH PAC RIM
  - JAPAN, S. KOREA, TAIWAN, & CHINA
  - U.S. & CANADA ON THE OTHER

CASE IN POINT: RECENT AUTO PARTS TALKS

- U.S. WANTS MORE SHOWROOM SPACE TO SELL AMERICAN CARS
  - UNTIL RECENTLY, FEW U.S.-MADE RIGHT-HAND DRIVES
  - SHOWROOM SALES VS DOOR-TO-DOOR SALES
  - DISTRIBUTE AT LESS THAN FULL COST BECAUSE DEALERSHIPS NOT INDEP

FOR COOPERATION

- MAJOR ACTORS ARE FAIRLY HOMOGENEOUS
- AND UNDERLYING ASSUMPTIONS:
  - MARKETS SIMILAR
  - FACTORS MOBILE & EASILY CONVERT
  - BORDERS ARE OPEN & NOT DEFINE COUNTRY-BASED SYSTEMS THAT ARE SIGNIFICANTLY DIFFERENT

SYSTEMIC COMPATIBILITY OR TOLERANCE?

- COUNTRY ANALYSIS FRAMEWORK SUFFERS FROM CULTURAL BIAS
- SYSTEMIC INSTITUTIONAL DIFF AT NATION-STATE LEVEL
  - FOR GOVERNMENT GOALS & POLICIES
  - FOR FIRM STRATEGIES & STRUCTURES

SYSTEMIC TOLERANCE: TOLERANCE OF VARIETY IN SYSTEMS

- CAPITALIST SYSTEM NOT ALIKE
- INSTITUTIONALIZED DIFFERENCES IN RULES & PLAYERS SUBSTANTIAL
- FIRMS MORE SUCCESSFUL THAN GOVS AT CIRCUMVENTING DIFF & FINDING WAYS TO COOPERATE

INCREMENTALISM OR THE BIG-BANG?

- IN THE ABSENCE OF A SINGLE YARDSTICK, COMPREHENSIVE RULE BOOK, OR BIG STICK REFEREE,
  - LITTLE AGREEMENT ON THE GAME BEING PLAYED
  - LESS AGREEMENT ON WHO ARE THE PRINCIPAL PLAYERS

BRUCE KOGUT ON INTERNATIONAL BUSINESS

- WHY DO FIRMS WANT TO INVEST IN & OWN PHYSICAL CAPITAL IN FOREIGN COUNTRIES?
  - THERE ARE ADVANTAGES THAT OUTWEIGH COSTS OF CONTROLLING ASSETS IN FOREIGN MKTS
  - PORTFOLIO & DIRECT INVESTMENTS DIFFER

WHY INVEST OVERSEAS?

- DUNNING'S ECLECTIC THEORY
  - OWNERSHIP
  - LOCATION
  - INTERNALIZATION
- FIRMS HAVE HARD-TO-REPLICATE PROPRIETARY ADVANTAGE
  - OFTEN OLIOGOPOLISTIC ADVANTAGES, SUCH AS BRAND NAME, SCALE ECON, AND TECHNOLOGY

CONTEMPORARY MNC BEST VIEWED AS GLOBAL NETWORK OF SUBSIDIARIES

- SEQUENTIAL ADVANTAGE LIES IN BEING ABLE TO COORDINATE ACROSS BORDERS THRU MNC NET
- GLOBAL ARBITRAGE BY PROFITING FROM DIFFERENCES IN COSTS AND PRICES
- SO, MNC COMPETE ON ARBITRAGE OR INTL COORD, NOT SCALE

SO COMPETITIVE ADVANTAGE

- IS NOT SIMPLY SOMETHING THAT YOU POSSESS,
- BUT IT HAS TO BE EXERCISED
- CAPABILITIES & KNOWLEDGE HAVE TO BE TRANSFERRED & RE-CREATED
  - NOT NECESSARILY EASILY DONE
  - KNOWLEDGE IS “STICKY” a la Silicon Val

COMPETITIVE ADVANTAGE OF NATIONS?

- HISTORICAL AGREEMENTS BETWN LABOR, GOVERNMENT & INDUSTRY
- IN A DAY WHEN INTERNET SPEEDS FLOW OF KNOWLEDGE WORLDWIDE
- ARE NETWORK NODES NATIONAL OR ORGANIZATIONAL RESOURCES
- SOVEREIGNTY AT BAY?
  - GOVS HARD TO COOP
  - MNCs NEED TO COOP