

Reorganisation of distribution in globalisation of markets

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ABSTRACT

Globalisation of markets is a phenomenon that receives much attention and is extensively debated both at general societal/institutional/cultural levels and at market and business levels. In any globalization process, distribution of goods and services between and within local industrial and consumer markets is obviously of crucial importance. Globalisation of markets and reorganization of distribution are mutually dependent processes and involve changes in market structures. Contemporary examples of this are the emergence of global supply chains, internationalization of wholesale, retail and transportation firms and the development of sales via the internet. These dynamic aspects of distribution imply reorganisation of firms and relationships between firms (including strategic alliances and mergers) involved in distribution activities. This paper will discuss the nature of the interdependence between globalisation of markets and the reorganisation of distribution applying a network view of markets and with reference to cultural dimensions. Some broad issues for further research aimed at understanding globalisation, will be addressed from the network perspective.

INTRODUCTION

The theme of this conference is culture and cooperation in distribution. The issues I will address and the way in which I do it are very much in the IMP research tradition. They thus deal with processes of interaction, with connectivity in markets and with the internationalisation processes of firms and of markets. More specifically, I am concerned with that aspect of internationalisation that is referred to as globalisation and that aspect of economic activity that in the marketing literature is labelled distribution. I will then add the cultural dimension to the analysis. The emphasis is on dynamics; on change and stability over time.

IMP research is varied within the general interaction and network frameworks. I will adhere to the notion that the market, as a form of governance for production systems (including distribution and consumption), is regarded as a network of actors that are directly and/or indirectly connected to each other through exchange relationships and/or as competitors.

In the business press, globalisation of firms and markets is indeed a major subject. I just picked a few when I searched a database for the keywords *globalisation* and *markets*.

The articles, the type of which exists in the thousands, refer with few exceptions to the strategic actions by firms. I will briefly cite some typical examples:

UPS diversifying building overseas

National Semiconductor, thanks to an outsourcing agreement with UPS, has been able to move finished integrated circuits from its factories in Asia to its customers on the West Coast in spite of the labor conflict that closed down the ports in California and Washington for several weeks. UPS handles, after a deal worth USD\$25-30 million per year, all of NS's overseas shipments from a global distribution center in Singapore, built exclusively for NS. UPS won the contract in competition with FedEx, NS former partner. UPS long-term strategy is said to compete with air freight rivals and ocean cargo carriers for business in the Pacific Rim. UPS has built sorting plants and hubs in Asia and is adding ocean shipping to its vast air and ground transportation network and documentation handling. To implement this strategy they have also acquired other companies. UPS refers to the customers demand to have one supplier for their global transportation needs

(San Francisco Chronicle, October 6, 2002).

Retailer hubs wage war on Wal-Mart

Major retailers facing thin margins and the up-heaval caused by globalization and increasingly finicky consumer demand, are counting on b-to-b exchanges to help them take on industry behemoth Wal-Mart Stores Inc. The companies, or in some cases the coalitions of companies that best execute their b-to-b strategies, could become the retail success stories of the 21st century. Two massive industry exchanges, the WorldWide Retail Exchange and GlobalNetXchange are ramping into full production this month. WWRE members include Tesco, Albertson's, Walgreen and Safeway. GNX is led by Sears and Carrefour (B to B, Oct 23, 2000).

Globalization, service on minds of distributors at EDS

In the joint supplier/distributor Electronic Distribution Show (EDS), the globalization issue was highlighted. OEMs are expanding into new markets and distributors, suppliers and contract manufacturers must follow or risk losing market shares (Electronic Engineering Times, May 13, 2002).

Connecting the dots

To be able to adjust logistic processes to unforeseen problems, shippers need information systems. But achieving the necessary level of visibility requires more than hefty software. Shippers must also create intricate webs of trade partner connections or get someone else to do it for them. Descartes is such a firm. A recent job required Descartes to integrate a customer with more than 58 external systems. Creating logistics networks has become a necessity...central to the success is bridging the gap between shippers and carriers...at present collaboration often means coercion as shippers force carriers to participate in networks on their terms...(Traffic World, Dec.10, 2001)

The bottom-line:collaboration works, AAPN meeting sets the stage for exploring new partnership

....in todays apparel industry, no company is an island. Practices such as SCM and CPFR pull together formerly distinct and separate elements in the industry, from pre-production to retail....Board members of the American Apparel Producers' Network (AAPN) voted to go global and accept members from any nation....it was noted that collaborative product development is becoming increasingly important for manufacturers, retailers and suppliers alike because of the growth of full-package sourcing, private label retailing and the migration of so many business processes to the Internet...(Bobbin,August 1, 2002)

The business press has for several years reported on strategic initiatives in business to adapt to globalisation (rather than driving it), and to reorganise distribution in current markets. Some are manufacturers, some are distribution specialists, some are software firms, some are in other service industries. There is usually reference to the need to increase effectiveness and to cooperate to meet increasing global competition. IT processes are often referred to. They seem to reflect a rather isomorphic reasoning with implicit references to well known, modern management practices. Globalisation in the articles seems to imply convergence. The articles focus on the initiatives and their objectives, but rarely on the outcome of the initiatives, unless they are spectacular successes or failures. What happens after the event, after the deal, when the strategic

plan is implemented (if it indeed is implemented)? What strategic actions are taken concurrently or sequentially by other directly or indirectly connected actors? These are questions worthy of both managerial and academic attention.

