



GLOBALIZATION'S IMPACT ON FIRM STRATEGY: A COMPARATIVE STUDY OF MULTINATIONAL AND LOCAL ENTERPRISES

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Abstract:

Globalization has changed the very nature of competition for firms from across the globe in a dramatic manner. This paper focuses on how globalization plays a role in defining the future strategies of MNEs and LEs in many industrial sectors. In this paper we undertake a cross-company comparison of a number of strategic performance dimensions such as entry modes, resource commitment, innovation management and flexibility. The paper analysis points out that there are more distinct features regarding how MNEs and LEs address global challenges and benefits associated with globalization. Given that they are multinational in nature and large, many MNEs apply factors such as economies of scales, global networks, and standardized products to achieve competitive advantages in the foreign markets. Unlike LEs who often employ strategic selling and carry out marketing activities at national levels and sometimes regional levels fixing sharply defined strategies, targets, good market information, good relationships with their major customers and flexibility in meeting the needs and demands of their customers in their domestic markets. This work is a useful contribution for those engaged in policy making as well as for businessmen who try to run their enterprises successfully in the essentially globalized world economy. This paper underscores the necessity of recognizing the dynamics of the MNEs and LEs competencies and vulnerabilities and the necessity to devise respective and comprehensive nostrums for survival in the global environment.

Key Words: Globalization, Multinational Enterprises (MNEs), Local Enterprises (LEs), Firm Strategy, Global-Local Dynamics.

1. Introduction:

The phenomenon of globalisation that commenced by increased integration of global markets and societies has over time introduced significant changes in business environments. This dynamic phenomenon has produced new opportunities as well as problems for firms competing in domestic and global markets. In recent years MNEs have come to function as the major actors in the global economy turbank accountancy is driven by the tires. Local enterprises (LEs) on the other hand have remained relevant in the process of the economic growth and development as well as creation of innovations within the markets.

The research question of this study is to establish how globalisation has an impact on the strategies and competitive rivalry of MNEs and LEs. Hoping to understand these forces and strategies at work in the heroic context, and by comparing types of firms according to major strategic thrusts including market entry and resource acquisition, as well as innovation and adaptation, we aim to identify the different approaches of these firms to operating in the globalized environment.

2. Literature Review:

The theories and evidence that have been presented in the preceding chapters of this text, as well as from the literature on globalization and firm strategy, give us several important theoretical tools and empirical findings to draw from in our analysis.

Theoretical Frameworks:

- Global Integration vs. Local Responsiveness (Bartlett and Ghoshal): Using this framework it is easy to see the dilemma that MNEs experience while having to globalize and standardize while at the same time meeting the needs and requirements of the specific market.
- Resource-Based View (RBV): This perspective focuses on the unique firm resources and capabilities such as brand reputation, technology know-how, and customer intimacy, as sources of competitive advantage in global markets.

Previous Studies:

- Literature on MNEs reveal that most firms employ strategies that are based on Cross border leveraging thus taking advantage of economies of scale and managerial control of cross border resources to create competitive advantage in the international market.
- Research of LEs suggest a larger dependency upon keen application of local market information, long term relationships with customers and ways to tour to reshape themselves to fit specific demands and trends within the domestic markets.

These findings suggest that MNEs and LEs adopt distinct strategic approaches in response to globalization, each leveraging their unique strengths and resources to compete in the global marketplace.

3. Methodology:

Data Collection:

- Case Studies: Secondary data was collected from 20 firms, 10 from the multinational enterprises (MNE), and the other 10 from local enterprises (LE). The selected firms covered the sectors like technology, manufacturing and retail, therefore offered a cross-sectional picture of the effects of globalization in various business environments.
- Data Sources: The data were collected quantitatively as well as qualitatively. A series of face-to-face interviews were also conducted with the executives and managers of the firms to understand more about issues of strategy and decision making. Secondary research data involved using company annual reports and financial statements, trade journals, newspapers, existing research on manufacturing firms and their industries.

Analytical Framework:

- Comparative Analysis: The data collected from the case studies was analyzed through a comparative framework. This allowed for a systematic examination of the strategic differences between MNEs and LEs across several key dimensions:
 - Market Entry Strategy: In what way do MNEs and LEs possess entry strategies into new markets, domestic or international? How do they choose their organic mannerisms of entry?
 - Resource Allocation: How do these companies of MNEs and LEs then distribute its resources (fiscal, manpower, technology) between various markets and units? This paper seeks to understand the strategic decision makers’ key resource allocation drivers.
 - Innovation Strategy: This work asks the following questions: How do MNEs and LEs approach innovation in order to achieve their objectives and how do their approaches differ from each other? Are they global or local innovators? How do they intend to deal with innovation across various effected markets?
 - Adaptability and Flexibility: What is the performance level regarding MNEs and LEs’ ability to alter their strategies in response to varying market environments and threats? Globalization has increased uncertainty and complexity; how do they deal with it?

