

COMPETING WITH GLOBAL PLAYERS

Suzan Boztepe

Middle East Technical University, Department of Industrial Design, 06531 Ankara, Turkey
Phone/Fax: 90 (312) 210-6745, E-mail: boztepe@id.iit.edu

International DMI Education Conference

Design Thinking: New Challenges for Designers, Managers and Organizations

14-15 April 2008, ESSEC Business School, Cergy-Pointoise, France

1. Introduction

In the so-called developing countries, the idea of free market and integration of national economy with the global economy is often promoted as an indicator of modernity and prosperity. After lowering their protectionist barriers, developing countries quickly become target markets for global companies¹. For consumers, this often meant choices they never had before, but, for local companies, the influx of global corporations became a threat they never faced before.

Theoretically speaking, the opportunities are reciprocal. Local companies too can benefit from access to larger markets and economies of scale promised by globalization. However, with little or no experience in competition and marketing, and without financial resources for technological or marketing investment, it is often a major challenge for local companies to compete with global players even at home. In fact, it is argued that reduced trade and investment barriers, instead of providing equal opportunities, increase the asymmetry between those that can cross international borders and those that cannot (e.g., Rodrik, 1997). For example, according to the center-periphery model and dependency theory (e.g., Hannerz, 1997; Wallerstein, 1997), strong industrial centers use their political and trade power to extract an economic surplus from the subordinate peripheral countries. Thus, peripheral and less industrialized countries are positioned as suppliers of commodities and destinations of value-added goods and marketing messages, and left at perpetuating state of dependence which is difficult to break.

From a design standpoint, Bonsiepe (1991, 1999) blames such approaches for focusing too much on factors external to the company and ignoring the competitive advantage, growth and innovation possibilities that could be brought by design and technology. He argues that design in particular has an important role to play in the development of business in peripheral countries. Today, success stories coming from the periphery are growing. The electronics industry of Asia-Pacific region is perhaps the best example. The success of companies such as Samsung, BenQ and Lenovo is largely attributed to their development of innovative capabilities (Hobday, 1995). Design is also mentioned as one of the critical

¹ For simplification purposes, I use the term *global companies* here as an umbrella term to cover companies following *multinational*, *transnational*, *international* and *global* strategies. For distinctions among and comparison across different company strategies, see Bartlett & Ghoshal (1998).

resources in their leapfrogging. However, unlike research on the relationship between technological innovation and business growth, there is still not much attention in business research on design's specific contribution to global competitiveness of local companies.

This paper analyzes how design helps local companies to successfully compete against global players at their home market as well as expand to other markets. The paper uses case studies of Turkish companies from different industries ranging from automotive to textiles. Each case is analyzed from the perspective of (1) what key competitive assets these companies utilize, (2) what the role of design is in their competitive advantage, and (3) what kind of design skills and knowledge are used to achieve sustainable competition at home market and in expanding to other markets.

2. Local Companies in Global Markets

The debate on the globalization of business offers little guidance to local companies because it is biased, mostly reflecting the perspective of global companies. It is primarily concerned with how established western companies can further extend their operations to new markets and manage internationally. For example, some of the main issues include the question of whether converging lifestyles and desire for the same global products exist (e.g., Alden, Steenkamp, and Batra, 2006; Gullien, 2001; Levitt, 1983); barriers to and problems of entry to new markets (e.g., Yip, 1992); how to cope with the realities of the new markets more effectively (e.g., Bartlett and Goshal, 1998; Douglas and Craig, 1989; Hamel and Prahalad, 1985; Holt, Quelch and Taylor, 2004) and how to adopt an appropriate marketing and product strategy which will help to successfully penetrate into new markets (Calantone, Cavusgil, Schmidt, and Shin 2004; Ozsomer and Simonin, 2004; Takeuchi and Porter, 1986).

That said, what works for western global companies may not always work for companies in developing countries, as each operates in a different setting which poses a unique set of challenges. Even to stand-up the competition at home, local companies have to overcome several disadvantages such as political and economic instabilities, technological dependency on global and multinational companies, manufacturing- and assembly-oriented industrial system, and consumer bias and negative perception of

local products. For example, according to McKinsey Company's survey, Turkey utilizes only a little more than half of its potential productivity level due to the economic volatility (Baser, Farrell, and Meen, 2003). High interest rates, relatively high inflation and high government debt create an extremely unstable situation for businesses. Therefore, many companies direct their effort towards OEM production and cost based competition, which are perceived to be of lower risk. In the Turkish case, proximity to the European markets, cheap skilled workforce, and policies encouraging foreign direct investment make OEM agreements even more desirable. This, in turn, creates dependency on global and multinational companies, as well as manufacturing- and assembly-oriented industrial system. Also, consumers' perceptions about local products as having low quality, in contrast to imported products, makes it difficult for local companies to be competitive even at their own markets.