This paper builds on two major assumptions:

1. Market structures are strongly influenced by strategic actions by incumbents or entrants. Such parallel and sequential actions serve to continuously reorganize markets. In this paper, reorganization is focused on globalisation processes.
2. Distribution activities in markets are of a very interlinked nature and therefore need to be organised through dynamic interorganisational relationships, thus being a part of the reorganisation of markets mentioned above.

This paper will discuss the nature of the interdependence between globalisation of markets and reorganisation of distribution. What are the some important issues for further research and how can network studies be helpful in this respect?

The disposition is as follows: First, I need to present those aspects of a network view of markets that are important for my arguments. Second, I will introduce the major concepts of globalisation, distribution and culture and how they are related to each other. Third, I will discuss the reorganisation aspect of globalization and distribution. Finally, I will identify some research issues.

A NETWORK VIEW OF MARKETS

The following section is based largely on Mattsson (1998). Generally speaking, the market is an institutional form for coordination of production systems. The production system consists of interdependent resources and interlinked activities for production (including distribution and consumption). Actors control resources and carry out activities.

In a markets-as-networks view, the generic governance structure is networks of multidimensional, dynamic *exchange relationships* between economic actors who control resources and carry out activities. The market process takes place within such network structures. The structure influences the process and the process influences the structure. The market is an evolving, socially constructed institution characterized by both cooperation and competition.

A market is embedded in, and thus influenced by and influences, an *institutional setting* comprised of a society's norms and culture. Networks are open; there always exist some connections, or potential connections, between two networks. The larger the number of network connections that are common to two networks, the more the two networks *overlap*. Change in overlap is conceptualised as *overlapping*, thus indicating a process.

Despite this openness, delimitations are necessary to make studies and actions at all possible. Any delimitation depends on how analysts or actors perceive relevant interdependencies. Interdependencies and thus market boundaries are changing over time. Such processes can be seen as overlapping of markets and are a major aspect of market dynamics, especially in terms of globalisation.

The market processes are to an important extent, endogeneously driven through voluntaristic behaviour by actors in the market. But the market process is also to some extent exogeneously driven, by actors or norms in society that we as analysts chose to consider as outside of the market; for example, government agencies and cultural characteristics. Change and stability in exchange relationships and in the interdependencies between exchange relationships are thus aspects of market dynamics. It follows also that entry and exit of actors from the market and changes in connections between actors that are due to mergers, acquisitions and strategic alliances are aspects of market dynamics.

The network can be described in terms of *connectivity*, i.e., how actors are directly and indirectly connected to each other. They are positively connected when they have a basically cooperative relation as in an exchange relationship between a supplier and a buyer, or as in any form of joint activity due to a joint project, an alliance, or common ownership. Actors are also basically negatively connected to some others because they compete, directly or indirectly, with each other to develop exchange relationships with a third party. The sign of the connection might change or become less positive or negative due to network processes involving, for example; supplier switching behavior, market entry or exit, mergers, or changes in the composition of strategic alliances.

Each actor can be viewed to have a *position* in a specified network. The position describes how it is connected to the other actors (to what external resources it has access and with which actors it competes) and the attributes of its internal resources.

Strategic actions are aimed at influencing own and other actors' network positions and by definition thereby, aim at influencing the connectivity pattern and the relationship content in the network. The action is called strategic because it is aimed at the actor's relation to its context. A strategic action does not necessarily succeed in influencing the connectivity since this is dependent also on actions and re-actions by other actors. For example, for a seller's effort to establish an exchange relationship with a buyer to succeed, the buyer's strategic action must of course be compatible with such an aim.

There are two bases for strategic actions by a focal actor: its position in the network and its network theory. The position is important, since its ability to influence the network depends on how it is connected to other actors and the quantity and quality of its internal resources. The actor's *network theory*, is defined as the actor's set of systematic beliefs about network structure, processes and performance and the effects of its own and others' strategic actions. The network theory is important because it influences what strategic action is taken.

Strategic actions are both constrained and facilitated by the network structure and by the strategic actions by others. Strategic actions to cope with changes in connectedness can cause multiple, time-distributed and interrelated strategic actions in a network. Such chains of actions can be analysed as caused by the "domino effect" (Hertz 1998).