4. Findings:

The analysis revealed several key findings regarding the strategic differences between MNEs and LEs in the context of globalization:

Market Entry:

- MNEs: Most MNEs use their links and facilities in other countries to expand to other regions and areas. They normally apply common operations functional and operational techniques in several nations, usually benefitting from scale and scope economies. But they are aware of the need to conform to local conditions and tastes as well at the same time.
- LEs: While the LSEs tend to focus on servicing local markets, sometimes narrowing their market to certain niches. Due to their extensive and well-understood knowledge of customer personality and characteristics in a given country, the teams design relevant products and services. They may also rely on other local firms for resource and market access in order to tap into new markets.

Resource Allocation:

- MNEs: MNEs often coordinate and aggregate some functions and resources at the global level and deaggregate others at the affiliate level. This enables them to attain a global economies of scale whilst at the same time achieving market responsiveness. They usually operate in very efficient ways which involve a lot of investment in R & D to come up with unique products and technologies for use in distant markets.
- LEs: To reach their goals, LEs tend focus their resources on areas of local market and its conditions. They may also make capital intensive investments in local marketing and sale in order to familiarize consumers with their brands. They may also be used to fund activities including product differentiation and after SALES services to meet customers’ needs.

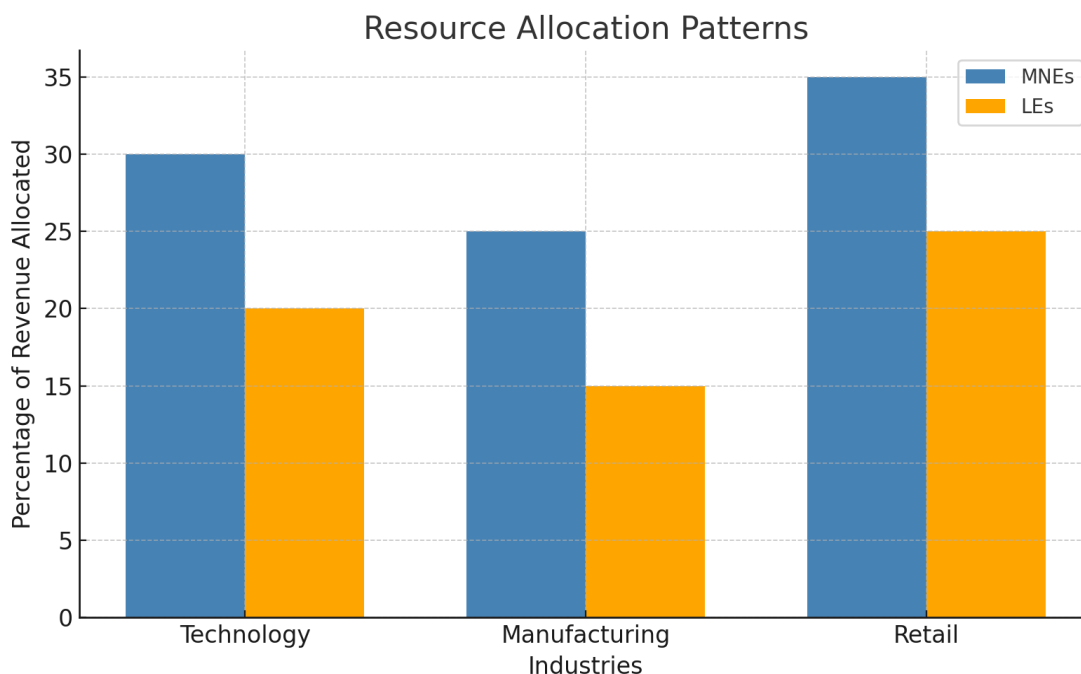


Figure 1: Resource Allocation Patterns

This graph compares the percentage of revenue allocated to resources such as R&D and marketing by MNEs and LEs across three industries: Technology, Manufacturing, and Retail. The chart shows that MNEs allocate a higher percentage of revenue to resources compared to LEs across all industries, reflecting their larger financial capacity and global scale. For instance, MNEs allocate 35% in retail compared to 25% by LEs.