Few studies on local businesses demonstrate that local companies can effectively defend their market against global companies (e.g., Bartlett and Ghoshal, 2000). It is even argued that local companies possess unique opportunities and advantages over their global counterparts (e.g., Dawar and Frost, 1999; Khanna and Palepu, 2006). One such key advantage is their understanding of the local *capabilities and resources*, such as the knowledge of locally available materials, culture-specific work models, local infrastructure, established service, supplier and distribution networks, etc. For example, Indian Bajaj motor was able to keep its leading position in the market due to its widely accessible distribution system and omnipresent service network of roadside mechanics that fit well with the Indian way of doing business. Its established service network and knowledge of the local infrastructure helped Bajaj stand against Honda, which entered the Indian market with technologically and aesthetically more advanced models than the local ones, but was sold mostly through outlets in major cities and therefore reached only a very small segment.

Deep cultural and market knowledge is another strength that local companies could build on (Ger, 1999; Khanna and Palepu, 2006). According to Ger (1999), local companies should focus on building a *cultural capital*. She borrowed the term from Bourdieu (1984), who originally introduced it to refer to one's potential capacity to produce economic or social profits through accumulation of knowledge, skills,

education, taste etc. In a similar way, local identity and culture is an asset that could enable local firms to create economic value. Although recent design and business research advises global companies to acquire local knowledge, tailor their offerings, and innovate based on local needs (e.g., Ghemawalt, 2003), global companies are reluctant to localize since the associated effort and costs are high, and the size of each individual market is perceived as being small (Appelbaum, 2000; Calantone et al., 2004). Therefore, they primarily target the so-called global customer segments, which supposedly consist of customers who demand products with the same attributes and quality as those in developed countries, and could afford higher prices. According to Khanna and Palepu (2006), this leaves out what they call the *glocal* segment, that is, the group that demands products with global quality, but with functions and features that fit their local context and needs, and at an affordable price. Not to mention that it overlooks the segment defined as the *bottom of the pyramid* by Prahalad and Hammond (2002). That is, the largest segment of society with considerable cumulative buying power remains largely untapped. So, given the enormous size of the under-served market, creating products that target the glocal and the bottom of the pyramid segments could be a strategy to enable local companies to cater to large markets.

Another prospect for success is the East Asian model, as mentioned earlier. Companies there have used the OEM or joint venture agreements with global companies as an opportunity *to learn from global companies* (Hobday, 1995; Kim and Nelson, 2000). They have effectively used their collaboration with global companies to build up a technological base, transfer state-of-the-art work models, and develop innovative capabilities and a culture of RandD. Thus, over time, they have moved from offering manufacturing services to global companies to offering their own designs to known brands. Companies like BenQ or Flextronics have these days moved further to offering their own co-branded or branded products which enable them to reap even higher profits.

3. Design and Global Competitiveness

Research shows that design is a critical competitive tool, and a means for creation of economic value (e.g., Borja de Mozota, 2003; Heskett, 2002; Hertenstein and Platt, 2002; Walsh, Roy, Potter, and Bruce,

1992). According to Walsh et al., design contributes to the creation of both price and non-price competitive factors alike. However, as cost based competition is increasingly seen as unsustainable, the role of design as a tool for differentiation has gained particular significance. After all, it is design's responsibility to create product characteristics such as appearance, image, ease of use, ergonomics, safety, comfort, reliability, or that become key differentiators in the eyes of customers. For Lorenz (1986), that is the case especially when it comes to competition in global markets. Unghanwa and Baker's (1989) research on international competitiveness of receivers of British Queen's Award shows that companies with higher international competitiveness are also attentive to design issues which create differentiation such as use performance, sophistication, and aesthetics. Creating differentiation is not the only way design could contribute to business success and competition. Design thinking and process are critical business assets too. Borja de Mozota (2006) claims that, in addition to being a differentiator, design plays the role of integrator; that is, resource for improving the NPD process, and transformer; that is, resource for defining new opportunities. In global markets, design adopting a user-centered approach and employing pro-active user research is claimed to be particularly effective in identifying new opportunities (Whitney and Kumar, 2003). Through its understanding of human factors, and specifically, cultural human factors, design helps create new products which resonate with local needs (Heskett, 1995; Whitney, 1995).

As in business research, the debate in design is biased too in that it reflects one side of the coin only. Most research on design's contribution to business success is carried out from the perspective of the companies in the industrialized countries. According to Margolin (2006), in research on developing countries, design's contribution is too much aligned with social development and poverty alleviation. This ignores the true potential that design could bring to the development of these countries through industrial activity and creation of globally competitive products. Several studies exist which build a link between design's use as an industrial activity and the overall national competitiveness and economic development in these countries (e.g., Bonsiepe, 1991,1999; Chatterje, 2005; Kyung Won, 1998). But, given the challenges and opportunities already discussed, how could design be used specifically as a competitive

tool at company level? How could the design's potential as differentiator, transformer, and integrator in Borja de Mozota's (2006) terms be used for achieving success against big global players?

