is considered an acquisition, discussed in depth in Chapter 7. Mergers differ from acquisitions in that in the former the management of two or more existing organizations decides to fully combine their operations into one, creating a new entity out of the existing structures. The previous organizations cease to exist and the shares of those organizations transfer into the new company.

Some organizations choose to enter a new geography through organic or greenfield investment eschewing any local partner involvement. This approach brings with it different complications and benefits that are discussed in Chapter 8.

The remainder of the book analyzes not only the various entry modes but also some unique characteristics of one group of globalizers, those from the emerging world. The growth they have accomplished in less than 30 years is truly remarkable and in doing so they bring with them some valuable lessons on how they achieved so much in such a short period of time. They are examined in Chapter 9. Finally, one specific market, China, is deserving of further attention. While other nations are developing rapidly, none have the size, scope, and economic clout of China. In addition, few have the complications of such a multifaceted market. It is examined in Chapter 10.

Conclusion

FDI has hit all-time record highs with not only investment flowing from the developed world into the emerging world but also in reverse. It will take one of the three forms: strategic alliances, mergers and acquisitions, or greenfield investment. Strategic alliances can again be broken into those that require equity or those that do not. All three areas will be discussed in much further detail in the following chapters. But first the globalization trends that have led to record cross-border investment as well as the perceived risks and benefits of being a globalizing organization will be examined.

2 Trends in Globalization

Introduction

The pattern of globalization has been a topic of debate for 40 years. The events toward the end of the twentieth century spurred on a dramatic acceleration of globalization that had yet to be seen on a global stage. This chapter will review those events, their impacts, and the various theories of globalization in light of the study participant's experiences. In addition, four trends that are currently unfolding in globalization will be further examined.

The facilitators of globalization

The end of the twentieth century saw a dramatic transformation of the world's corporations, which had an enormous impact on globalization. This was caused by several factors that are grouped into three subcategories: political, technological, and economic.

Political

Several key changes in the political landscape facilitated global organizations as they extended their global reach. The first of these was the fall of the former Soviet bloc. This act, while political in nature, had massive economic implications (Harvey, Kiessling, and Novicevic, 2003). Not only did hundreds of millions of potential consumers become available, the privatization of former Russian state-owned enterprises led to the rise of asset-rich Russian corporations especially in the natural resource and infrastructure industries. They in turn instantly became world players as well as potential venture partners. The most obvious of these are Rosneft, Lukoil, and Gazprom, all of which rank in the world's top 20 oil companies, and were partly privatized and are still at least owned in part by the Russian government (*Pravda*, 2009).

The second major political event that transformed the global marketplace was the relaxation of trade relations with many previously closed or restricted markets. The most notable of these, of course, is China that is discussed in more detail in Chapter 10. The 2001 admittance of China into the Word Trade Organization signaled a concerted change in the

Chinese government's philosophy toward capitalism. The sudden inclusion of over one billion Chinese consumers combined with the Chinese government welcoming low-cost manufacturing spurred a massive influx of foreign investment into China and the region as a whole. The end result was threefold: new market opportunities for many globalizers, cheaper manufacturing centers for the same, and a burgeoning assortment of newly developed nation's corporations who were laying the foundation to expand internationally.

A third political factor was the formation of the European Union economic zone (1994) and ultimately the Euro zone (1999), which spurred on an acquisition wave within European boundaries. A host of cross-border acquisitions occurred in anticipation of European political consolidation. The net result was a rapid increase in the amount of cross-border European acquisition activity thus creating larger multinational organizations and further opportunities (Coeurdacier, DeSantis, and Aviat, 2009).

The final major political trend that transformed the international landscape is related to both of the first two—that is, the wholesale semi-privatization of national assets in many developing world economies. These newly commercialized businesses came with preferential government relationships and excellent sources of funding, as many were still owned in part by the sponsoring government. State-owned enterprises (SOEs) are those "enterprises comprising parent enterprises and their foreign affiliates in which the government has a controlling interest (full, majority, or significant minority), whether or not listed on a stock exchange" (UNCTAD, 2011, p. 28). The level at which one defines a "controlling interest" differs: a generally accepted view is that occurs when the government owns more than 10 percent, is the largest single shareholder, or if it can actively dictate the organization's strategic direction (ibid.).