Positive connections through overlaps introduce variation and complementarities in a network, and open opportunities to coordinate extended production systems. Negative connections, due to overlaps, imply that competitors from other networks exist, threatening actor's positions in a focal market. Overlapping processes result from strategic actions and imply changes in overlaps between networks. Thus, overlaps influence overlapping processes and vice versa.

Market dynamics, in the sense of structural and processual changes, according to this network view of markets, are thus to an important extent, driven by strategic actions aimed at changing the market structure. This can be viewed as *reorganization processes* where the strategic actions driving such processes are influenced by actors' perceptions and cognitions about the network, i.e., their network theories.

Globalisation is a reorganization process in overlapped networks. Distribution is a vital type of activity in globalisation in which culture influences the actors' network theories.

GLOBALIZATION, DISTRIBUTION AND CULTURE

Globalisation

Globalisation of a firm is a process that essentially can be defined as an already highly internationalised firm's increasing integration of its activities and its resources between different geographical markets (Johanson and Mattsson 1988). Thus, with reference to a conceptualisation of internationalisation of a firm, the firm globalises when it has already extended its activities to cover many markets and it has already penetrated several markets to the extent that it is not a marginal actor in those markets. However, this antecedent process can be quick as in the case of so called "born globals".

It is important that the notion of globalisation of a firm should not stop at its legal, ownership boundaries. A firm might globalise through contractual cooperation with other firms. In fact, some observers argue that this is currently the dominating mode of globalisation (Morosini 1998).

Since globalisation is a process we need to take a dynamic approach to understand it.

Four alternatives are:

1. Globalisation is an effect of what is regarded as exogeneous, institutional influences (political development, technical change) to which a business adapts;
2. Globalisation is an effect of autonomous strategic action by the individual firm. Globalisation is thus a firm endogeneous process.
3. Globalisation is an effect of strategic actions taken in parallel or sequentially, by several individual firms whose strategic actions are interdependent because they cooperate and/or compete. Globalisation is thus a network endogeneous process.
4. Globalisation is an effect of interaction between both exogeneous and endogeneous processes; i.e., globalisation of a firm is also dependent on overall societal conditions such as changes in culture and public policy.

In this paper, we take globalisation to mean the last alternative, although we will have very little discussion of the influence of public policy.

It is important to consider to what extent a globalising firm already has a global reach through prior strategic actions taken by local subsidiaries. This is obviously a very common characteristic (Forsgren 1989; Blomstermo et.al. 2001) that has an effect on globalisation, causing both problems and opportunities for central management, especially in cases of globalisation through mergers and acquisitions and alliance modes.

The process is not a one-directional one, towards higher and higher levels of global reach and coordination. There are many barriers in a firm's globalisation process, as we will see when we discuss the reorganisation process. It is also important to note that globalisation does not by definition imply homogenization.

Globalisation of a market is defined as increasing interdependencies between the activities in that market on activities and outcomes in several other, spatially dispersed national markets. Each of the four different ways to explain globalisation of the individual firm may be used also for explaining globalisation of markets. If we adopt Alternative 3 above, we focus on endogeneous processes in "overlapping" networks (Mattsson 1998). Thus, globalisation of markets interacts with globalisation of firms who act as sellers and buyers of goods and services. Since we refer primarily to Alternative 4, we also have to consider the dynamics of the institutional setting.

Globalisation of markets is thus driven by the actors and also influenced by culture and legal/political norms. Why do firms commit such strategic actions? We assume that strategic actions are based on some more or less explicit set of objectives, an understanding of the firm and its market and ideas about how to reach those objectives; i.e., actors apply their "network theories". Objectives and actions could be to increase effectiveness by cooperation across markets; to preempt competitor moves by a rapid international merger; or to increase market shares internationally by joining an alliance of distribution specialists.

Thus globalisation is not an unavoidable process, driven by some deterministic outside force, but an interactive strategic process driven by goal-oriented actors.

A global market is complex and rich in connectivity. It is continuously created and recreated by the actors.

Globalization is not necessarily, or by definition, a process towards greater homogenization and convergence across nations and cultures. Glimstedt and Mariussen (1998) present arguments in the debate both for and against the convergence hypothesis; i.e., that globalisation is interdependent with homogenization across nations as regards institutions, markets and business behaviour. This hypothesis has been challenged by alternative interpretations of globalization: theories of institutional advantage, constructivist models and cultural theories.

Some empirical evidence for non-convergence, related to the theme of this paper are: Duysters and Haagedorn (2001), in a study of the international computer industry, found little evidence for convergence between firms from different regions in terms of strategy and structure. On the contrary, they found divergence. De Mooij (2000) questions the assumption that economic development would result in converging needs of consumers and standardization of marketing and advertising. She claims that, based on her study of consumer behavior across different nationalities, that consumer values are so strongly rooted in history and tradition that convergence of incomes will increase divergence in consumption because consumers will have more freedom to express themselves through their own specific value patterns.

