Definition of global governance pdf

The American Society of Travel Advisors (ASTA), Association of British Travel Agents (ABTA), Association of Canadian Travel Agencies (ACTA), Caribbean Hotel and Tourism Association (CHTA) and European Travel Agents' and Tour Operators' Associations (ECTAA)—which together represent the interests of hundreds of thousands of travel agency and related business workers worldwide—are collectively calling upon global government leaders to align their policies in order to restart international travel as safely and quickly as possible. Border reopenings, they opine, should be made an immediate priority.The World Travel and Tourism Council (WTTC) reported that travel and tourism was one of the largest sectors globally in 2019, generating 10.4 percent of the world's total GDP ($9.2 trillion). Globally, the industry was also the source of 10.6 percent of all employment (334 million) and was credited with creating 25 percent of all new jobs.ADVERTISING The coalition said that this crucial sector's recovery from the devastation the pandemic has inflicted can only truly begin if global governments standardize their entry requirements, such as vaccine verification and testing protocols. It emphasized the urgency of the need for a universal set of border regulations and agreed with The Economist when it called the current system, "a jumble of rules [that] causes confusion, chokes tourism, and leaves businesses struggling to work out who can do what and go where."The agency associations jointly pointed out that, for well over a year now, global governments have adopted inconsistent and multiform travel restrictions in efforts to slow COVID-19's spread. The variety and changeability of these rules have caused confusion and instilled uncertainty among travelers, with catastrophic effects on, "future bookings and innumerable other challenges for our associations' travel agency members and partners."Besides adversely affecting small businesses and those employed in the travel industry, this failure to unify entry requirements also harms economies in the destinations that rely on tourism revenue and, by extent, greatly impacts the global economy.ASTA, ABTA, ACTA, CHTA and ECTAA emphasized their concerns about the ongoing ruinous effects of COVID-19, especially given the new life that the Delta variant has breathed into the pandemic. "With continued uncertainty on the horizon, this sort of news makes those wanting to travel less likely to do so," they wrote.The coalition is therefore appealing to government leaders all around the world to "create an aligned and synchronized response" by 1) promptly developing a clear, universal set of testing and vaccine standards; 2) relaxing entry restrictions for fully vaccinated travelers; and 3) supporting the blighted travel agency sector with economic relief measures.Travel agencies and advisors are an integral part of the travel industry, the band of industry associations emphasized, and said, that they had too long suffered "the bitter consequences of travel's hard-stop brought on by the pandemic". Now more than ever, they play a vital role in helping consumers navigate the vast complexities of travel planning. Many companies have become disillusioned with sales in the international marketplace as old markets become saturated and new ones must be found. How can they customize products for the demands of new markets? Which items will consumers want? With wily international competitors breathing down their necks, many organizations think that the game just isn't worth the effort. In this powerful essay, the author asserts that well-managed companies have moved from emphasis on customizing items to offering globally standardized products that are advanced, functional, reliable—and low priced. Multinational companies that concentrated on idiosyncratic consumer preferences have become befuddled and unable to take in the forest because of the trees. Only global companies will achieve long-term success by concentrating on what everyone wants rather than worrying about the details of what everyone thinks they might like. A powerful force drives the world toward a converging commonality, and that force is technology. It has proletarianized communication, transport, and travel. It has made isolated places and impoverished peoples eager for modernity's allurements. Almost everyone everywhere wants all the things they have heard about, seen, or experienced via the new technologies. The result is a new commercial reality—the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude. Corporations geared to this new reality benefit from enormous economies of scale in production, distribution, marketing, and management. By translating these benefits into reduced world prices, they can decimate competitors that still live in the disabling grip of old assumptions about how the world works. Gone are accustomed differences in national or regional preference. Gone are the days when a company could sell last year's models—or lesser versions of advanced products—in the less-developed world. And gone are the days when prices, margins, and profits abroad were generally higher than at home. The globalization of markets is at hand. With that, the multinational commercial world nears its end, and so does the multinational corporation. The multinational and the global corporation are not the same thing. The multinational corporation operates in a number of countries, and adjusts its products and practices in each—at high relative costs. The global corporation operates with resolute constancy—at