Interestingly, while there has been quite a concern over the ownership of emerging nation SOEs, the vast majority of the world's largest SOEs (including the largest 12) come from developed nations (see Graph 2.1 given further).

What all of these enterprises share, however, are extensive resources and are becoming increasingly confident on the international stage.

Technological

Simultaneously, while markets were opening up, changes in technology facilitated the growth and complexities of international businesses into far-flung geographies. The reduction of transportation costs shortened product life cycles, meaning that manufacturing in lower-cost locations became a viable alternative to local manufacturing (Harvey, Kiessling, and Novicevic, 2003). In addition, the increase in communication ease made managing complex globalizers possible. Only a generation ago, the ability to manage a retail behemoth the size of Walmart's 2.2 million employees in over 10,000 retail units in 27 countries would have been impossible.

Economic

The economic factors that led to the increase in globalization are too numerous to be addressed in this book. However, they include universality of production, differences in production costs between countries, technology transfers, and a growing population in certain parts of the world (ibid.). In addition, rising wage costs of developing nations caused their corporations to seek cheaper manufacturing bases often in the formerly off-limits developing world economies. This in turn led to a rise in the available incomes of those manufacturing centers and made them more attractive domestic markets thereby creating a spiral of production being increasingly allocated for the domestic market share growth and less being allocated as export.

Simultaneously, diversified conglomerates from the developed world increasingly began to fall out of fashion. Research has shown, with some notable exceptions, that Anglo-Saxon and European diversified conglomerates underperform their single industry counterparts (Christensen and Montgomery, 1981). Markets began to realize this and increasingly favored those organizations in related industries. This change in investor attractiveness has led to a realignment of organizations along related industries.

Interestingly this move away from diversification does not apply to all geographies. Japanese global companies continue to operate in a focused conglomerate format and see global success and investor favor. Conglomerate formats from the developing or newly developed world are seen as the norm as demonstrated by the rapid growth and globalization of the South Korean and Indian giants such as Aditya Birla Group, Tata, Samsung, and Hyundai.

Trends in globalization

The combination of economic, political, and technological changes fundamentally reshaped the global corporate landscape, and with it triggered four main trends: globalfocussing; rejection of globalization; the changing role of mergers and acquisitions for overseas expansion; and the changing nature of the global investor, including the emergence of the SOE and private equity buyer.

Globalfocussing

The first trend witnessed is a refocus and shift in global organizations from a more diversified perspective into a far narrower industry focus with the organization's objective of replicating the process throughout the world (Meyer, 2006). Rather than promoting business diversification in a geographic area, organizations increasingly moved to promote geographic diversification

with a narrower product offering. This shift has been termed "globalfocussing" and is marked by "shifts in the relative importance of country-specific and industry-specific resources and capabilities due to changes in the international and external environment, notably the globalization of markets and supply chains," and this is shown in Diagram 2.1 (Meyer, 2006, p. 1109). As will be discussed later in this chapter, the survey results concur with this perspective; this is seen as one of the major trends impacting global businesses today.

This change in focus from industrial diversification to geographic diversification has led to some dramatic shifts in the international landscape. It is not unfair to say there has been a wholesale reorganization of many of the world's largest organizations that in turn has fueled 15 years of merger activity with transactions increasingly occurring in less traditional corners of the world. At least part of the 1999–2006 merger mania was fuelled by a surfeit of attractive targets as the developing world's financial markets decidedly turned against the idea of diversified conglomerates.

The fall from grace of diversification combined with the increase in available markets led to a wholesale demerging in many large "Western" multinationals. For example, in 2001 over one-third of the UK's largest listed companies were demerging along industry lines while simultaneously looking for related industry targets (Hubbard, 2001). This led to a great number of divestments that became attractive acquisition and merger targets for other multinationals trying to solidify their positions in their specific industries.

