

# Global Strategy for the 21<sup>st</sup> Century – The RAT/CAT Capabilities Perspective

Donald Lessard

Epoch Foundation Professor of International Management  
MIT Sloan School of Management

HKU

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# Why ~~should~~ firms internationalize?

- Because ~~x~~ they are out of space at home
- Because ~~x~~ “emerging” markets are growing faster
- Because everybody else is doing it ?
- Because foreign firms are threatening them at home ?
- Because they are good at something that “travels” **probably**
- Because the industry/game is global in scope **probably**

# Capabilities and Competitive Advantage

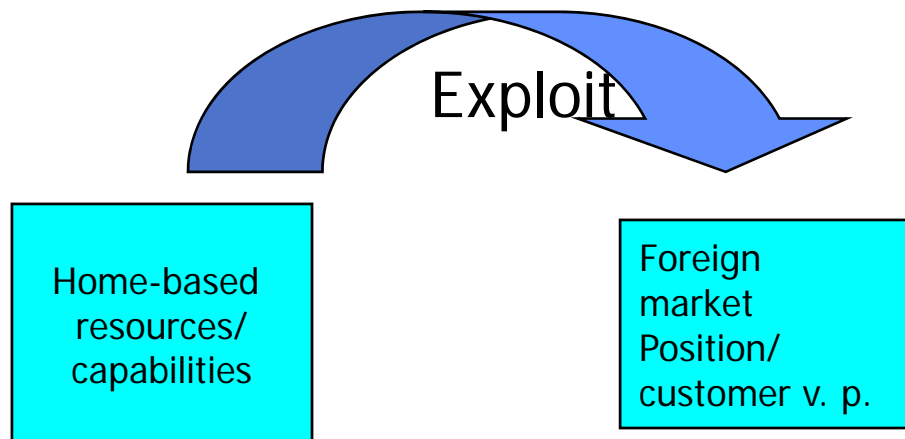
- In order for capabilities to “matter”, they must provide a competitive advantage.
- To do this, they must satisfy four criteria (VRIO):
  - they must create **v**alue in the form of greater willingness to pay by customers for the product or service and/or reduce the cost of producing/supplying that product or service,
  - they must be **r**are,
  - they must be hard to **i**mitate.
  - The **o**rganization must be able to employ them effectively.



Source Barney (1997), Barney and Clark (2007).

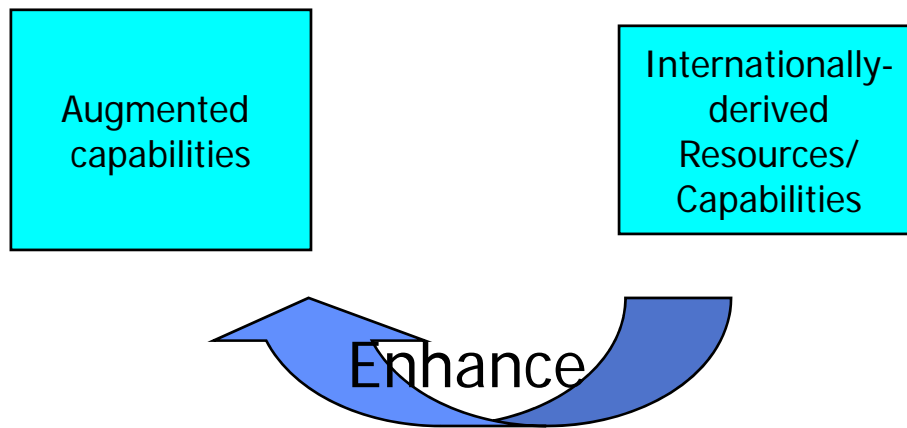
# Capability Exploiting Internationalization

- What capabilities do we have that we seeking to exploit internationally?
- Do they pass the RATs test wrt target country:
  - Are they **R**elevant?
  - Are they **A**ppropriable?
  - Are they **T**ransferable?

