

5.10: Points to Remember

1. There are three generic strategies for creating value in a global context: *adaptation*, *aggregation*, and *arbitrage*.
2. *Adaptation* strategies seek to increase revenues and market share by tailoring one or more components of a company's business model to suit local requirements or preferences. *Aggregation* strategies focus on achieving economies of scale or scope by creating regional or global efficiencies. These strategies typically involve standardizing a significant portion of the value proposition and grouping together development and production processes. *Arbitrage* is about exploiting economic or other differences between national or regional markets, usually by locating separate parts of the supply chain in different places.
3. Adaptation strategies can be subdivided into five categories: *variation*, *focus*, *externalization*, *design*, and *innovation*.
4. Aggregation strategies revolve around generating *economies of scale or scope*. The other nongeographic dimensions of the CAGE framework introduced in Chapter 1—*cultural*, *administrative*, *geographic*, and *economic*—also lend themselves to aggregation strategies.
5. Since arbitrage focuses on exploiting differences between regions, the CAGE framework also defines a set of substrategies for this generic approach to global value creation.
6. A company's financial statements can be a useful guide for signaling which of the "A" strategies will have the greatest potential to create global value.
7. Although most companies will focus on just one "A" at any given time, leading-edge companies such as GE, P&G, IBM, and Nestlé, to name a few, have embarked on implementing two, or even all three, of the "A"s.
8. There are serious constraints on the ability of any one company to simultaneously use all three "A"s with great effectiveness. Such attempts stretch a firm's managerial bandwidth, force a company to operate with multiple corporate cultures, and can present competitors with opportunities to undercut a company's overall competitiveness.
9. Most companies would be wise to (a) focus on one or two of the "A"s, (b) make sure the new elements of a strategy are a good fit organizationally, (c) employ multiple integration mechanisms, (d) think about externalizing integration, and (e) know when not to integrate.

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