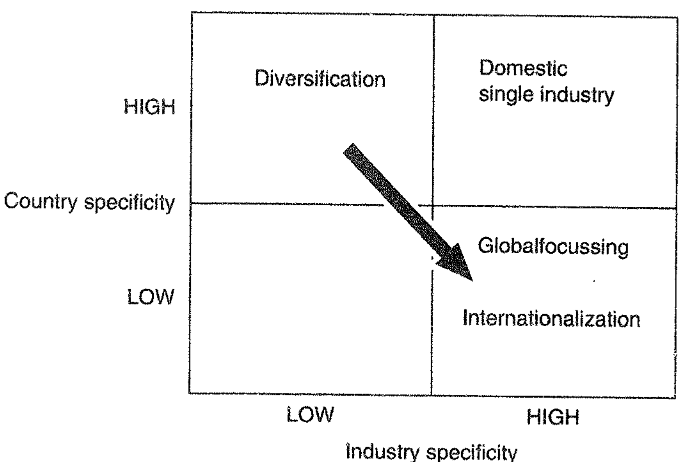


Diagram 2.1 **Globalfocussing**

Notes: The figure describes country and industry specificity of resources. The arrows indicates change induced by liberalization and globalization of industries.

Source: Meyer (2006).

Research at the time gives a clear snapshot of the reasoning behind what is called the Millennia Merger Wave. A survey that dates from 2001 found that 37 percent of large organization mergers and acquisitions were occurring for "over capacity"—companies were buying direct competitors of the same geography and merging the organizations together to reduce costs through economies of scale and take out a competitor (Bower, 2001). The addition of a product line to the existing product offering accounted for 36 percent of acquisitions. Geographic extension—moving into a new market—was only 9 percent (ibid.). As will be seen in this research, the reasons why acquirers are buying now is completely different—they are buying to enter new geographies. The 9 percent of geographic extension is now more likely 42 percent. Thus there is a shift from cost-saving acquisitions where there is enough overlap in which to remove duplicate costs to geographic expansion where there is little if any duplication of functions to combine. As will be seen, this research found that globalizers are pursuing top-line growth as their primary objective in their march toward global market positions rather than economies of scale cost savings.

A retrenchment to global expansion

While the vast majority of those interviewed continued to pursue globalization, a significant handful had reined in their global expansion plans and instead focused on a specific geographic region rather than the world as a whole. Lonrho and Standard Bank had focused their operations on the African continent. Standard Bank have publicly stated that, while they will not be selling their assets that are not located in Africa, they are concentrating their efforts and resources on retaining their standing as the largest bank on the African continent. Santander have also concentrated their efforts in those markets in which they already have a commanding presence, including in significant parts of Europe and Latin and South America while divesting operations that fall outside of that remit. As will be seen in Chapter 8, Tele2 reduced their international exposure from 25 countries to 11 in order to organize their efforts in a more concentrated regional strategy.

The reasoning for regional focus is not unlike those globalfocussers who narrowed down the diversity of their product offering and then expanded geographically with the hopes of gaining significant global presence in a narrower industry. These organizations are focusing their efforts in those regions where they are able to be market leaders and parlay that into organizational strengths and competitive advantage knowing that they don't have the size or benefits of doing this on a global scale. As the representative of one of the companies in our survey commented, "I don't think the benefits of being global are worth the effort."

In 2011, GDF Suez decided to forgo a global footprint and concentrate their management's attention on a European growth strategy. As part of this, GDF Suez spun off their international assets into a merger with

International Power plc, a listed UK energy company while retaining 70 percent of the combined organizations' shares. The combination, however, meant that GDF Suez's international management remained separate from their pan-European business. Recently, however, GDF Suez committed to buying the outstanding 30 percent of their merger partner's shares to fully take back control of the combined international business.

The changing nature of merger and acquisition

The third key trend is a change in the use of acquisition as a vehicle for growth, including the rise of the transformational transaction, the drop in use of hostile acquisition as a vehicle for taking control, and the changing origination of global acquirers.

