Welcome to week seven of Globalization Business Enterprise on Coursera. We spent the last five weeks introducing and elaborating the cage framework for thinking about the differences for countries. And what we're going to be doing in these last two sections of the globalization of business enterprise, I was thinking a little bit more deeply about some of the implications of the cage framework for developing strategies for companies and for developing your own personal strategy. As you think about your career. As you think about where you'd like to work. As you think about what kinds of skills you would like to develop. So in terms of today's session, the focus is very much on the implications of the framework for differences that we've been studying for business strategies. And you already saw at the end of week two, when I was introducing the cage framework,. A foreshadowing of the basic kinds of strategies that we're going to be talking about.

So remember we talked about Wal-Mart and how Wal-Mart had originally missed some of the differences between countries, and had run into more problems the farther away from home it actually got. Since then Wal-Mart has figured out that it needs to pay attention to differences when deciding how to compete overseas. And we talked about three kinds of strategic responses we've seen in the last decade at Wal-Mart, to some of the things that they stub their toes against, when they initially move from the U.S. to other countries.

The first of these three strategic responses we talked about were adaptation strategies. The idea behind adaptation being very simply, when in Rome, do as the Romans do, and in the case of Wal-Mart, specifically, we talked about how they change their merchandising policies as they get into new markets, in order to be more locally responsive. There are lots of other things that one could talk about, as well, in this particular context. So, Wal-Mart has started to pay much more attention to moving people around the organization as a way of developing broader mindsets amongst it's top managers. Wal-Mart has also figured out that it needs to adjust its business models in different countries depending on how its choosing to compete there. So in India Wal-Mart until recently was in partnership with Parthi Enterprises which given India's legal structure was structured so that Wal-Mart handled all the back end functions and Parthi their Indian joint venture partner because by statute only Indian firms are allowed to be multi brand retailers, actually owned and operated the stores. So adaptation is typically much more than simply tweaking a product feature of changing a product name. As these examples from Wal-Mart should illustrate.

The second category of strategic response that we saw at Wal-Mart was aggregation. This idea of grouping things so as to actually be able to achieve at least some cross-border scale economies. And here the focus was really on the implementation. In our discussion of Wal-Mart, we really focused on the implementation of a regional structure, particularly within Asia, on the grounds that while Asian countries are all different from the standpoint of a retailing competitor, geographically and otherwise, there's more a proximity between them. And there might be between two randomly selected countries in the Wal-Mart network, making it sensible to think of grouping them for at least some administrative purposes.

And the final category of strategic response to difference as we talked about, was the idea of treating them not as a constraint that needs to be adjusted to or overcome, the focus of the first two strategic responses listed on this slide, but as a source of value creation. So, arbitrage strategies exploit differences along selected dimensions to achieve absolute savings, greater value creation. And the example that we used in the Wal-Mart context, was that of procurement from China, which if you will recall, I pointed out, adds much more to the company's bottom line than do all its international store operations put together.

So, those three strategic responses are what I refer to as the AAA Strategies. Adaptation strategies that involve adjusting to distances to achieve local responsiveness. Aggregation strategies that involve overcoming differences to achieve at least some degree of cross border scale economies. And arbitrage strategies, aimed at exploiting differences to actually to actually achieve absolute economies, and value gains through that particular channel. So what we're going to be focusing on in the rest of this session are these three broad, strategic responses to to differences. And since you already have a lot of reading on these particular this topics, what I'm going to do is literally go strategy by strategy, point you to the relevant reading, and then talk very briefly about that particular kind of strategy in a way that isn't meant to be comprehensive. But is really meant to give you a sense of just how rich the strategic possibilities are, that underlay each of these three broad kinds of strategies.