low relative cost—as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere. Which strategy is better is not a matter of opinion but of necessity. Worldwide communications carry everywhere the constant drumbeat of modern possibilities to lighten and enhance work, raise living standards, divert, and entertain. The same countries that ask the world to recognize and respect the individuality of their cultures insist on the wholesale transfer to them of modern goods, services, and technologies. Modernity is not just a wish but also a widespread practice among those who cling, with unyielding passion or religious fervor, to ancient attitudes and heritages. Who can forget the televised scenes during the 1979 Iranian uprisings of young men in fashionable French-cut trousers and silky body shirts thirsting for blood with raised modern weapons in the name of Islamic fundamentalism? In Brazil, thousands swarm daily from preindustrial Bahian darkness into exploding coastal cities, there quickly to install television sets in crowded corrugated huts and, next to battered Volkswagens, make sacrificial offerings of fruit and fresh-killed chickens to Macumban spirits by candlelight. During Biafra's fratricidal war against the Ibos, daily televised reports showed soldiers carrying bloodstained swords and listening to transistor radios while drinking Coca-Cola. In the isolated Siberian city of Krasnoyarsk, with no paved streets and censored news, occasional Western travelers are stealthily propositioned for cigarettes, digital watches, and even the clothes off their backs. The organized smuggling of electronic equipment, used automobiles, western clothing, cosmetics, and pirated movies into primitive places exceeds even the thriving underground trade in modern weapons and their military mercenaries. A thousand suggestive ways attest to the ubiquity of the desire for the most advanced things that the world makes and sells—goods of the best quality and reliability at the lowest price. The world's needs and desires have been irrevocably homogenized. This makes the multinational corporation obsolete and the global corporation absolute. Living in the Republic of Technology Daniel J. Boorstin, author of the monumental trilogy The Americans, characterized our age as driven by "the Republic of Technology [whose] supreme law…is convergence, the tendency for everything to become more like everything else." In business, this trend has pushed markets toward global commonality. Corporations sell standardized products in the same way everywhere—autos, steel, chemicals, petroleum, cement, agricultural commodities and equipment, industrial and commercial construction, banking and insurance services, computers, semiconductors, transport, electronic instruments, pharmaceuticals, and telecommunications, to mention some of the obvious. Nor is the sweeping gale of globalization confined to these raw material or high-tech products, where the universal language of customers and users facilitates standardization. The transforming winds whipped up by the proletarianization of communication and travel enter every crevice of life. Commercially, nothing confirms this as much as the success of McDonald's from the Champs Elysées to the Ginza, of Coca-Cola in Bahrain and Pepsi-Cola in Moscow, and of rock music, Greek salad, Hollywood movies, Revlon cosmetics, Sony televisions, and Levi jeans everywhere. "High-touch" products are as ubiquitous as high-tech. Starting from opposing sides, the high-tech and the high-touch ends of the commercial spectrum gradually consume the undistributed middle in their cosmopolitan orbit. No one is exempt and nothing can stop the process. Everywhere everything gets more and more like everything else as the world's preference structure is relentlessly homogenized. Consider the cases of Coca-Cola and Pepsi-Cola, which are globally standardized products sold everywhere and welcomed by everyone. Both successfully cross multitudes of national, regional, and ethnic taste buds trained to a variety of deeply ingrained local preferences of taste, flavor, consistency, effervescence, and aftertaste. Everywhere both sell well. Cigarettes, too, especially American-made, make year-to-year global inroads on territories previously held in the firm grip of other, mostly local, blends. These are not exceptional examples. (Indeed their global reach would be even greater were it not for artificial trade barriers.) They exemplify a general drift toward the homogenization of the world and how companies distribute, finance, and price products.1 Nothing is exempt. The products and methods of the industrialized world play a single tune for all the world, and all the world eagerly dances to it. Ancient differences in national tastes or modes of doing business disappear. The commonality of preference leads inescapably to the standardization of products, manufacturing, and the institutions of trade and commerce. Small nation-based markets transmogrify and expand. Success in world competition turns on efficiency in production, distribution, marketing, and management, and inevitably becomes focused on price. The most effective world competitors incorporate superior quality and reliability into their cost structures. They sell in all national markets the same kind of products sold at home or in their largest export market. They compete on the basis of appropriate value—the best combinations of price, quality, reliability, and delivery for products that are globally identical with respect to design, function, and even fashion. That, and little else, explains the surging