The late 1990s saw an exponential rise in the use of large-scale consolidation via mergers and acquisitions, which led to the advent of the Millennia Merger Wave that occurred between 1998 and 2007. Prior to 1996, the largest merger in history was the 1988 purchase of RJR Nabisco by KKR at $25 billion. In just 15 years, 100 others had surpassed it in value, including over 5,000 $1 billion or more transactions. What makes the merger activity of the past five years so significant to globalization, however, is its transformational nature, the fall of hostile acquisition activities, and from where the corporate players originate.

Firstly acquisitions have increasingly been used in a transformational capacity especially in terms of quickly extending a corporation's geographic footprint. Cadbury Schweppes, for example, entered the South American market with their purchase of Adams from Pfizer in 2002: this being an example of the pharmaceutical giant shedding one of their noncore businesses—globalfocussing (see Case 7.1 of Chapter 7). As Sir Roger Carr, former Chairman of Cadbury Schweppes noted, "Had we not done the Adams acquisition, Cadbury Schweppes would look very different now." The advent of globalfocussing meant that some very significant divestments have taken place, meaning for another globalizer the ability to make a significant merger or acquisition. As will be seen in Chapter 7, a significant number of globalizers interviewed acquired key related businesses because of this.

Secondly, during the late 1990s and early 2000s, organizations seemed more willing to use hostile acquisition as a means of taking corporate control. Even so, less than 5 percent of public deals were hostile acquisitions (UNCTAD, 2000). The most famous is the largest acquisition in history: the $200 billion acquisition of Germany's Mannesmann by Britain's Vodafone that played out as an acrimonious cross-European affair. The implications are that one didn't need mutual consent in order to grow the business. This trend seems to be abating in recent times, however, with fewer large-scale hostile acquisitions taking place. There are notable exceptions, however, including the bitter takeover of Cadbury Schweppes by Kraft in 2010. This may be linked to the increasing number of large-scale acquisitions occurring in the developing world where hostile acquisitions are very rare in part due to cultural differences and also family ownership structures (UNCTAD, 2010).

On a global basis this shift shouldn't be surprising. When one is acquiring for consolidation of assets and economies of scale benefits, employee retention is less of an issue as there is considerable duplication of skills. With the current push of using acquisition to enter new markets, there is little duplication of effort, and therefore employee retention becomes critical. In fact, the KPMG study of 162 companies found employee retention to be the joint highest HR concern after a cross-border acquisition. It is discussed in more detail in Chapter 7.

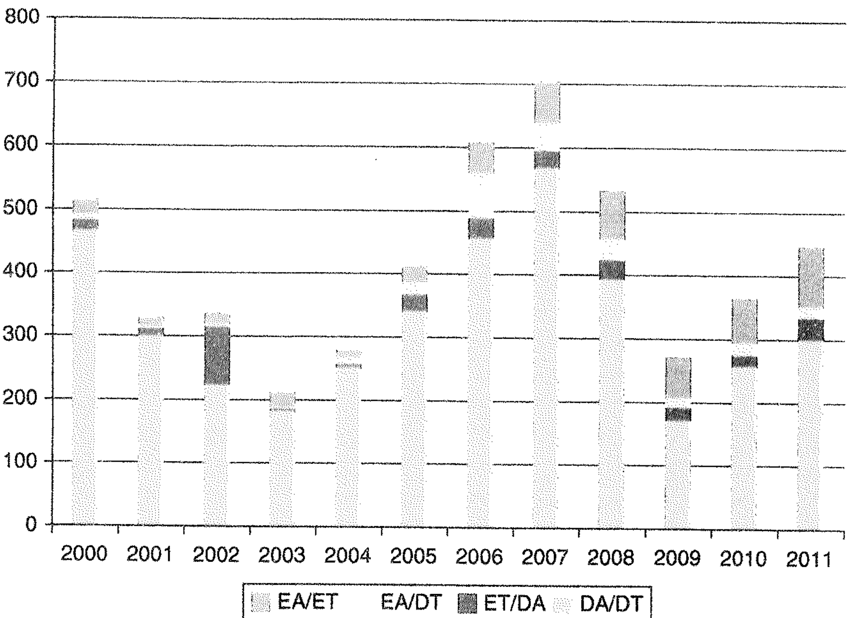
The changing nature of the international investor