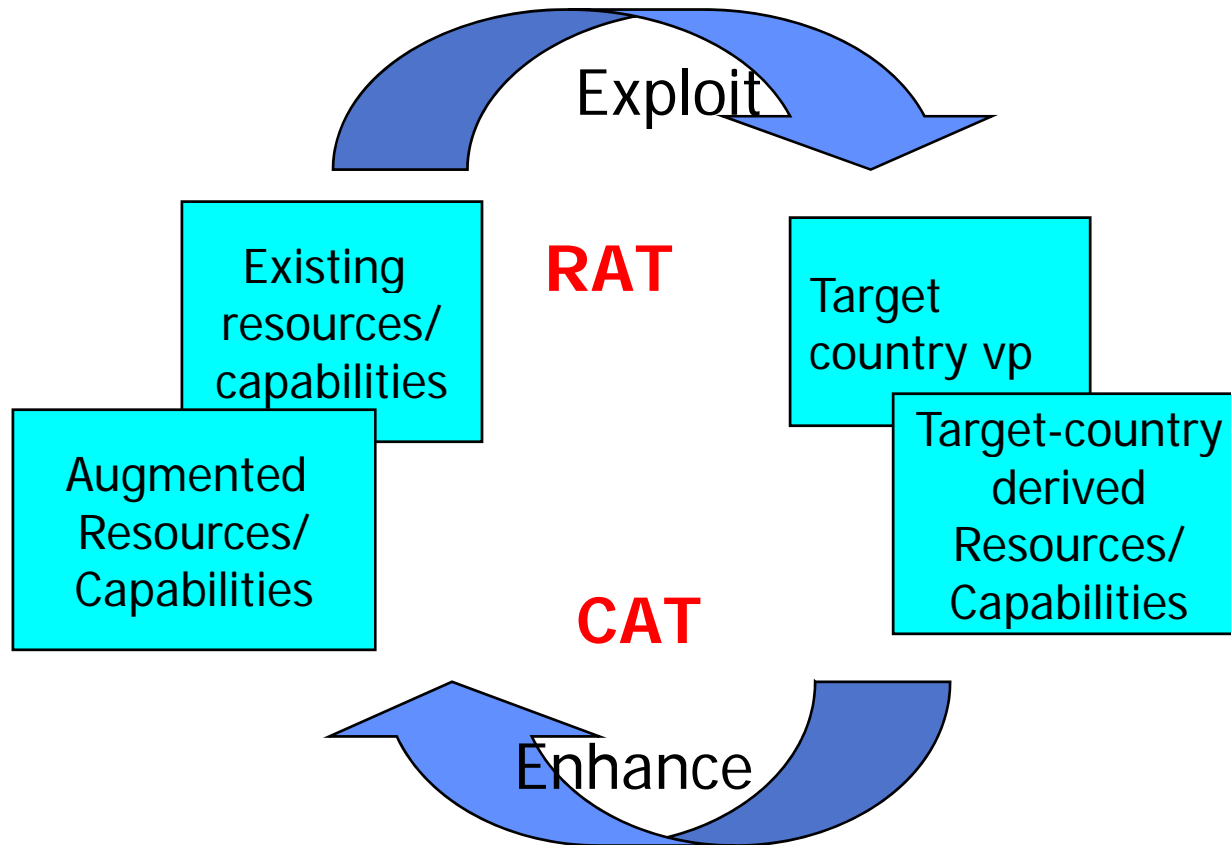


# Capability Enhancing Internationalization

- What competencies might we tap/develop in a particular target country?
- Apply the CATs test:
  - Are they **C**omplementary?
  - Are they **A**ppropriable?
  - Are they **T**ransferable?