success of Japanese companies dealing worldwide in a vast variety of products—both tangible products like steel, cars, motorcycles, hi-fi equipment, farm machinery, robots, microprocessors, carbon fibers, and now even textiles, and intangibles like banking, shipping, general contracting, and soon computer software. Nor are high-quality and low-cost operations incompatible, as a host of consulting organizations and data engineers argue with vigorous vacuity. The reported data are incomplete, wrongly analyzed, and contradictory. The truth is that low-cost operations are the hallmark of corporate cultures that require and produce quality in all that they do. High quality and low costs are not opposing postures. They are compatible, twin identities of superior practice.2 To say that Japan's companies are not global because they export cars with left-side drives to the United States and the European continent, while those in Japan have right-side drives, or because they sell office machines through distributors in the United States but directly at home, or speak Portuguese in Brazilis to mistake a difference for a distinction. The same is true of Safeway and Southland retail chains operating effectively in the Middle East, and to not only native but also imported populations from Korea, the Philippines, Pakistan, India, Thailand, Britain, and the United States. National rules of the road differ, and so do distribution channels and languages. Japan's distinction is its unrelenting push for economy and value enhancement. That translates into a drive for standardization at high quality levels. Vindication of the Model T If a company forces costs and prices down and pushes quality and reliability up—while maintaining reasonable concern for suitability—customers will prefer its world-standardized products. The theory holds at this stage in the evolution of globalization—no matter what conventional market research and even common sense may suggest about different national and regional tastes, preferences, needs, and institutions. The Japanese have repeatedly vindicated this theory, as did Henry Ford with the Model T. Most important, so have their imitators, including companies from South Korea (television sets and heavy construction), Malaysia (personal calculators and microcomputers), Brazil (auto parts and tools), Colombia (apparel), Singapore (optical equipment), and, yes, even the United States (office copiers, computers, bicycles, castings), Western Europe (automatic washing machines), Rumania (housewares), Hungary (apparel), Yugoslavia (furniture), and Israel (pagination equipment). Of course, large companies operating in a single nation or even a single city don't standardize everything they make, sell, or do. They have product lines instead of a single product version, and multiple distribution channels. There are neighborhood, local, regional, ethnic, and institutional differences, even within metropolitan areas. But although companies customize products for particular market segments, they know that success in a world with homogenized demand requires a search for sales opportunities in similar segments across the globe in order to achieve the economies of scale necessary to compete. Such a search works because a market segment in one country is seldom unique; it has close cousins everywhere precisely because technology has homogenized the globe. Even small local segments have their global equivalents everywhere and become subject to global competition, especially on price. The global competitor will seek constantly to standardize its offering everywhere. It will digress from this standardization only after exhausting all possibilities to retain it, and will push for reinstatement of standardization whenever digression and divergence have occurred. It will never assume that the customer is a king who knows his own wishes. Trouble increasingly stalks companies that lack clarified global focus and remain inattentive to the economics of simplicity and standardization. The most endangered companies in the rapidly evolving world tend to be those that dominate rather small domestic markets with high value-added products for which there are smaller markets elsewhere. With transportation costs proportionately low, distant competitors will enter the now-sheltered markets of those companies with goods produced more cheaply under scale-efficient conditions. Global competition spells the end of domestic territoriality, no matter how diminutive the territory may be. When the global producer offers its lower costs internationally, its patronage expands exponentially. It not only reaches into distant markets, but also attracts customers who previously held to local preferences and now capitulate to the attractions of lower prices. The strategy of standardization not only responds to worldwide homogenized markets but also expands those markets with aggressive low pricing. The new technological juggernaut taps an ancient motivation—to make one's money go as far as possible. This is universal—not simply a motivation but actually a need. The Hedgehog Knows The difference between the hedgehog and the fox, wrote Sir Isaiah Berlin in distinguishing between Dostoevski and Tolstoy, is that the fox knows a lot about a great many things, but the hedgehog knows everything about one great thing. The multinational corporation knows a lot about a great many countries and congenially adapts to supposed differences. It willingly accepts vestigial national differences, not questioning the possibility of their transformation, not recognizing how the