Part I The emerging market internationalizer

The final and perhaps most important trend currently being experienced in globalization is the changing nature of who is globalizing. In the past 20 years we have seen the rise of the emerging world globalizer (EWG). In the past, the world's largest organizations have been dominated by developed nation organizations; however, this trend has been slowly changing. Increasingly emerging world organizations have been entering the ranks of the world's largest transnational organizations. Between 2001 and 2004 on average there were six EWGs among the list of the world's 100 largest quoted companies. By 2006, this number had jumped to 18 and it has remained relatively steadily at this position. Using the list of largest quoted companies is an imperfect science as it excludes some of the world's largest organizations that are either state owned (e.g. CITIC), privately held (e.g. Cargill), sovereign wealth funds (e.g. Abu Dhabi Investment Authority), private equity funds (e.g. Kohlberg Kravis Roberts), or pension funds (e.g. Norwegian Government Pension Fund), all of which have been making significantly more foreign investments. It is, however, a telling indication of the increasingly diverse makeup of transnational organizations.

Another indicator of globalizer diversification is the pursuit of large-scale acquisitions to fulfill organizational objectives. The nationalities of those organizations pursuing mega deals, those with a value of over $1 billion, have changed quite dramatically during the past few years as seen in Graph 2.1.

As can be seen in Graph 2.1, the number of mega deals clearly reflects the global economy. The impact of the 2001 World Trade Center bombing and the war in Iraq can be seen in the lower activity of 2001 through 2004 and the economic downturn for the developed world can be seen in the lower figures of the decade's end. Even during these downturns the composition of transactions was changing. Between 2000 and 2003 emerging world companies acquiring into the developing world accounted for less than 1 percent on



Graph 2.1 **Size and participants' nationalities of acquisitions greater than $1 billion**

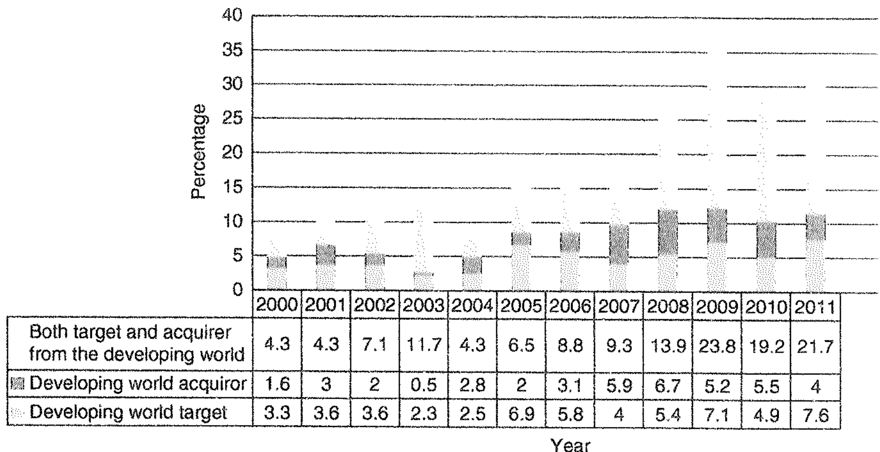
Notes:
EA = Emerging world acquirer
ET = Emerging world target
DA = Developed economy acquirer
DT = Developing economy target

Source: Raw data provided by Thompson Financial.

average of all mega-deal transactions. In the latter half of the decade, EWG averaged almost 6 percent of transactions.

Their involvement as either an acquirer or target of mega deals went from being less than 10 percent in 2000 to roughly 30 percent by 2012 (see Graph 2.2). Some of this was in all likelihood fuelled by the timing of the economic downturn—the emerging world did not experience the same degree of downturn as the industrialized world, thereby creating a window of opportunity that many emerging nation corporate acquirers exploited (UNCTAD, 2010). In addition, the newly privatized industries of many emerging nations meant that attractive targets were surfacing all over the world.

