

## **TRANSNATIONAL STRATEGY**

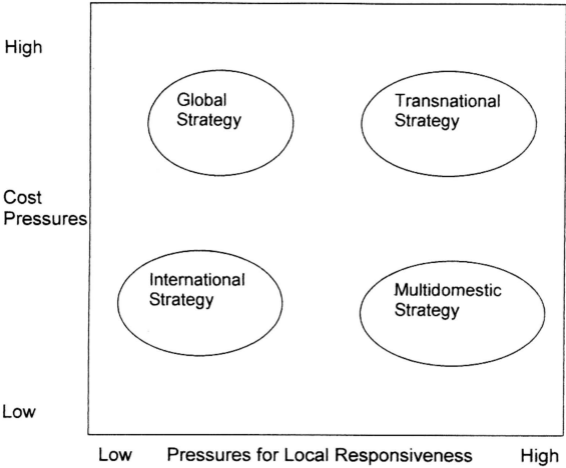
Christopher Bartlett and Sumantra Ghoshal proclaimed that in today's environment, competitive conditions are so intense that to survive in the global marketplace, "firms must exploit experienced-based cost economies and location economies, they must transfer core competencies within the firm, and they must do all this while paying attention to pressures for local responsiveness." (Hill, 2000).

Implementing the diverse goals of the transnational strategy is difficult because one requires close global co-ordination, while the other requires local flexibility (Hitt, Ireland & Hoskisson, 1999). Company like Shiseido of Japan is committed to the philosophy, "think global, act local". It has several regional offices, such as New Jersey for the Americas and France for Europe. This is to facilitate and improve operational efficiencies in the assigned territories.

In order to compete with low-cost competitor such as Komatsu of Japan, Caterpillar needs to look for greater efficiency to cut cost and flexible enough to meet the government regulations of local countries. In short, Caterpillar faces significant pressures for cost reductions and local responsiveness.

Another example is Unilever. Long-time proponent of the multidomestic regime, it has recently adopted the transnational strategy due to rise in low-cost competition, forcing it to look for ways of rationalising its detergents business in Europe. Unilever recognises that national differences in distribution channels and brand awareness would make it compulsory for it to remain locally responsive, even as it strives to gain economies of scale from consolidating production and marketing at the optimal locations (Hill & Jones, 1998).

**FIGURE 2.1      FOUR BASIC STRATEGIES**



(Source: Hill, Charles. *International Business*. 2000, p392)