The dynamic influence of the political/institutional norms on globalisation is of course important. Public policy; for example, trade regulations, competition laws and public investments in infrastructure are just some examples that we cannot pursue here. For those who may be interested, see Fligstein and Merand (2002) on the role of public policy for Europeanisation vs Globalisation and Morash and Lynch (2002) on the role of public policy for effective reorganisation of supply chains.

Distribution

Distribution has changed in character during the last decades from an emphasis on speculation (requiring forecasts, inventories, several layers of intermediaries) to an emphasis on *postponement* (customization, less inventories, more direct contact between manufacturers and end users). Gadde (2001) who observes the above change argues that a distribution system should not be seen as a channel of distribution “out of the manufacturer” (a supply oriented view), but as a network of specialised actors, active in fulfilling customer specific and heterogeneous needs (a demand oriented view). Hulthén (2002) and Kaplan (2002) show the considerable heterogeneity in the distribution of computers at a specific time period.

This development is linked to the greater strategic attention given to distribution activities (as evidenced in the vast recent literature on supply chain management). Efforts to lower costs and enhance service levels need closer coordination in the network and reorganisation of relationships between actors. Lawson (2001) stresses the operational complexity of reorganizing retailer’s supply chains for greater effectiveness. Speed and flexibility are of increasing importance and distribution arrangements become

more differentiated according to Gadde (2001). Relationship building for effective coordination becomes an important and costly activity.

Gadde's analysis does not specifically account for globalisation processes. If we consider globalisation, we add considerably to the complexity. Flows of goods and information have to be coordinated across national borders and the network processes involved to build and maintain relationships for coordination of distribution activities as well as for production and use activities becomes more complicated.

How then are *globalisation and distribution* linked to each other? Three main types of linkages can be identified:

First, *distribution specialists globalise*. Retailers, wholesalers, freight forwarders and other transportation firms, globalise as an aspect of their own growth strategy. That is in itself an interesting aspect worthy of research. Such research has mainly concerned retail firms (McGoldrich and Davies 1996; Vida et.al 2000; Gielens and Dekimpe 2001), and to a rather limited extent freight forwarders (Hertz 1993; Ludvigsen 2000). Andersson (2002) is one of the very few academic publications on internationalisation of wholesaling. Lately, internet based retail and wholesale actors have of course been of growing interest both for academic research and for the business press.

Second, globalisation of manufacturing firms requires *coordination between distribution and manufacturing activities*. Since globalisation of manufacturing firms is often concerned with specialisation of production resources and activities to spatially dispersed locations, and since, as was pointed out in the previous section, speed and flexibility are of great importance, it is obvious that globalisation of distribution and globalisation of manufacturing are closely interlinked. Globalisation of a manufacturing firm is not only a matter of international production and sales, but also internationalisation of procurement. Thus, distribution matters both "downstream" and "upstream". In the literature on internationalisation of manufacturing companies, distribution aspects are considered with regard to extension and penetration dimensions. Extension refers to entry strategies (direct export, sales agent or sales subsidiary) and penetration to the change from agent to subsidiary during increasing market commitment. Integration, as an aspect of globalisation, increases the distribution task. Globalisation of manufacturing firms will no doubt require substantial reorganisation of the firms' distribution activities and its links to complementary distribution specialists.

It is very likely that globalisation of manufacturing firms is an important driving force for globalisation of distribution firms especially firms that are involved in distribution between points of manufacturing, such as transportation firms and wholesale firms. Hertz (1993) demonstrates this. Andersson (2002) shows that internationalization of wholesale intermediaries is very much interdependent with internationalization of their suppliers and customers.

Third, *globalisation of retail firms drives globalisation of manufacturing firms* that sell through retailers. If a retailer coordinates its purchasing and assortment across markets, then the suppliers of goods to such retailers will be influenced, either in terms of conditions for supply to markets where it already sells or is given the opportunity to sell in new markets, or, it risks being out-competed by alternative suppliers to the new markets (Ruiz 2000). Mitchell (2000) restates the often heard argument that national brand manufacturers face difficult problems when their retail customers globalise. Their margins are cut due to centralised sourcing and there is a move towards global branding.

Fourth, *development of electronic commerce* (B-to-C and B-to-B) is said to have a globalising effect on national markets. The most enthusiastic proponents during the hype a couple of years ago, grossly over estimated the reach and speed of the process. Several studies suggest why internet retailing has not become as strong a globalisation force as was generally expected. Chakrabarti (2002) refers to the often held opinion that competition between e-retailers is increasingly intense, continuously narrowing margins. Therefore, the argument goes that the firms need to rapidly expand their market size by international expansion. However, high cross-border shipping costs put foreign e-retailers at a disadvantage in competition with local e-retailers. It is shown how Amazon fails to successfully compete with a leading Canadian on-line book-retailer.