world is ready and eager for the benefit of modernity, especially when the price is right. The multinational corporation's accommodating mode to visible national differences is medieval. By contrast, the global corporation knows everything about one great thing. It knows about the absolute need to be competitive on a worldwide basis as well as nationally and seeks constantly to drive down prices by standardizing what it sells and how it operates. It treats the world as composed of few standardized markets rather than many customized markets. It actively seeks and vigorously works toward global convergence. Its mission is modernity and its mode is price competition, even when it sells top-of-the-line, high-end products. It knows about the one great thing all nations and people have in common: scarcity. Nobody takes scarcity lying down; everyone wants more. This in part explains division of labor and specialization of production. They enable people and nations to optimize their conditions through trade. The median is usually money. Experience teaches that money has three special qualities: scarcity, difficulty of acquisition, and transience. People understandably treat it with respect. Everyone in the increasingly homogenized world market wants products and features that everybody else wants. If the price is low enough, they will take highly standardized world products, even if these aren't exactly what one's parents said was suitable, what immemorial custom decreed was right, or what market-research fabulists asserted was preferred. The implacable truth of all modern production—whether of tangible or intangible goods—is that large-scale production of standardized items is generally cheaper within a wide range of volume than small-scale production. Some argue that computer-aided design and manufacturing (CAD/CAM) will allow companies to manufacture customized products on a small scale—but cheaply. But the argument misses the point. (For a more detailed discussion, see Exhibit 1.) If a company treats the world as one or two distinctive product markets, it can serve the world more economically than if it treats it as three, four, or five product markets. One argument that opposes globalization says that flexible factory automation will enable plants of massive size to change products and product features quickly, without stopping the manufacturing process. These factories of the future could thus produce broad lines of customized products without sacrificing the scale economies that come from long production runs of standardized items. CAD/CAM, combined with robotics, will create a new equipment and process technology (EPT) that will make small plants located close to their markets as efficient as large ones located distantly. Economies of scale will not dominate, but rather economies of scope—the ability of either large or small plants to produce great varieties of relatively customized products at remarkably low costs. If that happens, the customers will have no need to abandon special preferences. I will not deny the power of these possibilities. But possibilities do not make probabilities. There is no conceivable way in which flexible factory automation can achieve the scale economies of a modernized plant dedicated to mass production of standardized lines. The new digitized equipment and process technologies are available to all. Manufacturers with minimal customization and narrow product-line breadth will have costs far below those with more customization and wider lines. Why Remaining Differences? Different cultural preferences, national tastes and standards, and business institutions are vestiges of the past. Some inheritances die gradually; others prosper and expand into mainstream global preferences. So-called ethnic markets are a good example. Chinese food, pita bread, country and western music, pizza, and jazz are everywhere. They are market segments that exist in world-wide proportions. They don't deny or contradict global homogenization but confirm it. Many of today's differences among nations as to products and their features actually reflect the respectful accommodation of multinational corporations to what they believe are fixed local preferences. They believe preferences are fixed, not because they are but because of rigid habits of thinking about what actually is. Most executives in multinational corporations are thoughtlessly accommodating. They falsely presume that marketing means giving customers what they say they want rather than trying to understand exactly what they would like. So the corporations persist with high-cost, customized multinational products and practices instead of pressing hard and pressing properly for global standardization. I do not advocate the systematic disregard of local or national differences. But a company's sensitivity to such differences does not require that it ignore the possibilities of doing things differently or better. There are, for example, enormous differences among Middle Eastern countries. Some are socialist, some monarchies, some republics. Some take their legal heritage from the Napoleonic Code, some from the Ottoman Empire, and some from British common law; except for Israel, all are influenced by Islam. Doing business means personalizing the business relationship in an obsessively intimate fashion. During the month of Ramadan, business discussion scan start only after 10 o'clock at night, when people are tired and full of food after a day of fasting. A company must almost certainly have a local partner; a local lawyer is required (as, say, in New York), and