The geographic diversity of acquirers also changed quite dramatically during this time frame. We saw the first mega transactions involving acquirers from Papua New Guinea, Kazakhstan, Angola, Uganda, Chile, and Nigeria (see Table 2.1). The amount of large-scale acquisition activity from some of these countries is quite surprising. For example, Kazakhstan corporations made 11 acquisitions of over $1 billion each during a five-year period beginning in 2007.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Both target and acquirer from the developing world	4.3	4.3	7.1	11.7	4.3	6.5	8.8	9.3	13.9	23.8	19.2	21.7
Developing world acquiror	1.6	3	2	0.5	2.8	2	3.1	5.9	6.7	5.2	5.5	4
Developing world target	3.3	3.6	3.6	2.3	2.5	6.9	5.8	4	5.4	7.1	4.9	7.6

Graph 2.2 **Percentage of emerging market globalizers in M&A mega deals worth greater than $1 billion**

Source: Raw data provided by Thompson Financial.

Table 2.1 Total mega-deal acquisitions between 2007 and 2011 featuring emerging market countries

Acquirer's Country of Origin	Total Number of Mega Deals	Acquirer's Country of Origin	Total Number of Mega Deals
Angola	1	Papua New Guinea	1
Brazil	63	Philippines	7
Chile	2	Qatar	10
China	72	Russia	72
Columbia	7	Saudi Arabia	5
Egypt	1	Singapore	24
Equatorial Guinea	1	South Africa	17
Hong Kong	19	South Korea	39
India	19	Taiwan	4
Kazakhstan	11	Thailand	10
Kuwait	4	Turkey	2
Malaysia	15	UAE	32
Mauritius	2	Uganda	3
Mexico	19	Ukraine	2
Morocco	2	Venezuela	3

Source: Raw data provided by Thomson Financial.

Part II The rise of government and venture capital funds in cross-border investment

While sovereign funds, SOEs, state-sponsored funds, and venture capital funds have existed for years, their expansion activities have been primarily domestic. Venture capital funds accounted for 14 percent of 1997's global

cross-border M&A deals if measured by the number of transactions; this percentage jumped to 25 percent in 2010 (UNCTAD, 2011). In 2011 they completed a record 2,050 transactions worth $122 billion largely due to the apparent stabilization of global economic factors; of these transactions, almost one-third of value was earmarked for the developing world (ibid.).

State-influenced funds include state pension funds, sovereign wealth funds, and SOEs. There has been a significant change in legislation regarding pension funds such as the relaxation of investment policies in terms of taking larger stake holdings that could further increase their international reach. For example, the Norwegian Government Pension Fund has more than $400 billion under management. It is anticipated that the enormous amount of available funds, combined with relaxing investment policies will make state pension funds more aggressive sources of foreign investment in the future (ibid.). We are already seeing the consequences with Canada's Pension Plan Investment Board making the largest cross-border acquisition by a pension fund with their 2010 $3.1 billion purchase in Australia of Intoll Group (ibid.).

Sovereign wealth funds are those owned by a government for the express purpose of investment (ibid.). They are considerable influences on international investment with, as of 2012, over $5 trillion of assets (UNCTAD, 2012). The vast majority of sovereign wealth funds are from emerging countries with the most active historically being from the Middle East. In fact over 20 sovereign wealth funds were established in 2009 alone almost all from the developing world (UNCTAD, 2010). An example of recent activity comprises the Qatar Investment Authority holding with an estimated $120 billion of foreign assets, including the purchase of Harrods in the UK for $2.3 billion in 2010 (ibid.). Similarly the China Investment Corporation (CITIC) continues to expand rapidly with an estimated $100–200 billion cash injection in 2010 by the Chinese government solely for the purpose of overseas expansion (ibid.).

SOEs present another type of investor and an increasingly important source of direct foreign investment. SOEs are relatively rare in terms of the overall number of transnational corporations numbering only around 650 in 2010. But of those transnationals, they number 19 of the world's largest and 28 of the largest EWGs accounting for almost one-third of the emerging world's foreign direct investment (UNCTAD, 2011). Domestic SOEs are much more prevalent in the emerging world than in Europe—there are at least 150,000 businesses in China where the largest shareholder is either the Chinese government or a local municipality (UNCTAD, 2011).