# The Full Cycle

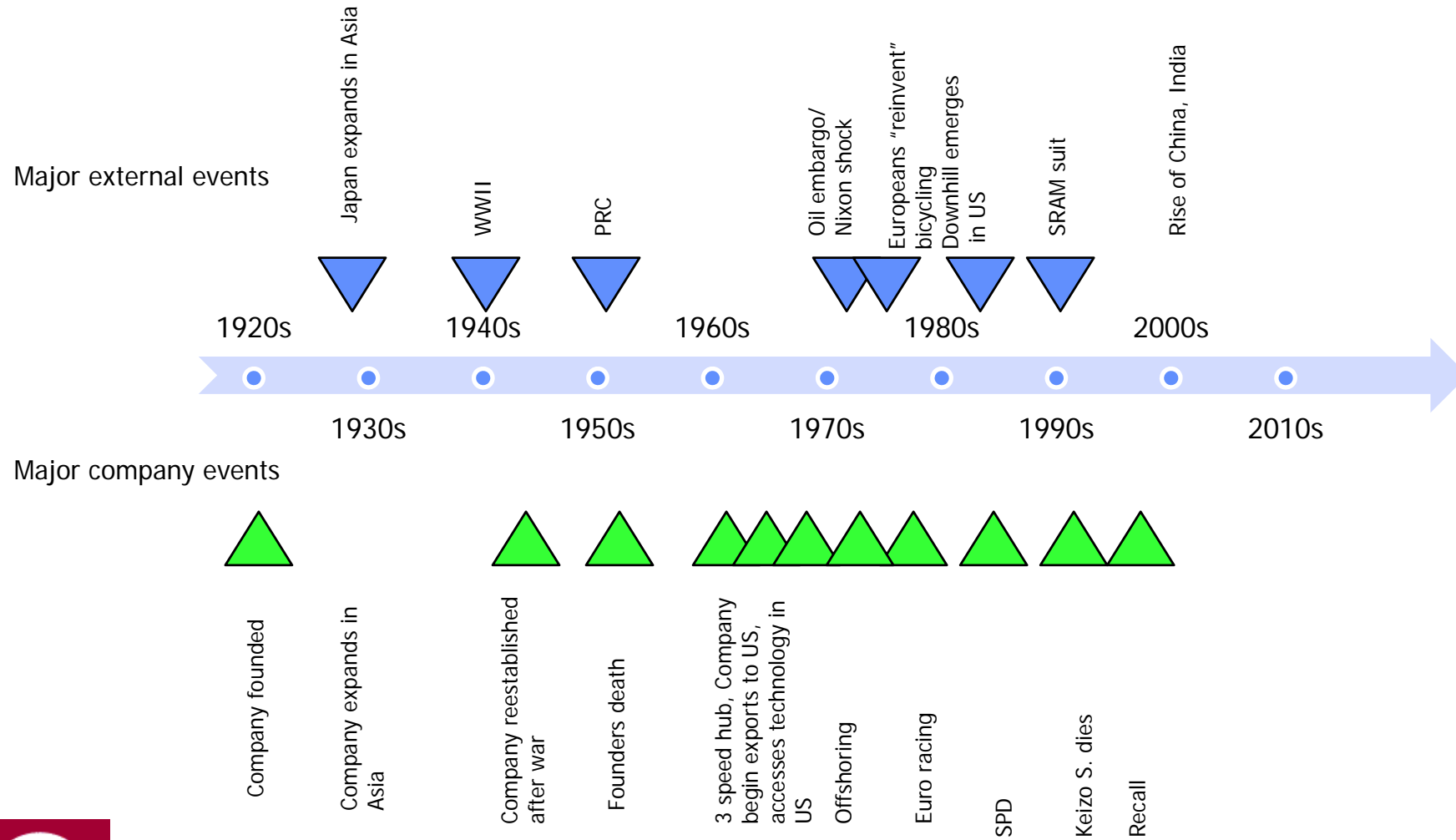


# Examples

- Shimano
- Cemex
- Global Clean Tech