irrevocable letters of credit are essential. Yet, as CocaCola's senior vice president Sam Ayoub noted, "Arabs are much more capable of making distinctions between cultural and religious purposes on the one hand and economic realities on the other than is generally assumed. Islam is compatible with science and modern times." Barriers to globalization are not confined to the Middle East. The free transfer of technology and data across the boundaries of the European Common Market countries are hampered by legal and financial impediments. And there is resistance to radio and television interference ("pollution") among neighboring European countries. But the past is a good guide to the future. With persistence and appropriate means, barriers against superior technologies and economics have always fallen. There is no recorded exception where reasonable effort has been made to overcome them. It is very much a matter of time and effort. A Failure in Global Imagination Many companies have tried to standardize world practice by exporting domestic products and processes without accommodation or change—and have failed miserably. Their deficiencies have been seized on as evidence of bovine stupidity in the face of abject impossibility. Advocates of global standardization see them as examples of failures in execution. In fact, poor execution is often an important cause. More important, however, is failure of nerve—failure of imagination. Consider the case for the introduction of fully automatic home laundry equipment in Western Europe at a time when few homes had even semiautomatic machines. Hoover, Ltd., whose parent company was headquartered in North Canton, Ohio, had a prominent presence in Britain as a producer of vacuum cleaners and washing machines. Due to insufficient demand in the home market and low exports to the European continent, the large washing machine plant in England operated far below capacity. The company needed to sell more of its semiautomatic or automatic machines. Because it had a "proper" marketing orientation, Hoover conducted consumer preference studies in Britain and each major continental country. The results showed feature preferences clearly enough among several countries (see Exhibit 2). Exhibit 2 Consumer Preferences as to Automatic Washing Machine Features in the 1960s The incremental unit variable costs (in pounds sterling) of customizing to meet just a few of the national preferences were: Considerable plant investment was needed to meet other preferences. The lowest retail prices (in pounds sterling) of leading locally produced brands in the various countries were approximately: Product customization in each country would have put Hoover in a poor competitive position on the basis of price, mostly due to the higher manufacturing costs incurred by short production runs for separate features. Because Common Market tariff reduction programs were then incomplete, Hoover also paid tariff duties in each continental country. How to Make a Creative Analysis In the Hoover case, an imaginative analysis of automatic washing machine sales in each country would have revealed that 1. Italian automatics, small in capacity and size, low-powered, without built-in heaters, with porcelain enamel tubs, were priced aggressively low and were gaining large market shares in all countries, including West Germany. 2. The best-selling automatics in West Germany were heavily advertised (three times more than the next most promoted brand), were ideally suited to national tastes, and were also by far the highest-priced machines available in that country. 3. Italy, with the lowest penetration of washing machines of any kind (manual, semiautomatic, or automatic), was rapidly going directly to automatics, skipping the pattern of first buying hand-wringer, manually assisted machines and then semiautomatics. 4. Detergent manufacturers were just beginning to promote the technique of cold-water and tepid-water laundering then used in the United States. The growing success of small, low-powered, low-speed, low-capacity, low-priced Italian machines, even against the preferred but highly priced and highly promoted brand in West Germany, was significant. It contained a powerful message that was lost on managers confidently wedded to a distorted version of the marketing concept according to which you give customers what they say they want. In fact, the customers said they wanted certain features, but their behavior demonstrated they'd take other features provided the price and the promotion were right. In this case, it was obvious that, under prevailing conditions, people preferred a low-priced automatic over any kind of manual or semiautomatic machine and certainly over higher-priced automatics, even though the low-priced automatics failed to fulfill all their expressed preferences. The supposedly meticulous and demanding German consumers violated all expectations by buying the simple, low-priced Italian machines. It was equally clear that people were profoundly influenced by promotions of automatic washers; in West Germany, the most heavily promoted ideal machine also had the largest market share despite its high price. Two things clearly influenced customers to buy: low price regardless of feature preferences, and heavy promotion regardless of price. Both factors helped customers get what they most wanted—the superior benefits bestowed by fully automatic machines. Hoover should have aggressively sold a simple, standardized high-quality machine at a low price (afforded by the 17% variable cost reduction that the elimination of £6–10-0 