Baye et.al (2002) report on a study on the effect of on-line prices in seven European countries. They show how the quoted prices for standard products sold in Eurozone and non-Eurozone nations developed after the Euro changeover. The results were rather surprising. There was no price convergence between the Euro-zone nations studied and prices increased rather than decreased, while the tendencies in the non-Eurozone countries were the opposite. Thus, there seem to be strong local influences even for standardised products. Lynch and Beek's (2001) study of advanced internet users in different countries shows differences between users in different countries as to beliefs,

attitudes and internet buying. This was the case even after cultural, socio-economic and macro-economic variables had been controlled for.

We can conclude that distribution in several dimensions is an important aspect of globalisation, that globalisation of firms and markets *require* reorganisation of distribution and that the interaction between distribution and globalisation is quite complex.

Culture

Culture is a rather elusive concept. Culture is expressed through a shared set of assumptions, beliefs, ideas, values and the symbolic meaning given to behaviour and artefacts. Hofstede (1991) refers to “collective programming of the mind” that distinguishes the members of one group from another. Culture is learned and shared within social collectives. A distinction can be made between organizational culture and national culture. Organizational culture is more changeable than national culture. Organizational cultures differ within the same nation. National culture is deeper and less adaptable than organizational culture. The latter is influenced by the former. Hofstede’s well known five dimensions describe for business the relevant dimensions of national culture (power distance, uncertainty avoidance, masculinity vs femininity, time orientation and individualism vs collectivism) and have been used many times to compare organisations based in different nations.

The links between globalisation (including globalisation of firms and markets) and culture is much discussed in social science. Tomlinson (1999) stresses the reciprocal relationship between the two; “globalisation lies at the heart of modern culture; cultural practices lie at the heart of globalization”. He understands globalisation as an empirical condition of complex connectivity (in time and space), a rapidly developing and ever-densifying network of interconnections and interdependencies that characterize modern social life. Globalisation however, is not a one-way process. The outcome of a pull towards “unicity” (thinking of the world as a whole) is not necessarily a sign of increased uniformity/homogeneity. The sociological reductionism of writers like Ohmae (1990) who argue for convergence between consumer tastes and preferences and globalisation of all aspects of economic life, has been criticized as being too one-dimensional. Many authors, stressing cultural issues, argue that “understanding of globalization involves a dialectic of opposed principles and tendencies; the local and the

global, universalism and particularism” (Tomlinson 1999. p 16). Culture matters for globalization because it is an intrinsic aspect of the whole process of connectivity.

Globalisation of firms and markets obviously involve confrontations between cultures, both at the organizational and national levels. Most often, culture and cultural differences are regarded as barriers to globalisation of firms and markets. But there are also arguments to the contrary, linked to ideas of synergy between cultural traits when combined within an organisation or a project.

Globalisation as a process is interrelated with the dynamics of national and organisational cultures. To what extent is the diffusion of anglo-saxon values and behavior due to globalisation of firms and markets influencing Asian national cultures as regards consumption and business behavior? And vice versa? The complexity of this issue is demonstrated in several research reports. A few examples are mentioned below.

Stensmaa et.al (2000) shows that entrepreneurial attitudes towards cooperation between firms are influenced by underlying values in society. Collectivist societies emphasise commonality in terms of objectives and values to ensure cooperative success, while individualistic societies emphasize contractual safeguards.

Clegg et al (1999) contains articles criticizing the diffusion of universalistic recipes and logics for management. The cultural and institutional diversity of the world presents local realities that challenge the effectiveness of universal organizational rationalities.

Lee et.al. (2000) compared management styles of two Asian business systems, with a Japanese rather than an American perspective. They found substantial differences, but two sources of convergence: size and globalisation of the firm.

Melewar and Saunders (1999) report on a study of the extent to which UK firms operating abroad standardize their corporate visual identity. It is found that market entry form and equity holding are associated with corporate visual identity and that culture, nationalism and product attributes were influential factors. Thus globalisation in terms of standardisation of even quite controllable communication aspects is not a clearcut process.

In the early internationalisation process studies at Uppsala University, the psychic distance between national markets was measured according to a number of variables, most of them of a cultural nature. Cultural distance has been shown to have effects on

mode of entry (FDI vs licensing), on the process of forming the agreement, and on operational problems (the emphasis on short vs long term results).

The traditional concept of psychic or cultural distance has been challenged by researchers who have also found it to sometimes lead to paradoxical results. Brouthers and Brouthers (2001) refer to the contrasting results in the explanatory power of psychic distance as regards mode of market entry and offer a reconceptualisation to resolve the paradox. Also Evans and Mavondo (2002) offer a reconceptualization, broadening the concept. However, even if they can explain a significant proportion of the variance in financial performance and strategic effectiveness, paradoxically they found it to be a positive covariance.