SOEs are not a homogenous group and can be divided into four subgroups: emergency SOEs, sovereign wealth SOEs, privatized SOEs, and expansion vehicle SOEs. Emergency SOEs are those corporations that, usually through a form of mismanagement or massive economic downturn, run into financial problems and are bailed out by the organization's government; usually the injection of capital is in the form of a shareholding. Recent examples include General Motors (US) and Royal Bank of Scotland (UK). The second type of SOE is a sovereign wealth SOE, which in reality resembles a pension fund-style sovereign wealth fund in behavior—taking sometimes significant stakes in various businesses in order to successfully manage the returns for the benefit of shareholders (often government pensions). Examples include most of South Africa's SOEs that have invested in a variety of South African businesses (ibid.). These investors are characterized by the government viewing these holdings as a portfolio investment and as such taking a "hands-off" attitude in their governance.

Privatized SOEs are those organizations that were once nationally held, and when privatized the government retained a stake ranging from a minority shareholding (Volkswagen's 20 percent owned by the German government) to a majority stake (Statoil's 67 percent holding by the Norwegian government after its 2001 privatization). While the increased visibility and aggressive international expansion of the leading Chinese SOEs have brought a fair degree of criticism in terms of unfair advantages (Athreye and Kapur, 2009; Szamosszegi and Kyle, 2011), nine of the ten largest SOEs are European (see Table 2.2) and include four French giants, two Italian, and two German (UNCTAD, 2011). Perhaps a bigger issue than the shareholding is the degree of government involvement in the organization's operations. While there is a dearth of external research on this subject, the participants who discussed SOEs commented that their organizations were treated relatively fairly by European SOEs—there are legislative processes in place to ensure fair play between state and private corporations (UNCTAD, 2011). The only serious complaint was the obvious nationalism that they experienced when competing against SOEs in their home country.

The greatest concerns voiced among participants against SOEs when operating in emerging markets was of blatant favoritism in dealing with host governments. These included the granting of favorable contracts, generous funding, and work being awarded without tender offers. The banks complained of favoritism in privatization and listings in which only the indigenous (SOE) banks were given the work. One participant said, "You have to think that the IPO [initial public offering] business in China was three times that of the US last year. Now who's getting that business? The medium-sized companies were working together with their Chinese state-owned banks that were then doing the IPO for them."

The final type of SOE is the expansion vehicle SOE, which is created by the government with the express objective of pursuing that country's economic prerogatives both within its home territory and abroad. They are the mainstay of the emerging market with 56 percent of SOEs originating from those geographies (ibid.). They can run the gamut from

Table 2.2 Thirty largest state-owned enterprises

Company name	Home country	Percentage of government ownership	Industry	Assets (billions US$)
Enel SpA	Italy	34.7	Utilities	231
Volkswagen Group	Germany	20.0	Motor vehicles	255
GDF Suez	France	36.4	Utilities	247
EDF SA	France	84.7	Utilities	348
Deutsche Telekom AG	Germany	31.7	Telecommunications	184
Eni SpA	Italy	30.3	Petroleum	169
General Motors Co.	United States	32.0	Motor vehicles	136
France Telecom SA	France	26.7	Telecommunications	133
EADS NV	France	22.4	Aircraft	116
Vattenfall AB	Sweden	100	Utilities	83
Veolia Environnement SA	France	10.7	Utilities	72
CITIC Group	China	100	Diversified	315
Statoil ASA	Norway	67.0	Petroleum	97
Deutsche Post AG	Germany	30.5	Transport and storage	50
Vale SA	Brazil	5.5	Mining and quarrying	102
Petronas—Petroliam Nasional Bhd	Malaysia	100	Petroleum	126
TeliaSonera AB	Sweden	37.3	Telecommunications	37
Renault SA	France	18.3	Motor vehicles	92
Japan Tobacco Inc.	Japan	50.0	Food, beverages, and tobacco	42
Finmeccanica Spa	Italy	30.2	Machinery and equipment	44
China Ocean Shipping (Group) Company	China	100	Transport and storage	36
Lukoil OAO	Russian Federation	13.4	Petroleum and natural gas	79
Singapore Telecommunications	Singapore	54.4	Telecommunications	27
Zain	Kuwait	49.2	Telecommunications	20
Qatar Telecom	Qatar	55.0	Telecommunications	23
Tata Steel Ltd	India	12.9	Metal and metal products	24
Petroleo Brasileiro SA	Brazil	39.8	Petroleum	200
Abu Dhabi National Energy Co. PJSC	United Arab Emirates	100	Utilities	25
Petróleos de Venezuela SA	Venezuela	100	Petroleum	150
China National Petroleum Corporation	China	100	Petroleum	325

