Global Strategy for the 21st Century – The RAT/CAT Capabilities Perspective

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Why should firms internationalize?

• Because they are out of space at home
• Because “foreign” markets are growing faster
• Because everybody else is doing it
• Because foreign firms are threatening them at home
• Because they are good at something that “travels” probably
• Because the industry/game is global in scope probably
Capabilities and Competitive Advantage

- In order for capabilities to “matter”, they must provide a competitive advantage.
- To do this, they must satisfy four criteria (VRIO):
  - they must create value in the form of greater willingness to pay by customers for the product or service and/or reduce the cost of producing/supplying that product or service,
  - they must be rare,
  - they must be hard to imitate.
  - The organization must be able to employ them effectively.

Capability Exploiting Internationalization

- What capabilities do we have that we seeking to exploit internationally?
- Do they pass the RATs test wrt target country:
  - Are they Relevant?
  - Are they Appropriate?
  - Are they Transferable?

Exploit

Home-based resources/capabilities

Foreign market Position/customer v. p.
Capability Enhancing Internationalization

- What competencies might we tap/develop in a particular target country?
- Apply the CATs test:
  - Are they Complementary?
  - Are they Appropriable?
  - Are they Transferable?

Augmented capabilities

Internationally-derived Resources/Capabilities

Enhance
The Full Cycle

Exploit

RAT

Existing resources/capabilities

Augmented Resources/Capabilities

CAT

Target country vp

Target-country derived Resources/Capabilities

Enhance
Examples

- Shimano
- Cemex
- Global Clean Tech
Shimano timeline

Major external events:
- 1920s: Japan expands in Asia
- 1940s: WWII
- 1960s: PRC
- 1980s: Oil embargo/Nixon shock, Europeans "reinvent" bicycling, Downhill emerges in US
- 2000s: SRAM suit, Rise of China, India

Major company events:
- 1930s: Company founded
- 1940s: Company expands in Asia
- 1950s: Company reestablished after war
- 1960s: Founders death
- 1970s: 3 speed hub, Company begins exports to US, accesses technology in US
- 1980s: Offshoring
- 1990s: Euro Racing, SPD
- 2000s: Keizo S. dies, Recall
Capability “Exploiting” Episodes

- Expansion to all Japan
- Expansion throughout Asia in 1930s
- Expansion to US in 50s, Europe in 60s
- To “new economies” in 1980s
Competency Enhancing Episodes

- Cold Forging from MA
- Off shoring to Singapore, China
- “Tapping” road racing demand conditions in Europe
- “Tapping” mountain biking demand conditions in US
Virtual diamond: Shimano

- Cold forging tech in the US
- Low cost manufacturing in East Asia
- Related & Supporting Industries
- Demand Conditions
- Europe (Road bike)
- US (Mountain bike)
- Rivalry

Factor conditions
Process of Growth & International Expansion

1900
- Founded
- Cementos Portland and Cementos Mexicanos Merged

1970s
- 70s National Via Acquis.
- 76 Lists on the Mexican St. Ex.

1980s
- 82 Debt Crisis / Exports Program
- Zambrano in Divest non-core – bulk up
- 89 Holderbank → Apasco

1990s
- 90 US Anti Dumping
- TOLTECA, MX (1989)
- SPAIN (1992)
- DOMINICAN REPUBLIC (1995)
- COLOMBIA (1996)
- PHILIPPINES (1997)
- INDONESIA (1998)
- EGYPT (1999)
- SOUTHDOWN, USA (2000)
- BANGLADESH (2000)
- FRANCE (2001)
- THAILAND (2001)

2000s
- 99 NYSE Listing
- COSTA RICA (1999)
- PUERTO RICO (2002)
- S&P Investment Grade
- 00 S&P Investment Grade
- SOUTHDOWN, USA (2000)
- BANGLADESH (2000)
- FRANCE (2001)
- THAILAND (2001)
- RMC, UK (2005)
Stepping Out

**Operations Expertise**

- **Exploit**
  - Home-based resources/capabilities
  - CEMEX Internationally-derived Resources/Capabilities

- **Enhance**
  - Cost of Capital,
  - PMI Process
  - Pet Coke
Growing up

Operations Expertise

PMI

“Branded bags”

Exploit

Internationally-derived Resources/ Capabilities

CEMEX

Enhance

Home-based resources/ capabilities

Pooling

PMI on Mexico

The CEMEX Way
Stepping Up

Operations Expertise
PMI
GPS
CEMEX Way

Exploit

Home-based resources/capabilities

Internationally-derived Resources/Capabilities

Enhance

Concrete
“Slump meter”
How RATs and CATs Multiply!

*see Doz, Williamson, and Santos
Questions?
References


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