Convergence between cultures can be of three types. One possibility is a dominance of one over the others. For example, Anglo-saxon management practices become dominant. This is the mostly used definition of convergence. A second alternative is that foreign cultures are diffused into each others' domains and co-exist within several nations. For example, there is coexistence on supermarket shelves throughout the world with products originating from a large number of national cultures. A third convergence alternative is that the cultures interact (co-evolve) in such a way that they are all changed in a convergent direction. For example, culturally embedded values stressing competition and values stressing cooperation might be combined in such a way that a different, but more similar "collective programming of the mind" develops. Convergence is thus not necessarily an aspect of domination, but could alternatively be regarded as co-existence or co-evolution.

REORGANISATION FOR GLOBALISATION AND DISTRIBUTION

Reorganisation involves changes in the network structure and processes and in the production system interdependencies. There are changes in terms of how actors are connected to each other and in the attributes of resources and activity structures. Reorganisation involves investments and divestments. It is driven by firms' efforts to globalise in an effective way. It is a matter of linking the firm's resources to complementary resources controlled by other firms. Reorganisation involves changes in how the individual firm is connected to other firms as regards identity of counterparts,

governance conditions and content of interactions. Reorganisation is thus a matter of changes in network positions, which, by implication, are sometimes overlapping.

Individual and local changes in the market changes the market conditions for other, not directly related firms. These other firms can be assumed to concurrently or sequentially consider how to reorganise their own globalisation process:

- because they compete with one or more of the other firms and believe that they need to reorganise for effectiveness; or
- because the first reorganisation implies a superior way to increase effectiveness even if there is no direct competition.

Globalisation involves reorganisation of firms and markets. Inside the firm, it is a question of organising in order to coordinate activities across nations. Externally, it is a matter of how the firm is related to others in terms of cooperation and competition. In other words: globalisation involves governance changes within and between firms. In network terms, reorganization for globalisation involves overlapping and changes in connectivity structures. We will now discuss some more specific aspects related to the multinational company, to mergers and acquisitions and to strategic alliances.

The *multinational company* undergoing globalisation needs to reorganise internally. Much has been written about this, so we will comment only very briefly on some aspects of importance to support the arguments.

First, the importance of lateral relationships between units in the firm has been stressed (Galbraith 2000).

Second, the importance of disseminating knowledge developed in the subsidiaries' external business relationships have been studied (Andersson and Holm 2002). The phenomenon "secondary degree of internationalisation" (Forsgren 1989) puts the previous internationalisation of subsidiaries in focus. This has an important and problematic influence on the reorganisation for globalisation. Havila et al. (2002) argue that it is not the size of the MNC's but the control of networks that is the important aspect of their power. Their ability to create global networks and utilize geographically dispersed resources is crucial. It follows that an important aspect of this is the ability to learn in and from networks (Håkansson and Johansson, 2001). Learning in alliances is both an objective of the alliance and instrumental for making the alliance more effective. Boyce (2001) reports on a number of studies of strategic alliances from

different time periods and concludes that the learning that took place in these alliances could not have taken place within a hierarchy. Thus learning in the multinational firm from its network context can be influenced by its internal organisation.

Third, driven by globalisation of customers (Montgomery et al, 1999), suppliers develop global key account organisations. Birkinshaw et al. (2001) found that global account management structures allow the MNC's to increase its information processing capacity and its bargaining position vis-a-vis the global customer. The effectiveness of information processing through global account management was found to be conditional upon the presence of high customer dependence. The organisational change to a global key account management structure is however quite complicated and difficult as is shown by the recent experience of ABB's reorganisation to become a "network" company.

Fourth, globalisation influences location and coordination of R & D, procurement and manufacturing activities. This is a vast problem area outside the scope of this paper. A general aspect of reorganisation in a firm is that managers located in an organisation might have very different attitudes towards and arguments for or against a specific change. Melin (1977) found that arguments both for and against centralisation of purchasing in a multi-unit firm were well articulated. Both sides related to effectiveness aspects in the firm's relationships with suppliers.

Markozcy (2001) reports that the strongest determinant of similarity of beliefs about a proposed strategic change was being a member of the functional area favored by the change. That had a stronger effect than other characteristic, including the nationality of the individual. Neelankavil et al (2001) finds differences in perceptions about what affects managerial performance of middle-level management in four countries (the US and three Asian nations). There are also differences between Asian countries. These differences could also influence the globalising firms reorganisation effectiveness.

