



“ There will be major repercussions from the arrival in force of emerging-market multinationals. As yet, these newcomers rarely register on most corporate radar screens. Quite soon, however, their impact will be sweeping and unavoidable. And, rather like the adoption of digital technologies over the past twenty years or so, they are set to revolutionize the very nature of global business strategy.”—Richard Hames, author of “The Five Literacies of Global Leadership” (Jossey-Bass, June 2007)

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Lenovo, one of the world’s largest manufacturers of personal computers, is a prime example of the “emerging-market” multinationals Hames is referring to. With its 2005 acquisition of IBM’s personal computer division, it is arguably the first multinational with its roots in an emerging market to reverse the traditional direction of globalization. Over two decades, the company has developed a unique global structure and business strategy that has its products, people, and facilities in 160 countries. Here are four lessons that we’ve learned along the way that can help other global companies—and those with global ambitions—derive economic and social value from globalization.



## ■ 1. Worldsource, don't outsource.

In a world with just one time zone (“now”), business must source materials, innovation, talent, logistics, infrastructure and production wherever they are best available. And it must sell where profitable markets exist, anywhere in the world.

What's the best way to do that? In many people's minds, globalization strategy can be boiled down to one word: outsourcing. That's simply not the whole story, or the best option. Outsourcing is a centralized, top-down strategy designed to save money on non-core operations by handing those operations to a third party evaluated by a single criterion: the lowest price. Especially in competitive marketplaces, outsourcing is a crude and unsatisfying tool.

There is a better way to compete and win on the global playing field: “worldsourcing,” a business strategy that leverages the positives of globalization to maximize the value and quality companies deliver to customers worldwide. In contrast to outsourcing, worldsourcing is a global, decentralized strategy that distributes an organization's core functions—innovation, design, management, operations, processes and production—across multiple global hubs of excellence located wherever the best resources, talent, ideas and efficiencies currently exist or can be created.

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## ■ 2. Don't try to homogenize cultural diversity, embrace it.

Many globalized companies try to impose worldwide cultural homogeneity from a single global headquarters. As such, they tend to leave good ideas and top talent out of the picture. The wiser course is to draw internal and external strength from cultural diversity. A company whose executive suite looks like the U.N. General Assembly can gain advantage from the radically decentralized, globally distributed model suggested by the worldsourcing strategy. Lenovo, for example, has no corporate headquarters and distributes operations across regional hubs to get as close as possible to its customers.

A distributed global management approach is required to make a company nimble enough to reconfigure its resources and talent in real time, and respond to rapid shifts in local market demand. You can't get a feel for such shifts from an isolated corporate HQ. To truly grasp the nuance of local market shifts, you need operational staff who know the cultures and norms. In addition to ensuring that your supply chain remains efficient, this will help you gauge and respond to cultural shifts that portend market demand changes.

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Worldsourced teamwork and cultural cross-pollination creates products tempered by world-girdling innovation, design, and process. Our company recently designed the 2008 Olympic torch by connecting specialists in the areas of graphic design, ergonomics, chemistry, engineering, materials, anthropology, art and history. This team was distributed in Germany, Singapore, the U.S., Japan, New Zealand, Italy and China. The tools of modern connectivity allow global collaboration. Use them.



### ■ 3. Blend the telescope and the microscope.

Since companies must source everything where the best talent is available and sell where the best markets exist, worldsourced business functions should be located solely on that basis. A company that practices worldsourcing can create value 24 hours a day, following the sun. It is British in the UK, French in France, American in the U.S., Australian in Australia, Brazilian in Brazil, Chinese in China, and so forth.

The global distribution of talent and markets argues for a “hubs of excellence” strategy. Our company, for example, situated marketing in India, our design hub in Japan, fulfillment centers in North America, and manufacturing facilities in China, India, Latin America and Europe. No doubt, globalization has consequences in terms of job movement, but that’s inevitable in a highly competitive world economy. If you’re working for a multinational company, you’re competing against skill sets in countries around the world, but your job aptitude and career choices will no longer be limited by your geographic location. Employees who embrace this movement and look for ways to collaborate and contribute their best thinking, thereby driving and fostering innovation and better ways of doing business, will put themselves in career-growth situations—the antithesis of career stagnation.

A company’s go-to-market strategy must also blend the telescope and the microscope. Collaborate globally to develop the finest-quality products, and then zoom down to the local level to serve customers in ways that are suited best to them.

In emerging markets such as China and India, a high-touch business model makes it possible for customers to touch and feel high-tech products at local retail outlets, and to have these products configured to their needs right at the shop. The point is to make using potentially complex products easy.

At a time when establishing an Internet connection in China was complex and challenging, Lenovo's "transactional" business model streamlined the process. Securing a home Internet connection in China, prior to Lenovo's introduction of one-key Internet access, involved government registration, a trip to the local telephone office for user verification and data line provisioning, purchasing and installing a dial-up modem and securing a password-enabled dial-up access point. By negotiating agreements with China's telecommunications companies, Lenovo was able to "bundle" internet account numbers with its devices which came pre-loaded with all necessary hardware and software to deliver unlimited first year Internet access. Customers took their aptly named Lenovo "Heavenly" PC home and pushed a single button to be connected to the Internet.

This sort of one-to-one mass customization requires the development of an agile, streamlined supply chain that offers customers configuration choice at the retail level, with as little inventory as possible. Creating such a supply chain is a challenge, but it is well worth it: as companies enter emerging markets in Asia, Eastern Europe, and Latin America, they will benefit from the combination of high-touch personalization for their customers and low supply-chain costs for themselves.

A company that practices worldsourcing can create value 24 hours a day, following the sun.



#### 4. It's all about the brand.

Worldsourcing as a globalization strategy is predicated on the belief that brand trumps nationality and geography. Brand is the most important flag a company can fly. The more broadly a company reaches out to the entire world for the best ideas, people and processes, the more it becomes the refined essence of its brand. It is evaluated not by nationality, but by the quality of its goods, services, governance, transparency, environmental practices, degree of corporate social responsibility, and, ultimately, the level of value it delivers to customers worldwide.

In an era when each new week brings fresh questions about product quality and safety, consumers can continue to trust worldsourced brands. Worldsourcing, in fact, is a bulwark that protects both consumers and manufacturers everywhere. How? As companies compete with one another to be the first to market with innovative ideas, consumers will benefit from an ever more rapid evolution and commercialization of new thinking. Global companies that worldsourcing their goods and services are exposed to the probing light and criticism from demanding customers and government regulators in many different countries. They can only create trust by adhering to the highest standards of governance, transparency, compliance, and quality.

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**The years ahead will undoubtedly see the rise of global companies with roots in unexpected places.**

With knowledge, innovation, and the means to leverage them so broadly distributed, there's no way to tell where the next winners will come from. That may be unsettling to defenders of the status quo, but to those with an appetite for reward and the stomach for risk, it's an exciting prospect.

The greatest thing we have learned on the journey to global presence is that labels don't mean as much as they used to. The products and services of companies that practice worldsourcing may be labeled "Made in the UK," "Made in Switzerland," "Made in the USA," "Made in China," or "Made in Australia." But, in the connected new world in which we all now live, most products should truthfully be labeled, "Made Globally." The label on the outside simply identifies the last stop on a complex global journey. 🌐



## ABOUT THE AUTHOR

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