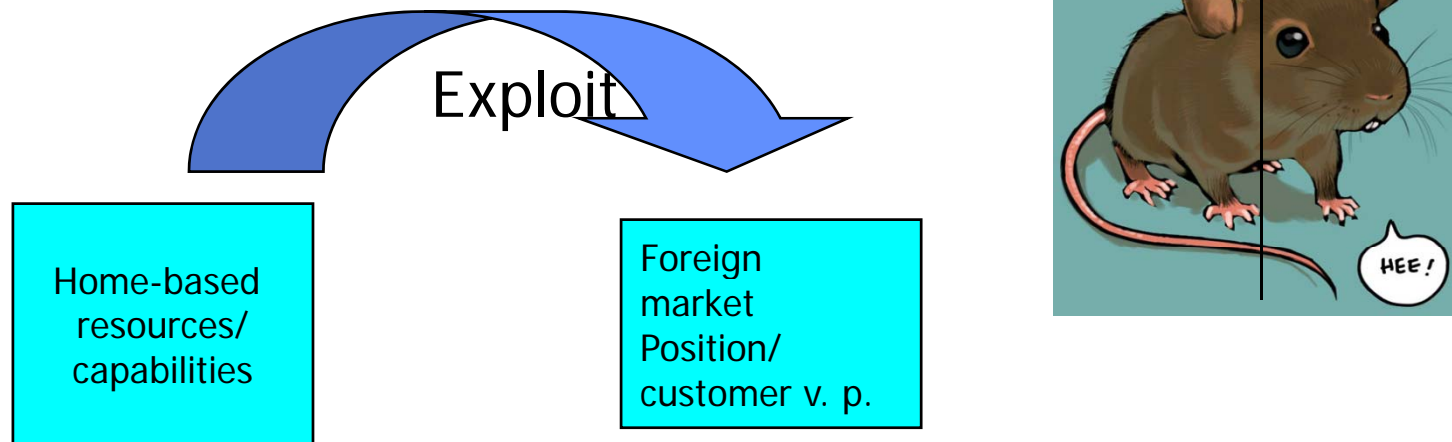


# Shimano timeline



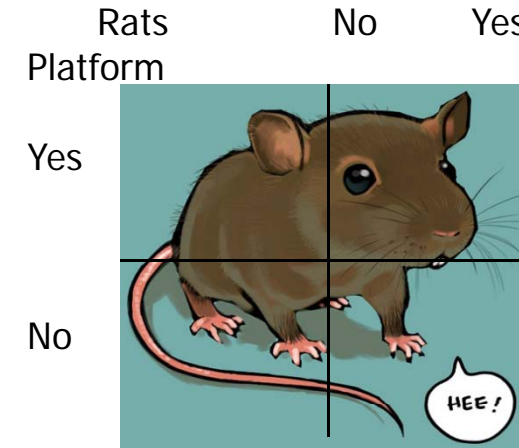
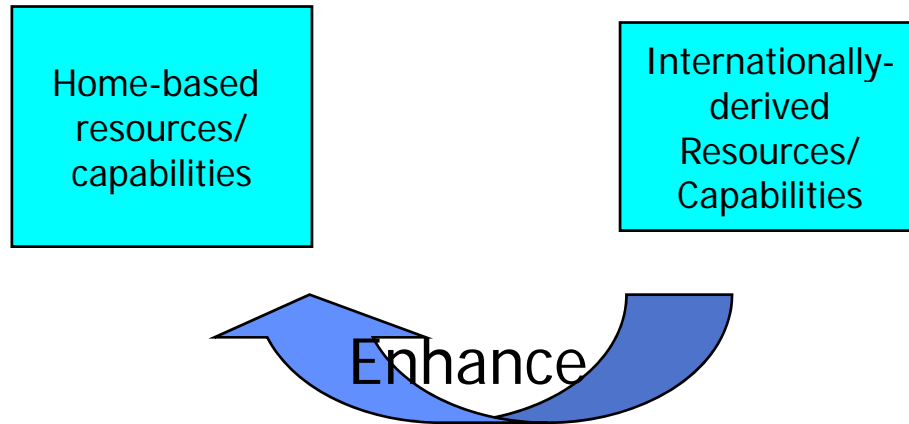