Source: UNCTAD (2011).

full governmental control to "substantive influence" (ibid.). Expansion vehicle SOEs are involved in championing their country's economic strategies both from within and increasingly outside that country's borders and have grown in international importance. The Chinese campaign of "Go Global" (see Chapter 10) is a prime example of state-owned transnationals being given ample funding and encouragement to pursue global aspirations.

One participant summed up the issue of SOEs very well:

> There's a fair amount of alarmism about state-owned enterprises and their growth throughout the world. When they say Abu Dhabi Investment Authority et cetera, they tend to ignore the German and French banks. We all have to think a little wider about some of these things and what actually is happening. It's really the controller of the funds rather than the fact that they are controlled by a sovereign body, that is, rightly, a more important question and the motivation behind the control. There's clearly a state capitalist model and it is practiced to varying degrees in different countries. It's not China and nowhere else. It's a graduation where you've got the US and UK on the left-hand side, and I think it goes across and absolutely France does operate with a strong degree of state involvement ... and it runs all the way through to North Korea. China comes somewhere in there in the different ways.

This combination of global trends means that the face of globalization is changing rapidly—no longer is it the remit of the Western or Japanese company investing in the emerging world. Instead it is far more complicated—with the landscape shifting quite dramatically. No doubt, the economic and political factors combined with globalfocussing have facilitated the shift, as highly attractive targets previously never considered for sale have changed hands, including privatized industries and blue chip subsidiaries. And they have changed hands to an increasingly complicated group of buyers.

Conclusion

Not only is the business world seeing a dramatic shift in the globalization of industries, it is seeing the face of industry changing. Globalfocussing, or the repositioning of organizations along industry lines, has led to a wholesale shift in business priorities with organizations now prioritizing their endeavors in narrower business lines. Those businesses not part of that platform are being divested and picked up by other globalfocussing businesses to which those businesses are core. EWGs are becoming increasingly prominent, with the rise of the emerging market corporations, state-owned globalizers, and venture capital globalizers, all of which are

gaining confidence and moving outside their domestic markets, investing internationally to become global players in their own right. Mega acquisitions that were once the domain of the developed world are now occurring throughout the emerging world, with an increasing number of EWGs participating, fueled by deregulation and relaxation of markets. It is a trend set to continue.

3 The Risks, Challenges, and Benefits of Being Global

Introduction

The organizations studied in this research are atypical of most businesses as they include some of the largest multinationals in the world. But even they began as purely domestic businesses at one point. This research began by trying to understand the mindset of the globalizers and the risks, benefits, and challenges they see when venturing overseas. From this the foundation is laid for understanding what choices they made when entering foreign markets and how they did it, whether it be through alliances, acquisitions, or greenfield growth.

How do participants see their businesses in a global context

The research began by asking participants how they viewed their organization—as a domestic, regional, or global player. Only a handful (7 percent) saw themselves as domestic players with international operations accounting for typically less than 15 percent of total turnover. A significant minority (32 percent) saw themselves as regional players. Of these regional players, one-quarter aspired to be global players in due course and stated that their longer-term strategy was to move from being regional players into the global scene. One Japanese participant commented, "Until now we have been a regionally based company centered in Asia, but our mid- to long-term target is to be the industry sector global leader and a truly global company." Those who didn't aspire to becoming global were pursuing greater saturation in their chosen region, preferring to become a "dominant regional" rather than try to compete on multiple fronts. In this way, they demonstrated "mini global" characteristics: that is, they concentrated their efforts in their specific industries and specialized in that region. That is not to say they didn't operate outside of that region, but that any external operations were designed to help promote growth within that geography. Standard Bank,