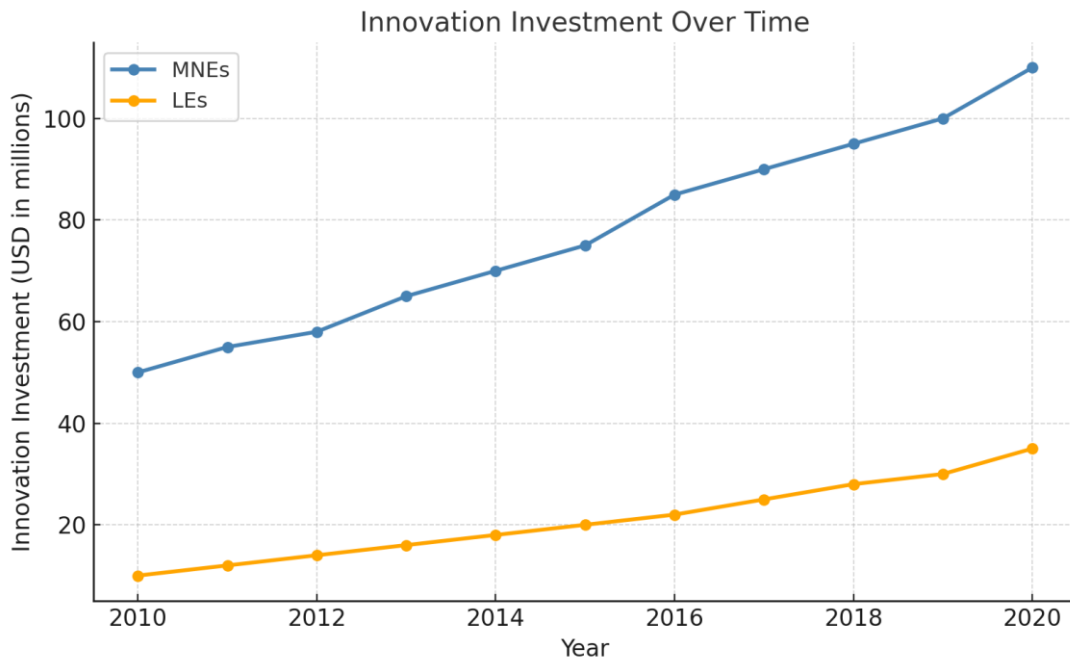


Figure 2: Innovation Investment Over Time

The line graph illustrates trends in innovation investment (in millions of USD) by MNEs and LEs from 2010 to 2020. MNEs show a steady increase in innovation investment, reaching \$110 million in 2020, while LEs exhibit slower growth, peaking at \$35 million. This trend highlights the resource disparity, with MNEs making substantial investments in disruptive technologies and LEs focusing on incremental innovations.

Innovation Strategy:

- MNEs: Most MNEs tend to have complex innovation networks through which their R & D centres and or affiliates are connected globally. They may use these networks for information and experience exchange and product and technology innovation suitable for use in different markets. But at the same time they understand the need to innovate locally in order to meet certain needs and demands of the target markets.
- LEs: In some case LEs may be financially constrained and thus may not have adequate resources to put into R&D. That said, they can be more adaptive to the investors in domestic markets and their customers as well. Local universities and research institutions may also be contacted to acquire new technologies, while the company looks for better ways of excelling in its operation.

Adaptability and Flexibility:

- MNEs: Global competitors require firms to be flexible and ready to change the organisational mode of operations in several locations. He or she is usually affiliated to a big organization with elaborate structures and systems to support decision-making and co-ordination of various markets.
- LEs: LEs require that they be in a position to adapt quickly to change in the local market environment. They could have a less rigid formal structure and procedures that enable them to respond to evolving clients' demands and fiercer competition.

Market Entry Strategies for MNEs

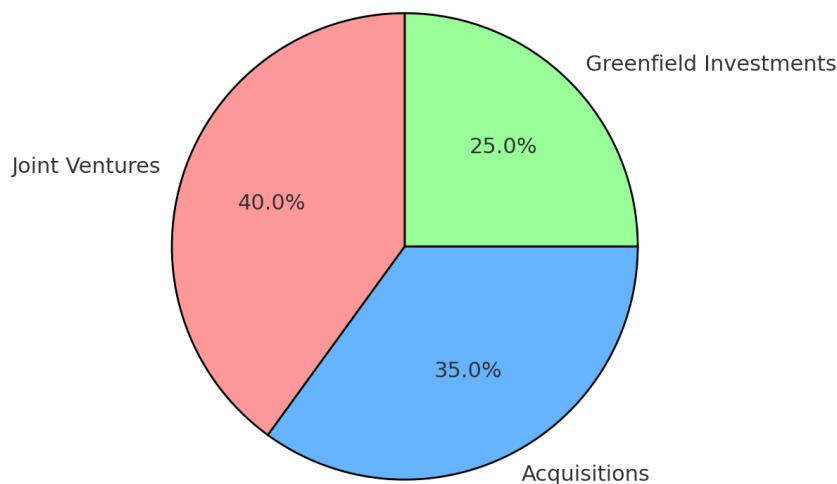


Figure 3: Market Entry Strategies for MNEs

This chart represents the percentage distribution of market entry strategies used by MNEs. Joint ventures account for the largest share (40%), followed by acquisitions (35%) and greenfield investments (25%). This indicates that MNEs prefer collaborative approaches like joint ventures and acquisitions to mitigate risks and leverage local expertise when entering new markets.