# Capability “Exploiting” Episodes



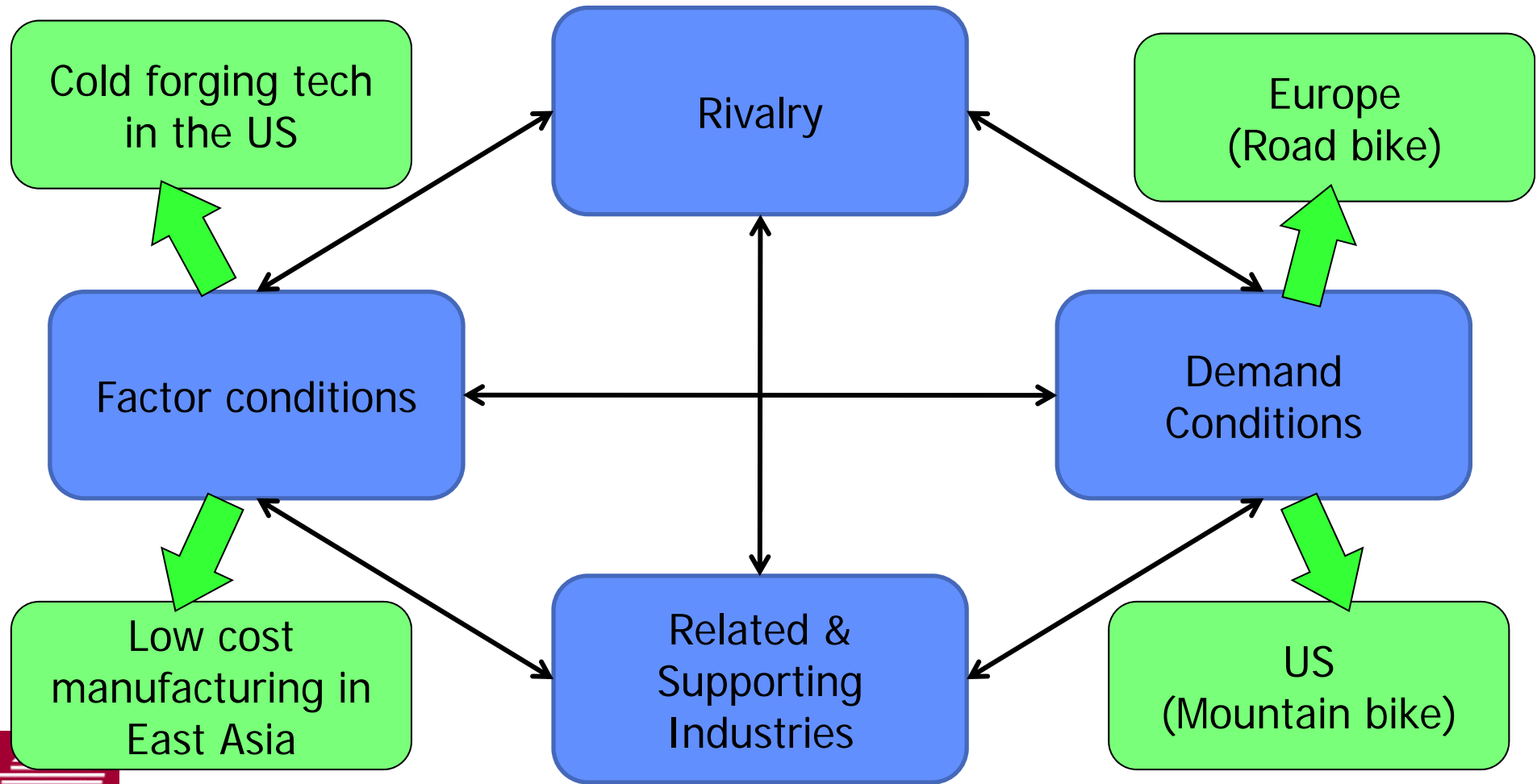
- Expansion to all Japan
- Expansion throughout Asia in 1930s
- Expansion to US in 50s, Europe in 60s
- To “new economies” in 1980s

# Competency Enhancing Episodes



- Cold Forging from MA
- Off shoring to Singapore, China
- “Tapping” road racing demand conditions in Europe
- “Tapping” mountain biking demand conditions in US

