Becoming a “Multi-Global” Company

Using global methods for local products

For decades, companies from developed countries have been the world leaders in products and services—with a primary focus on their home markets. To take advantage of lower wages, most of these leaders gradually shifted some areas—namely production and purchasing—to emerging economies. But as countries such as China and India continue to grow and prosper, these measures may not be enough to stay competitive globally. Growth in the future will require international companies to become “multi-global.”

Emerging countries—particularly China and India—are changing the face of global markets, as their economies grow by as much as 10 percent per year. In the wake of this growth, these countries are producing some of the world’s fastest-growing, most competitive companies. In the steel market, American and European companies were the undisputed market leaders 20 years ago. Today, steel giant ArcelorMittal—formed after India’s Mittal Steel acquired Europe’s Arcelor—is the world leader. In chemicals, players from emerging economies, including Sabic and Sinopec, are now among the biggest. The quality and knowledge gap between these companies and those from developed countries is shrinking rapidly as their home markets mature. These companies are no longer low-cost alternatives—they are fierce competitors in the export markets.

While many developed-market companies have succeeded in this changing world, a recent A.T. Kearney survey of executives at German industrial companies indicates that there is more that companies from the developed world can do. Many companies have gone “glocal”—meaning they make global products with some local adjustments—but few have the full range of local value chains in these vital emerging markets, resulting in lower market share and growth that lags their local competitors. To succeed in these booming emerging markets, companies from developed countries must meet client needs—as well as, or better than, local players.

Going “Multi-Global”

Most companies from developed markets are among the most multi-global in the world. Automaker General Motors sells twice as many Buicks in...
China as it does in the United States. Consumer packaged goods giant Nestlé generates the vast majority of its revenue outside its home market of Switzerland, while France’s Danone is renowned for its local supply chains in Pakistan and Bangladesh, among other countries. GE and Siemens have used localized R&D and marketing to expand into emerging markets, while retail leaders such as Metro, Wal-Mart, Tesco and Carrefour have entered into developing markets as a means to future success.  

It is no longer arguable that future success will require companies to move from national players to multi-global enterprises, making specific products to meet the unique needs of different market segments (see figure 3). Becoming multi-global requires the right product portfolio. There are three main options:  

Global, standardized products. These products include chemical precursors, certain kinds of steels and computer chips, which can be produced in volume and sold without local differentiation or adaptation. You can benefit from economies of scale by producing these at minimal costs, and considering total cost of ownership.

Global products with adjustments. Certain products, such as those common in automobiles, are global in nature but require slight country-specific adjustments. Like global, standardized products, these benefit from economies of scale.

Country- and segment-specific products. These products are specifically designed for emerging countries and geared to the needs of local customers there. For example, in the 1990s Bosch Siemens Hausgeräte (BSH) began manufacturing appliances designed specifically for the Chinese market. Ideally, you want to sell the same products to countries with similar requirements, eventually leading to producing a product line for emerging countries and one for developed countries.

1 For more information, see the Global Retail Development Index at www.atkearney.com.
Forget Standardization: Get Specific

When going global, international firms tend to standardize products and focus on those with slight regional adjustments to capture economies of scale. This typically does not suffice in many emerging countries. The industry and segment requirements and price levels are so different that universal products simply cannot produce the desired results. Specific products are necessary.

Companies from developed countries can use their global nature to fulfill local needs for specific products. There are four primary tactics:

- **Align your value chain with your organization** so that each function—such as production, purchasing, sales, and research and development (R&D)—can best meet local needs. For example in R&D, product development is likely best when centralized while product features can be added regionally.

- **Encourage entrepreneurialism** so that a business unit within an emerging country has sufficient space to develop a local entrepreneurial spirit without being constrained by the global organization. At the same time, you must be able to reap the benefits of broad access to global know-how, so that you can stand out against local competitors.

- **Reorient the supply chain** along different elements, products, functions, processes, regions, industries and customer groups. The supply chain should be designed to meet specific customer expectations, competitive situations, business goals, cultures and history that are unique to each area. In the automotive industry, for example, customer expectations influence R&D. Major customers expect close collaboration for jointly developing new products, so they can properly match their needs and react quickly to market demands. This is why most auto companies have local development teams in emerging countries.

- **Design the organizational structure** to meet these different needs. For example, automotive supplier WABCO implemented four regional organizational units around the globe, divided among functional areas, while supplier Knorr-Bremse follows a strict customer orientation in its railway division, locating various industrial facilities in developing countries.

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**FIGURE 3: From a national player to a multi-global enterprise**

<table>
<thead>
<tr>
<th>National player</th>
<th>Exporter</th>
<th>“Glocal” company</th>
<th>Multi-global enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>• Adapt products for export markets</td>
<td>• Build global product platform with local adjustments</td>
<td>• Develop specific products for different global market segments</td>
</tr>
<tr>
<td><strong>Added value</strong></td>
<td>• Increased sales from emerging countries and global sourcing</td>
<td>• More production and sourcing in emerging countries</td>
<td>• Additional R&amp;D and sales and marketing</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
<td>• Engineering and healthcare</td>
<td>• Automotive, and consumer packaged goods manufacturers</td>
<td>• Manufacturing (for example, GE and Siemens)</td>
</tr>
</tbody>
</table>

Source: A.T. Kearney analysis
Building a Growth Platform

Building a platform for global growth begins with an evaluation of the status quo to review your current product portfolio strategy, gauge how the organization is structured with regard to customers, value chains, processes and geography, and identify current strengths and weaknesses.

From there, the focus turns to local markets, determining all the unique requirements that will arise based on local trends, customer needs and competitive strategies. You want to judge which markets will be the most important in the next five to 10 years, what business systems and dynamics will fit in these target markets, and what exactly retail and direct customers will expect. This is when you get to know your major competitors in these local markets, and the strengths of their product strategies, locations, networks and organizations.

The product portfolio takes center stage as you decipher product requirements, target price structures, the optimal portfolio, and all the issues that are likely to arise during further development of the product portfolio. You can save time by applying lessons from the experiences of other global companies, both in designing the organization and determining the added value.

Radical Rethinking

Emerging markets will only keep growing — and their companies’ expertise and strength will keep improving. These emerging market players may in fact become the runaway leaders in some industries and those in developed markets will have to rethink and restructure quickly to compete. Building a growth platform with locally tailored products and appropriate organizational structures is the only way to become a true multi-global leader.

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