One important aspect of globalisation is that it is to a large extent implemented through mergers and acquisitions and strategic alliances. This means that the connections between firms change and thereby also the market structure. A change in connectivity is indeed often one of the important reasons for a merger and acquisition. A merger between two formerly competing manufacturers may lead to changes in these firms connections to distributors (Nyberg 1994).

Globalisation is associated with increased validity of the *collective competition* concept as a descriptor of market structure and behaviour (Gomes-Casseres 1996). This puts the development and stabilisation of constellations of firms at the forefront of problems to be solved in the dynamic context of globalisation of markets. The literature on mergers and acquisitions and on alliances shows these phenomena to have a quite high failure rate. Morosini (1998) refers to studies showing that about 50% of mergers and alliances fail. Criteria for failure are usually the same as were advocated as reasons for their creation; i.e., the main strategic and financial hypotheses based on modern management and financial theories. Do mergers and acquisitions between related firms (in terms of their a priori synergetic potentials) do better than those unrelated? No, on the contrary, there are studies that show the opposite outcome.

Major reasons for failure according to Morosini's argument are organisational and cultural implementation problems and too little attention to integration problems. He does not include the network context of the partners in his discussion.

Havila and Salmi (2002), however, argue that mergers fail due to integration problems caused by the network contexts of the merging companies. Intended network effects may be the outcome after a long time. They point to the need to study the network context in the pre-merger phase as well as in the post-merger phase. This is in contrast to most M&A literature that is focused on the "deal" and on M&A internal aspects.

Andersson (1996) studied distribution reorganisation processes in a Swedish multinational firm that had recently acquired another Swedish multinational firm. He found that intended reorganization of internal and external distribution systems were significantly disturbed by concurrent on-going reorganisation projects, within the same firm, also concerning distribution systems.

Strategic alliances are a phenomenon that has received much attention during the last decade in economic and management literature. Most of the literature deals, as is also the case with M&A's, with the internal aspects of the alliance and pay scant attention to the alliances market network context. Typical examples are Culpan (2002) and Mockler (1999).

The social network context is however rather well covered in the literature even if it does agree with Gulati and Zajac (2000) that the role of the broader social network context for alliances is worthy of more research. Gulati (1998) presents an overview of

alliance issues that could be studied with reference to the social network embeddedness. Wong (2002) shows that partner identification in the formation of an alliance is aided by weak social ties that lower search costs and that strong ties reduce search time and provide a more robust base for interpartner collaboration.

Elg (2000) elaborates on the role of the business network in partner selection. He finds that home-market relations have a liberating and moderating influence and uses complementary aspects of transactional cost theory, network theory and resource dependency to explain these roles. Yoshino and Rangan (1995) argue that it is important to manage not only the internal network of an alliance, but also the external network. However, they do not go as far as to consider the market as a network. Yan and Zeng (1999) criticise the research on joint venture stability because it is too static. It only considers the outcome (most often termination or change in ownership). A process-oriented approach should define instability in terms of major reorganizations and renegotiations. Instability should be defined as a neutral dynamic process-based and multifaceted phenomenon and not in terms of failure.

Hertz and Mattsson (2002), unsurprisingly since they adhere to a network view of the market, go much further in considering network embeddedness and also to some extent relate to Yan and Zeng's call for research on the process rather than the outcome. They report on two cases of global strategic alliance instability in the freight forwarder market. That market is clearly characterized by collective competition. They show how stabilization of a focal alliance process is negatively influenced by concurrent network processes and also more specifically by "domino effects" (Hertz 1999). For one of the cases, they identify five such types of processes that impinge on the focal alliance process: customers network processes in general; processes relating customers and the focal firm; competing firms alliance processes; the focal firm's process to prepare for dissolving relationships with partners; and, the focal firm's processes aimed at joining a new alliance (Andersson 1996). They argue that the complex network connectivity in already internationalised network contexts have a destabilising effect on alliances and cause substantial domino effects.

Thus reorganisation for the implementation of globalisation strategies are problematic. Some of the problems can no doubt be related to the internal coordination processes, but it is more likely that the problems are contextual, due to the complex connectivity in the

market, the need to change how firms are connected and the concurrent strategic actions by other firms also attempting globalisation. If, under conditions of collective competition, an actor in a constellation of firms cannot cooperate with an actor belonging to another constellation, a reorganisation in one period will reduce the opportunities to select partners in subsequent periods.

Since globalisation involves reorganisation across both national and organisational cultures, the relevance of cultural issues is evident. In the literature on M&A's and on strategic alliances, cultural differences are often cited as reasons for failure. However, synergy that can be achieved through interaction between cultures has also been observed (Child and Faulkner 1998; Tung 1993). When cultures emphasizing individualism and collectivism meet, there might be a synergy between the former's effect on creativity and the latter's on organisation of common efforts. Tung (1993) argues that such synergy effects can be achieved if none of the partners dominates the alliance.