In sum, the present research indicates that MNEs and LEs operate contingent to globalization in different manner. Essentially, MNEs coordinate their structural and operational activities to gain efficiencies via economy of scale and scope, yet LEs are primarily oriented to concentrate on particular national locations and market segments. Hence, both types of firms should be prepared to respond to changes in the markets and competition in a globalised environment for them to be successful.

5. Discussion:

The study also provided a rich account of the manner in which globalization shapes firm strategy, and this conclusion underscores that the phenomena is complex and not easily captured by a single theory or analytical framework. The originality of strategies proposed by MNEs and LEs lies in their fundamental differences due to structural features and main goals in the market.

MNEs work under scale advantage, meaning that they can invest resources in one region and make those available in another region. Through their adoption of networks that procure inputs from around the globe, they are in a position to attain cost advantages and to create new innovations. But this exposure and outreach to the global market drowns out the local customer intelligence. For instance, when MNEs venture into foreign countries, they experience problems such as culture, laws, and consumers' behavior. All these factors call for substantial resources in localization activities such as hiring local workforce and adjusting products or services.

On the other hand, LEs which are limited in size and financial capabilities outcompete themselves by having detailed market knowledge. This advantage placed them in a position, where they are able to develop a good relationship with customers, suppliers, and other regulatory authorities. LEs tend to follow a glocalisation approach where managers can establish international benchmarks for the local environment. However, this growth potential is often constrained by the firms' failure to expand operations outside of their home countries. Furthermore, apart from competition from other MNEs, LEs are competed by other local players, and as a result, there is always pressure on LEs to increase its operational efficiency and survival through product differentiation.

Perhaps one of the distinct unsavoury positions seen in the strategic value chain relates to innovativeness and risk management. While MNEs can bear the risk of development of new products and services with high risks and low chances of success because they have diverse product portfolios, LEs rely on marginal technological improvements to minimize risks. This strategic divergence raised the issue of the availability of resources and the position of markets in cross-country innovation.

The next major idea is about dynamic or adaptable nature as a way of coping with the volatility of globalization. One clear characteristic of MNEs is flexibility; this is because firms are capable of moving resources from one country to another depending on the global environment. For instance, it is likely for MNEs to relocate production to areas of cheaper labour or higher regulatory incentives. Instead, LEs express flexibility as they are able to make decisions quickly and can also proceed with appropriate alterations quickly. Such flexibility allows LEs to adapt quickly to certain changes in the market environment for instance the entrance of overseas rivals or shifts in local buyers' requirement.

This discussion also emphasizes the rising trend towards the integration of strategies in some lines of business. As we have seen in the technology and the pharmaceuticals industry, LEs are implementing global best practices in order to better face MNEs. Likewise, the upcoming change in MNE strategy is also appreciating the local markets and therefore decentralisation of decision making to reduce global control for optimisation of local markets. This trend indicates that the earlier clear distinction that used to exist between MNEs and LEs is changing in order to bring global efficiency into consonance with local considerations.

6. Conclusion:

The navigation of MNEs and LEs has undoubtedly been shaped by globalization; however, for each the process can be described as different for the other. Both cost advantages and innovation have also been exploited by MNEs and through their scale and global networks. But, they hold the key to success provided they are willing to come out of the problems inevitably associated with the multinational company culture and regulatory systems. While at the same time, LEs have been using their profound understanding of their local markets, focusing on customers to establish competitive niches within their respective home markets. However, as scaled businesses, LEs have unique characteristics of flexibility, market knowledge which have worked to counterbalance the disadvantage of size.

In this case, the distinction between MNEs and LEs also persists to lose its sharpness because both kinds of companies adapt such strategies. That is why, MNEs are most likely to focus on the company's localization activities, providing substantial investments into the local regions and supporting local partnerships. At the same time, LEs could try to internationalize their business by turning to digital environment and networks, export-oriented approaches.

When making policies and plans, policymakers and businesspeople need to understand these dynamics on the ground. Therefore, for MNEs, facilitating an environment that encourages local players for a foreign investment could strengthen their impact on host economies. For LEs, there is evidence that developing innovation ecosystems and global access can help them to develop their businesses.

Further research should investigate how digital globalization is changing firm strategies, especially how the introduction of technology and the use of the various digital platforms to bring together MNEs and LEs. Analyzing such changes in these dynamics will help researchers offer further understanding into the approaches that firms need to take to engage effectively in ever more globally integrated economies.

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