worth of extra features made possible). The suggested retail prices could have been somewhat less than £100. The extra funds "saved" by avoiding unnecessary plant modifications would have supported an extended service network and aggressive media promotions. Hoover's media message should have been: this is the machine that you, the homemaker, deserve to have to reduce the repetitive, heavy daily household burdens, so that you may have more constructive time to spend with your children and your husband. The promotion should also have targeted the husband to give him, preferably in the presence of his wife, a sense of obligation to provide an automatic washer for her even before he bought an automobile for himself. An aggressively low price, combined with heavy promotion of this kind, would have overcome previously expressed preferences for particular features. The Hoover case illustrates how the perverse practice of the marketing concept and the absence of any kind of marketing imagination let multinational attitudes survive when customers actually want the benefits of global standardization. The whole project got off on the wrong foot. It asked people what features they wanted in a washing machine rather than what they wanted out of life. Selling a line of products individually tailored to each nation is thoughtless. Managers who took pride in practicing the marketing concept to the fullest did not, in fact, practice it at all. Hoover asked the wrong questions, then applied neither thought nor imagination to the answers. Such companies are like the ethnocentricists in the Middle Ages who saw with everyday clarity the sun revolving around the earth and offered it as Truth. With no additional data but a more searching mind, Copernicus, like the hedgehog, interpreted a more compelling and accurate reality. Data do not yield information except with the intervention of the mind. Information does not yield meaning except with the intervention of imagination. Accepting the Inevitable The global corporation accepts for better or for worse that technology drives consumers relentlessly toward the same common goals—alleviation of life's burdens and the expansion of discretionary time and spending power. Its role is profoundly different from what it has been for the ordinary corporation during its brief, turbulent, and remarkably protean history. It orchestrates the twin vectors of technology and globalization for the world's benefit. Neither fate, nor nature, nor God but rather the necessity of commerce created this role. In the United States, two industries became global long before they were consciously aware of it. After over a generation of persistent and acrimonious labor shutdowns, the United Steelworkers of America had not called an industrywide strike since 1959; the United Auto Workers had not shut down General Motors since1970. Both unions realize that they have become global; shutting down all or most of U.S. manufacturing would not shut out U.S. customers. Overseas suppliers are there to supply the market. Cracking the Code of Western Markets Since the theory of the marketing concept emerged a quarter of a century ago, the more managerially advanced corporations have been eager to offer what customers clearly wanted rather than what was merely convenient. They have created marketing departments supported by professional market researchers of awesome and often costly proportions. And they have proliferated extraordinary numbers of operations and product lines—highly tailored products and delivery systems for many different markets, market segments, and nations. Significantly, Japanese companies operate almost entirely without marketing departments or market research of the kind so prevalent in the West. Yet in the colorful words of General Electric's chairman John E. Welch, Jr., the Japanese, coming from a small cluster of resource-poor islands, with an entirely alien culture and an almost impenetrably complex language, have cracked the code of Western markets. They have done it not by looking with mechanistic thoroughness at the way markets are different but rather by searching for meaning with a deeper wisdom. They have discovered the one great thing all markets have in common—an overwhelming desire for dependable, world-standard modernity in all things, at aggressively low prices. In response, they deliver irresistible value everywhere, attracting people with products that market-research technocrats described with superficial certainty as being unsuitable and uncompetitive. The wider a company's global reach, the greater the number of regional and national preferences it will encounter for certain product features, distribution systems, or promotional media. There will always need to be some accommodation to differences. But the widely prevailing and often unthinking belief in the immutability of these differences is generally mistaken. Evidence of business failure because of lack of accommodation is often evidence of other shortcomings. Take the case of Revlon in Japan. The company unnecessarily alienated retailers and confused customers by selling world-standardized cosmetics only in elite outlets; then it tried to recover with low-priced, world-standardized products in broader distribution, followed by a change in the company president and cutbacks in distribution as costs rose faster than sales. The problem was not that Revlon didn't understand the Japanese market; it didn't do the job right, wavered in its programs, and was impatient to boot. By contrast, the Outboard Marine Corporation, with imagination, push, and