Stensmaa et al (2000) show how different attitudes and behavior with regard to cooperation depend on the partner's cultural characteristics which might question the generalisation of Tung's argument.

Kim and Oh's (2002) comparison of distributor commitment to their suppliers in the US and Japan shows that not only are task related factors, but also institutional conditions in the two countries important for the interorganisational commitment level.

Ludvigsen (2000), in a study of a multifirm alliance in the transportation industry, found disparities of a rather subtle national culture character, even between Nordic managers, as reflected in different management processes, including temporal dimensions (time before decisions, short vs long term view) and egalitarian dimensions. Also, Nordic communitarianism and the collective mindset of Nordic managers hindered verbal expression of tensions. Even if Ludvigsen found that cultural variety will strain the working climate and diminish the benefits from collective action, there were some positive impacts on alliance integration due to intercultural learning.

SOME RESEARCH ISSUES

Based on the network view of markets and the selected evidence from research and practice referred to above, we suggest the following propositions to be of interest for further academic inquiries:

- Globalisation implies reorganisation of distribution
- Strategic actions by firms and institutional policy makers drive the globalisation process.
- Strategic actions are influenced by actors' "network theories"
- Globalisation implies collective competition, in which distribution is interlinked with manufacturing and consumption
- Globalisation implies complex changes in networks characterized by high connectivity
- Globalisation implies a number of interdependent, concurrent reorganisation processes that are both directly and indirectly related to a focal process
- National and organizational cultures and institutions are important conditions for globalisation

Most people would agree that globalisation of firms and of markets are important from both societal and specific business points of view. Much has been written on the subject in management and academic literature as well as in the daily newspapers. The strategic initiatives by firms and by public policy makers are driven by ideas about how to influence globalisation. Some of the ideas are created, documented and disseminated by academic or semi-academic, consulting institutions; for example, financial and strategic management theories for mergers and alliances and organisational and leadership theories for international business. Those theories are dynamic and never complete. As academic researchers and teachers, it is our task to contribute to knowledge. Our framework then is of major importance. The most important aspects for the phenomena under scrutiny in this paper are how we see the market and the firm and how we consider the dynamic interaction. Between the firm and the market, an interaction and network perspective makes it possible to see the role of network connectivity and complexity that are assumed away by reductionistic views of the market.

Much of the "news articles" of the type referred to in the Introduction actually deal with proposed changes in network connectivity, but they seldom report on the reorganization

process and its intermediate outcome. Academic studies related to the phenomena are rarely processual and rarely try to grasp the interaction between network processes and the connectivity structure. Network studies in the literature deal with social networks and rarely with markets as networks. The social network research is also weak on the dynamic aspects of “technical embeddedness”.

IMP related research, in its various directions and various academic linkages, does emphasize processes and network interdependencies in markets and also explicitly deals with technical interdependencies. Thus, IMP is well placed to make important contributions to understanding the globalisation of firms and markets.

We will just comment on two such possibilities both of them related to globalisation, distribution and culture;

- the study of management practices and how they are related to different “network theories; and,
- the study of reorganisation processes from an extended network perspective, in space and time.

Study of management practice

The main idea in this paper is that globalisation processes are driven by strategic actions in the market, under the dynamic conditions of the political and cultural contexts. The market is thus *performed* rather than given. Actors have ideas (a network theory) about what a desired structure is and how to reach such a structure through reorganisation. They have to convince and mobilise other actors who influence network processes. Controversies between actors are common during such reorganisations. Managers network theories are influenced by practical experience, cultural values, dissemination of management norms and scientific knowledge but also, sometimes, by their own innovative entrepreneurial cognitions.

To better understand the processes in this paper, we should study practice and take a performative view of the world. In such studies, it could be useful to relate to aspects of the so called actor-network theory (ANT) associated with the French sociologist Michel Callon and his associates (Callon, 1999). As Kjellberg (2001) showed, ANT methodology can be applied to understanding a major market reorganisation process in the Swedish food distribution after WWII. Compared to a more traditional markets-as-networks study, Kjellberg explicitly gave a performative rather than ostensive definition

of the object of inquiry, studied actors with variable geometries rather than pre-defined actors, and recognized the joint shaping of marketing theory, marketing practice and public policies.

Study of reorganisation processes from a more extended network perspective

Here there are many phenomena that are already subjects of much reported research devoted to, for example, multinational corporations, born globals, mergers and acquisitions, strategic alliances, supply chains, retail-brand manufacturer interaction, adaptation of firms to changes in regulatory frameworks etc.etc. Even if there is quite substantial research on these phenomena, the results of that research; for example, high failure rates for alliances and M&A's, continuous reorganisations, unsuccessful international retailing ventures, the demise of a large number of the "dot.coms", the many drawbacks in globalisation etc., shows that there is a need to consider the contextual influence suggested within a more extended, in time and space, network perspective.

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