# Virtual diamond: Shimano



# Process of Growth & International Expansion



**1900** 06 Founded  
 31 Cementos Portland and  
 Cementos Mexicanos Merged

**1970s** 70s National Via Acquis.  
 76 Lists on the Mexican St. Ex.

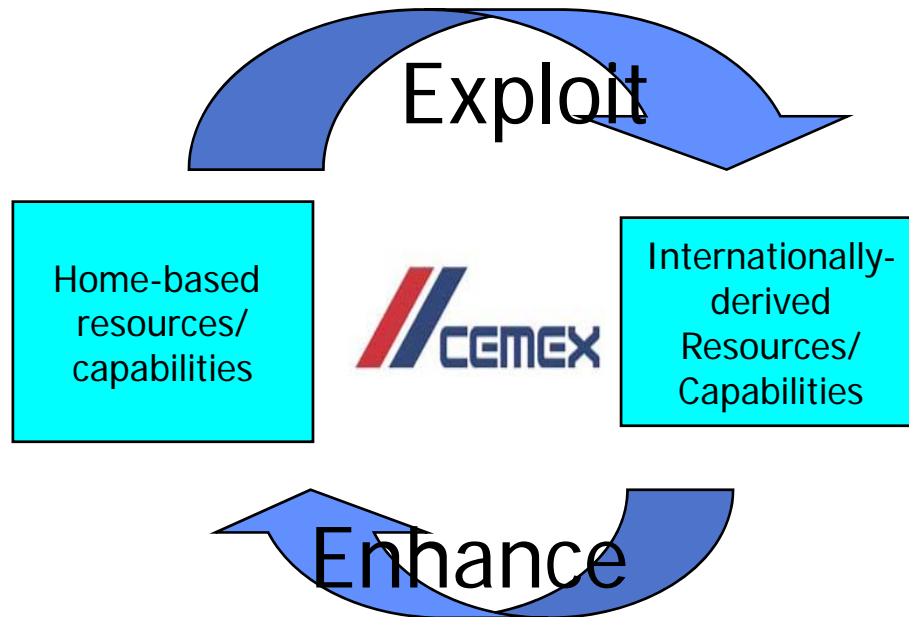
**1980s** 82 Debt Crisis / Exports Program  
 Zambrano in Divest non-core – bulk up  
 89 Holderbank → Apasco

<b>1990s</b>	90US Anti Dumping	TOLTECA, MX (1989)		
		SPAIN (1992)		
		PANAMA (1994)	VENEZUELA (1994)	TEXAS (1994)
		DOMINICAN REPUBLIC (1995)		
		COLOMBIA (1996)		
				PHILIPPINES (1997)
				INDONESIA (1998)
				EGYPT (1999)
	99 NYSE Listing	COSTA RICA (1999)		
	00 S&P Investment Grade			
			SOUTHDOWN, USA (2000)	BANGLADESH (2000)
			FRANCE (2001)	THAILAND (2001)
		PUERTO RICO (2002)		
				RMC, UK (2005)