persistence, collapsed long-established three-tiered distribution channels in Europe into a more focused and controllable two-step system—and did so despite the vociferous warnings of local trade groups. It also reduced the number and types of retail outlets. The result was greater improvement in credit and product-installation service to customers, major cost reductions, and sales advances. In its highly successful introduction of Contac 600 (the timed-release decongestant) into Japan, SmithKline Corporation used 35 wholesalers instead of the 1,000-plus that established practice required. Daily contacts with the wholesalers and key retailers, also in violation of established practice, supplemented the plan, and it worked. Denied access to established distribution institutions in the United States, Komatsu, the Japanese manufacturer of lightweight farm machinery, entered the market through over-the-road construction equipment dealers in rural areas of the Sunbelt, where farms are smaller, the soil sandier and easier to work. Here inexperienced distributors were able to attract customers on the basis of Komatsu's product and price appropriateness. In cases of successful challenge to prevailing institutions and practices, a combination of product reliability and quality, strong and sustained support systems, aggressively low prices, and sales-compensation packages, as well as audacity and implacability, circumvented, shattered, and transformed very different distribution systems. Instead of resentment, there was admiration. Still, some differences between nations are unyielding, even in a world of microprocessors. In the United States almost all manufacturers of microprocessors check them for reliability through a so-called parallel system of testing. Japan prefers the totally different sequential testing system. So Teradyne Corporation, the world's largest producer of microprocessor test equipment, makes one line for the United States and one for Japan. That's easy. What's not so easy for Teradyne is to know how best to organize and manage, in this instance, its marketing effort. Companies can organize by product, region, function, or by using some combination of these. A company can have separate marketing organizations for Japan and for the United States, or it can have separate product groups, one working largely in Japan and the other in the United States. A single manufacturing facility or marketing operation might service both markets, or a company might use separate marketing operations for each. Questions arise if the company organizes by product. In the case of Teradyne, should the group handling the parallel system, whose major market is the United States, sell in Japan and compete with the group focused on the Japanese market? If the company organizes regionally, how do regional groups divide their efforts between promoting the parallel versus the sequential system? If the company organizes in terms of function, how does it get commitment in marketing, for example, for one line instead of the other? There is no one reliably right answer—no one formula by which to get it. There isn't even a satisfactory contingent answer.3 What works well for one company or one place may fail for another in precisely the same place, depending on the capabilities, histories, reputations, resources, and even the cultures of both. The Earth Is Flat The differences that persist throughout the world despite its globalization affirm an ancient dictum of economics—that things are driven by what happens at the margin, not at the core. Thus, in ordinary competitive analysis, what's important is not the average price but the marginal price; what happens not in the usual case but at the interface of newly erupting conditions. What counts in commercial affairs is what happens at the cutting edge. What is most striking today is the underlying similarities of what is happening now to national preferences at the margin. These similarities at the cutting edge cumulatively form an overwhelming, predominant commonality everywhere. To refer to the persistence of economic nationalism (protective and subsidized trade practices, special tax aids, or restrictions for home market producers) as a barrier to the globalization of markets is to make a valid point. Economic nationalism does have a powerful persistence. But, as with the present almost totally smooth internationalization of investment capital, the past alone does not shape or predict the future. (For reflections on the internationalization of capital, see Exhibit 3.) One of the most powerful yet least celebrated forces driving commerce toward global standardization is the monetary system, along with the international investment process. Today money is simply electronic impulses. With the speed of light it moves effortlessly between distant centers (and even lesser places). A change of 10 basis points in the price of a bond causes an instant and massive shift of money from London to Tokyo. The system has a profound impact on the way companies operate throughout the world. Take Japan, where high debt-to-equity balance sheets are "guaranteed" by various societal presumptions about the virtue of "a long view," or by government policy in other ways. Even here, upward shifts in interest rates in other parts of the world attract capital out of the country in powerful proportions. In recent years more and more Japanese global corporations have gone to the world's equity markets for funds. Debt is too remunerative in high-yielding countries to keep capital at home to feed the Japanese need. As