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Department of Management

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**Developing a Global Business
Culture with World-Class
Companies**

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“DEVELOPING A GLOBAL BUSINESS CULTURE WITH WORLD-CLASS COMPANIES”

The globalization of industries is currently one of the biggest challenges for corporations. Industries globalize because of shifts in technology, buyer needs. Similarly, government policies create major differences in competitive position among firms from different nations and make the advantages of a global strategy more significant.

We are moving away from an economic system in which national markets are distinct to one where they merge. Two factors have provided the catalyst for such a change: the first is the decline of barriers to the free flow of capital, goods and services over the past 50 years. The second is the dramatic development in communication, information and transport technologies. Very few industries are insensitive to the changes accompanying these developments.

Firms compete in international markets. We must understand how firms create and sustain competitive advantage. However, we must pay attention to how global strategies contribute to competitive advantage. All major companies must now have a strategy that looks at the world in a much broader way than before. This is stimulating major companies to adapt their strategies to the changing environment of global competition even in industries that were previously seen as purely domestic.

The reality of global competition today is that few companies possess all of the competitive advantages that would enable them to be successful internationally. For firms in industrialised countries, prospects for future growth are increasingly seen as being disproportionately in developing parts of the world, not in the more familiar markets of developed nations. Corporations are aware that the world is now a much larger place and that the benefits of growth and the threat of new competition are likely to come increasingly from the emerging markets. Therefore, firms with mature products in mature markets look at emerging economies for future opportunities. Developing country markets are becoming much more open to international competition, providing both opportunities and threats for domestic companies. To meet these challenges, management is attempting to position their firms to become more competitive.

Competitive threats could arise from a number of areas: new imported products, new products developed as the result of an alliance between a local and a foreign competitor. For this reason, many corporations now attempt to complement their firms' strengths through alliances with other companies. These alliances, many of them in the form of joint ventures, represent a complicated process of identifying one's own strengths and weaknesses.

Companies from developed regions choose to enter into joint venture relationships with local companies in developing countries, instead of “going it alone”. Among the most obvious reasons is the fact that in some countries, investment regulations require a link with a local firm. In many cases, the

regulations have called for foreign companies to limit their participation to minority status. Government restrictions are important in the decision to invest through a joint venture. Such restrictions remain as a strong motivating factor in persuading multinational companies based in developed countries to utilize a joint venture structure in their market entry strategies.

Emerging countries mainly compete on the basis of cheap labour and/or natural resources. Industries most vulnerable to competition from the emerging markets are those which lack barriers to entry such as rapidly changing technology, highly skilled labour, sensitivity to lead times, complex distribution and service networks. Companies, which remain domestic and do not engage in either export or establish foreign subsidiaries, face greater risks from non-domestic competition.

Joint ventures are becoming more and more common in developing countries as economic growth continues to take place more rapidly in these countries than in the industrial world. Companies enter into alliances to gain a number of benefits. As well as access to growing markets and local expertise, these alliances will have the following competitive advantages: access to the most recent technology available globally, export markets, management know-how, economies of scale, global sourcing of materials and labour, and the international exchange of knowledge and innovation among subsidiaries.

Turkish companies with a strong capability platform highly suited to tackle local challenges/opportunities, have developed a global business culture with some of the leading global corporations of the world. Turkish partners share with these world class companies the same values and business approach and contribute them with their unique expertise and know-how on how to operate in the Turkish environment. The parties jointly bear the responsibilities for management as well as financial risk. Joint ventures can accelerate the corporate learning curve. A significant part of the future growth of these Turkish companies will come from these joint ventures.

Before the establishment of a joint venture between a Turkish and a foreign company, Turkish companies generally consider to gain local power and tap export markets. But now, globalization is considered to be very important issue to establish a new joint venture in Turkey. Instead of more diversification, it is necessary to focus on core activities, moving toward downstream integration that enables to manufacture more end products, and create technology based core competencies to add value to products and services. Having a strong worldwide infrastructure (brands, distribution, logistics, etc.) is very important to compete globally with others. And rather than relying on technology advances from outside, research and development activities will be carried on more in the near future. Until recently, Turkish companies have developed some process improvement and cost reduction technologies. These are shared with the partners to satisfy the best production with low cost and high quality. Some new organizational disciplines (TQM, suggestion systems, employee participation, customer service, etc.) should be followed up and integrated together. As a result, there are a number of companies that have TQM applications and quality awards.

The success of many corporations today is directly related not only to their relationships with customers but also the number and quality of their business relationships with other companies. Cooperative relationships with suppliers and customers are more important for business success today. When the joint ventures in Turkey are examined, it is seen that some supplier and customer relationships have over the years turned into partnerships (joint venture).

Joint ventures, correctly structured between two or more partners with sustainable complementary, can be advantageous to all sides. When satisfaction with a joint ventures' performance is likely to have more to do with the ability of the partners to adopt to changing circumstances and to maintain mutual respect than to any formal aspect of the joint venture itself, the foreign partner may offer to develop the current business more abroad. Thus, it is possible to create a global alliance.

The group, which I have been working for, has currently 16 joint ventures with the leading international companies. A global business culture is created with our partners by applying the following:

- A good selection of businesses and an effective alliance strategy
- Establishing close relationship not only with customers, but also the number and quality of the business relationships with other companies
- Sharing the same values and business approach with world-class companies and contributing to them with our unique expertise and know-how to operate in Turkish environment
- Adapting the partners' basic research to our local conditions
- Developing process improvement and cost reduction technologies and sharing them with partners to satisfy the best production with low cost and high quality

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