# Stepping Out

*Operations Expertise*



*Cost of Capital,*

*PMI Process*

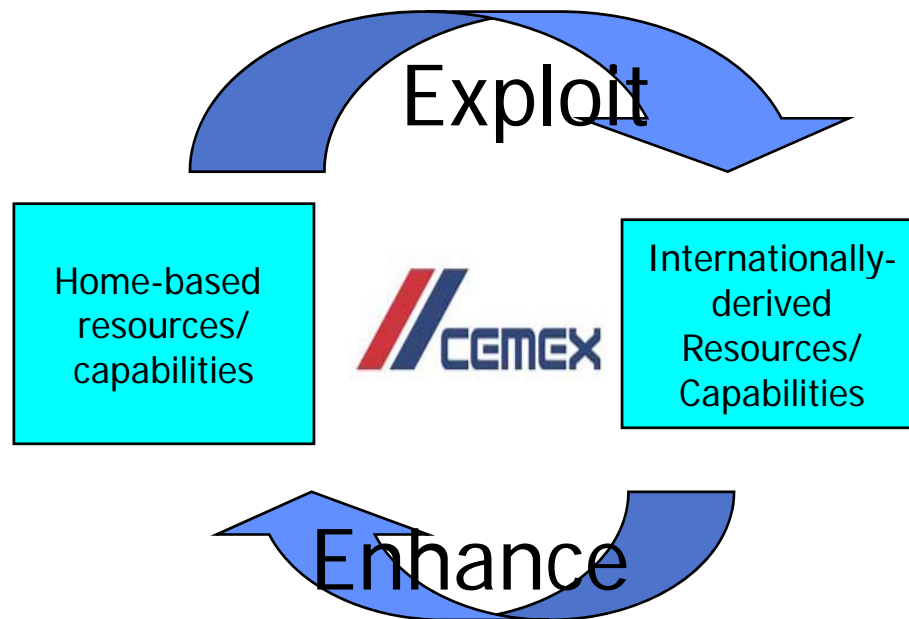
*Pet Coke*

# Growing up

*Operations Expertise*

*PMI*

*“Branded bags”*



*Pooling*

*PMI on Mexico*

*The CEMEX Way*

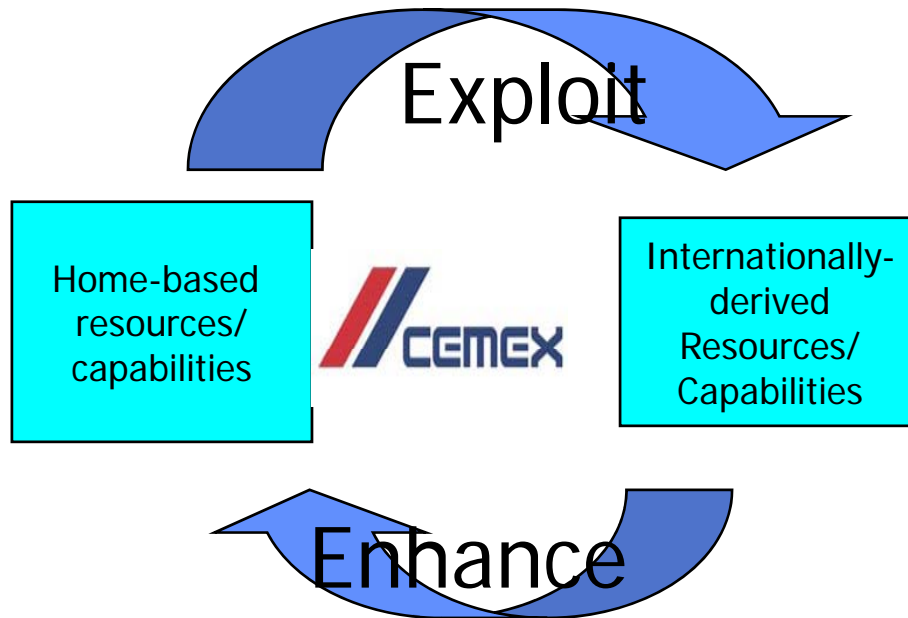
# Stepping Up

*Operations Expertise*

*PMI*

*GPS*

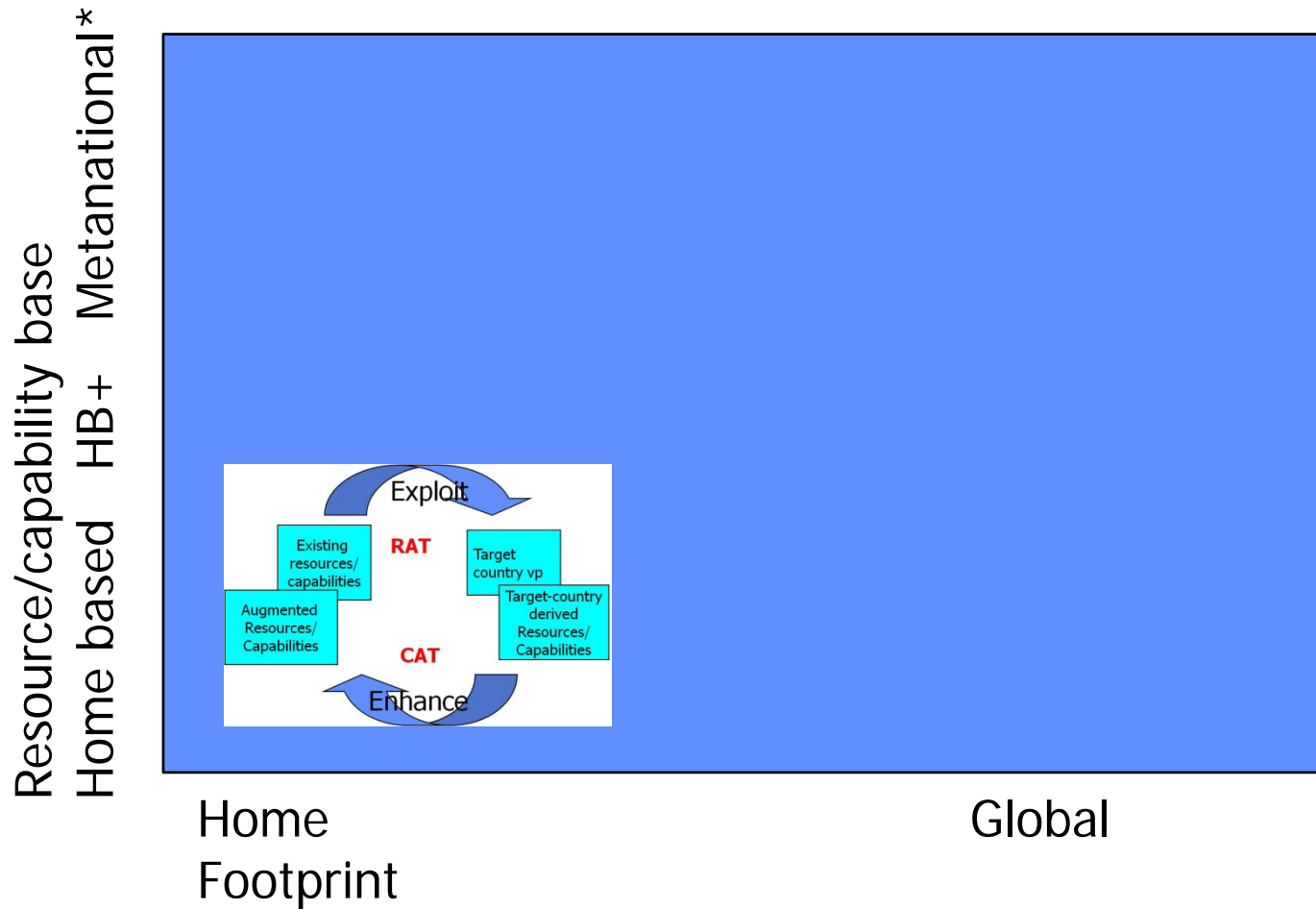
*CEMEX Way*



*Concrete*

*"Slump meter"*

# How RATs and CATs Multiply!



\*see Doz, Williamson, and Santos



# Questions ?



# References

- Doz, Williamson and Santos, "Is Your Innovation Process Global?" *MIT Sloan Management Review*: 31-37. 2004.
- Ghemawat, *Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter*, Harvard Business School Press, 2007.
- Lessard and Lucea, "Mexican Multinationals: Insights from Cemex," in Ramamurti and Singh (eds.) *Emerging Multinationals from Emerging Markets*, (Cambridge University Press, 2008).
- Lessard, Lucea, and Vives, "Global Strategy for the 21<sup>st</sup> Century – The RAT/CAT Capabilities Perspective", unpublished working paper, February, 2012



[dlessard@mit.edu](mailto:dlessard@mit.edu)

<http://dlessard.scripts.mit.edu>