interest rates rise, equity becomes a more attractive option for the issuer. The long-term impact on Japanese enterprise will be transforming. As the equity proportion of Japanese corporate capitalization rises, companies will respond to the shorter-term investment horizons of the equity markets. Thus the much-vaunted Japanese corporate practice to taking the long view will gradually disappear. Reality is not a fixed paradigm, dominated by immemorial customs and derived attitudes, heedless of powerful and abundant new forces. The world is becoming increasingly informed about the liberating and enhancing possibilities of modernity. The persistence of the inherited varieties of national preferences rests uneasily on increasing evidence of, and restlessness regarding, their inefficiency, costliness, and confinement. The historic past, and the national differences respecting commerce and industry it spawned and fostered everywhere, is now subject to relatively easy transformation. Cosmopolitanism is no longer the monopoly of the intellectual and leisure classes; it is becoming the established property and defining characteristic of all sectors everywhere in the world. Gradually and irresistibly it breaks down the walls of economic insularity, nationalism, and chauvinism. What we see today as escalating commercial nationalism is simply the last violent death rattle of an obsolete institution. Companies that adapt to and capitalize on economic convergence can still make distinctions and adjustments in different markets. Persistent differences in the world are consistent with fundamental underlying commonalities; they often complement rather than oppose each other—in business as they do in physics. There is, in physics, matter and antimatter simultaneously working in symbiotic harmony. The earth is round, but for most purposes it's sensible to treat it as flat. Space is curved, but not much for everyday life here on earth. Divergence from established practice happens all the time. But the multinational mind, warped into circumspection and timidity by years of stumbles and transnational troubles, now rarely challenges existing overseas practices. More often it considers any departure from inherited domestic routines as mindless, disrespectful, or impossible. It is the mind of a bygone day. The successful global corporation does not abjure customization or differentiation for the requirements of markets that differ in product preferences, spending patterns, shopping preferences, and institutional or legal arrangements. But the global corporation accepts and adjusts to these differences only reluctantly, only after relentlessly testing their immutability, after trying in various ways to circumvent and reshape them, as we saw in the cases of Outboard Marine in Europe, SmithKline in Japan, and Komatsu in the United States. There is only one significant respect in which a company's activities around the world are important, and this is in what it produces and how it sells. Everything else derives from, and is subsidiary to, these activities. The purpose of business is to get and keep a customer. Or, to use Peter Drucker's more refined construction, to create and keep a customer. A company must be wedded to the ideal of innovation—offering better or more preferred products in such combinations of ways, means, places, and at such prices that prospects prefer doing business with the company rather than with others. Preferences are constantly shaped and reshaped. Within our global commonality, enormous variety constantly asserts itself and thrives, as can be seen within the world's single largest domestic market, the United States. But in the process of world homogenization, modern markets expand to reach cost-reducing global proportions. With better and cheaper communication and transport, even small local market segments hitherto protected from distant competitors now feel the pressure of their presence. Nobody is safe from global reach and the irresistible economies of scale. Two vectors shape the world—technology and globalization. The first helps determine human preferences; the second, economic realities. Regardless of how much preferences evolve and diverge, they also gradually converge and form markets where economies of scale lead to reduction of costs and prices. The modern global corporation contrasts powerfully with the aging multinational corporation. Instead of adapting to superficial and even entrenched differences within and between nations, it will seek sensibly to force suitably standardized products and practices on the entire globe. They are exactly what the world will take, if they come also with low prices, high quality, and blessed reliability. The global company will operate, in this regard, precisely as Henry Kissinger wrote in Years of Upheaval about the continuing Japanese economic success: "voracious in its collection of information, impervious to pressure, and implacable in execution." Given what is everywhere the purpose of commerce, the global company will shape the vectors of technology and globalization into its great strategic fecundity. It will systematically push these vectors toward their own convergence, offering everyone simultaneously high-quality, more or less standardized products at optimally low prices, thereby achieving for itself vastly expanded markets and profits. Companies that do not adapt to the new global realities will become victims of those that do. A version of this article appeared in the May 1983 issue of Harvard Business Review.

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