In the last segment, I spent some time talking about a simple framework for thinking about differences between countries. That is widely used at leading business schools that helps us try and figure out qualitatively what tends to be close versus what tends to be far.

I want to spend the final segment of our discussion for class two focusing on what some of the uses of this CAGE Framework are. The first and most obvious use of the CAGE Framework is deciding where to compete. We already saw enough examples of this talking about US companies looking to make their first foreign entry and 60% of the time opting for Canada to suggest that for many multinationals the basic idea of starting close to home is something that the CAGE Framework can be helpful with. It can help you figure out what really is close to home versus what's farther away, but enough said about that. What I wanted to focus on in terms of additional implications of the CAGE Framework are two things.

First of all, the notion that having a framework like this is helpful in keeping differences in view. Because otherwise, oftentimes, we have a tendency to slur over those differences in ways that can strategically be very costly. And third, having the cage framework and the set of differences to think about can be helpful with in some sense, the holy grail of global strategy. Actually, developing strategies to deal with differences. So let me talk through two case studies as a way of giving you a flavor for what these applications look like. And let's start off with the notion that having a framework like the CAGE Framework is a helpful prompt to remind us to pay attention to a broad variety of potential differences.

So let me use an example here of a company that has done very, very well internationally. Partly, because it's got a proprietary advantage. The company is Google. And Google's page rank algorithm gives it some unique advantages in the field of search, which is one of the reasons why this company has been so successful at expanding overseas. A few years ago, I found myself interviewing Eric Schmidt, the, then the CEO of Google. And I asked Eric, whether he thought Google could be successful everywhere. And Eric's response was well, search is a universal need. We have the best search engine, so it stands to reason that Google should in fact be very, very broadly successful. And while the company has certainly done well overall, it's worth remembering that are specific markets in which the Google formula hasn't worked that well, because of the real differences they have to confront in dealing with those markets.

So take the case of Google in Russia, where it's number three behind local competitors Yandex and Rambler. What are the specific issues that it's run into? Well, culturally, apparently, the structure of the Russian language is such that Google's search algorithm doesn't work quite as well as search algorithms tuned to the specific structure of Russian. So, that's problem number one. Problem number two has to do with administrative suspicion on the part of the Russian government that a US based search engine might just be full of trap doors that might allow US Defense Department or NSA access to all kinds of information. And of course, recent revelations by Edward Snowden and others have suggested that these were not suspicions that were entirely unfounded. So another part of the problem Google has had in Russia is actual active official support for Russian search engines, as opposed to this US headquartered search engine.

Third it's interesting that in addition to cultural and administrative distance, even geographic distance seems to continue to matter, despite the cyberspace context. So, Google had very tough time getting traction with it's development efforts for the Russian market until it actually set up a development office in St. Petersburg. Because if you were trying to do this out of headquarters in Mountain View, people had a lot of other things on their mind. It was just hard to get the degree of focus. And then finally, at least in the early going, Google also suffered from some economic differences or barriers between countries. As in the US it continued to insist that small merchants advertising on Google rely on online payment mechanisms. Small merchants on Russia advertising on Google or thinking of advertising on Google, very suspicious about online payments in many cases. And so the fact that the local competitors, Yandex and Rambler, actually offered local merchants the ability to walk into brick and mortar bank, bank branches and pay for their advertisement there. Helped those competitors hurt Google and that's just Russia.

If we think of the other BRIC markets. again, you can see similar problems for Google in each of them. So in China, the administrative barriers have been paramount and Google does not officially operate in China. In Brazil, there is huge discussion about a proposed law by the Brazilian government requiring data on Brazilians to be stored on servers physically housed in Brazil, which really interferes with this whole notion of Google cloud and streamlining operations by housing the data wherever it's most efficient to do so. And then finally, economically in countries like India just to round out this discussion of the BRICs. Brazil, Russia, India, and China.

In countries like India where per capita incomes are low, people are going on to the internet via mobile phones rather than via desktop computers. Which certainly requires big changes to Google's interfaces, etc. If they're really going to work as effectively in the mobile context as they did from a desktop computers context. So notice how, even in a very high tech sector where a company has a strong proprietary advantage. There clearly are some differences across markets, that at a minimum, need to be addressed. And that in some cases, have actually prevented Google from attaining market leading positions. And my argument is having a framework like the CAGE Framework is helpful at getting past the simple notion of well, if search is a universal need, our search product is better. So, it's going to triumph across the board. Usually, markets come with more wrinkles, more differences than that and those do have to be paid attention to.