4. Case Studies

The following case studies represent companies that have achieved success in competing against global players. They cover various industries in Turkey, namely textiles, electronics, glassware, ceramics, and automotive. Through these cases I attempt to identify what strategies the selected companies use, what key competitive assets they utilize, what the role of design is in their competitive advantage, and what kind of design skills and knowledge are used to achieve sustainable competition at home market and in expanding to other markets. In these stories, design is seen as contributing to, or having a great potential to contribute to, the shaping and execution of four major strategies: (1) tapping into tradition, (2) building pride in local identity, (3) targeting local problems, and (4) adaptive learning from partners.

4.1. Tapping into Tradition

Traditions are time-honored practices passed down through generations. They are a complex set of practices, symbols, and objects. A number of Turkish companies have already exploited their internalized knowledge of the local culture and traditions to achieve market success. One of the most obvious approaches is to apply traditional visual elements, such as forms, icons, surface treatments etcetera on product form and styling in order to develop products with high symbolic and emotional value. Others have looked into practices and needs surrounding traditional practices such as cooking and eating.

Pasabahce is one such company that protects its position by adopting this strategy. It is Turkey's largest glassware manufacturer, established in 1935 as one of the major industrial facilities of the then newly founded Turkish Republic. But it is in fact considered as being the successor of the Beykoz Glassware Production which dates back to the 18th century. Because of this history, the company has assumed an approach of both carrying on the Beykoz tradition and producing affordable everyday glassware to masses. This translates to a large product portfolio ranging from the common tulip shaped

tea glasses to rare hand-made glass objects available through various channels from street vendors to prestigious Pasabahce stores. The strategy is to preserve the past and the unique cultural values while exploring future possibilities. For this reason, Pasabahce encourages designers to study traditional forms and production methods, but they also co-place designers in the R&D division with engineers working on new technologies and materials. This sometimes results in revising, reinterpreting, and putting back into fashion forms that had been taken for granted or had become obsolete. For example, the redesign of the tulip shaped tea glass has come in time when younger generation is oriented toward using mugs and the traditional glass had started to be perceived as belonging to the older generation.

In the early 1990s, Pasabahce faced competition from Arc International (Luminac, Arcoroc, Arcopal) which entered the market with low cost and high quality glassware products. However, their product portfolio was quite limited compared to that of Pasabahce, which has evolved and fine-tuned over the years to meet the needs of Turkish households. Moreover, the symbolic connotations of Pasabahce products and brand are deeply rooted. Pasabahce invests effort to reiterate its roots through special limited collection of hand made pieces. For example, one of the two limited collections introduced in the beginning of 2007, called *history-culture-glass*, is based on a reinterpretation of forms and decorative patterns of Anatolian Civilizations, such as Assyrian and Hittite pottery and Zeugma mosaics. Such collections initially used to be a natural extension of Pasabahce's product line. However, in the past few years, they have become museum-like collector pieces.

Eczacıbaşı's Vitra is a ceramics, sanitary ware and bathroom manufacturer established 60 years ago. Vitra is one of Turkey's largest exporters, 84% of its manufacturing goes to 75 countries worldwide. Vitra formed its design department during the early 90s as part of its R&D team. During the same period, the company also invested in technology and development of quality management principles. Technology, however, was not considered as a way of reducing cost but as a way to enhance quality and design's capabilities. While the company initially sought design's contribution to the product's quality, style, improved process, and added value, later it started using design as a way to establish itself as a distinctive brand. In so doing, the company used design to create a rich bathroom experience through

sensual innovations inspired by the traditional bathroom culture. Vitra's collaboration with local designers Inci Mutlu and Defne Koz resulted in highly innovative products such as tiles inspired by Iznik ceramics, Ottoman ebru arts, and mosaics. Similarly, Ross Lovegrove studied Ottoman architecture, geometries and calligraphy. He then combined elements of these with his own organic style to create the Istanbul collection, which includes more than 100 products (Figure 1). Manufacturing the Istanbul collection was costly and involved several technical difficulties and its commercial success is unknown. But, its wide appearance at exhibitions and fairs and the extensive international media coverage it received helped contribute to the creation of an innovative brand image Vitra aimed for. The company's collaboration with design consultants and design-led innovation set an example for the rest of the Turkish Ceramics industry. Companies like Roka Kale and Serel too turned to design consultants for innovative, high-value added products. However, it remains to be seen if they will be able to sustain the initial positive market response and innovation without developing internal design competencies.

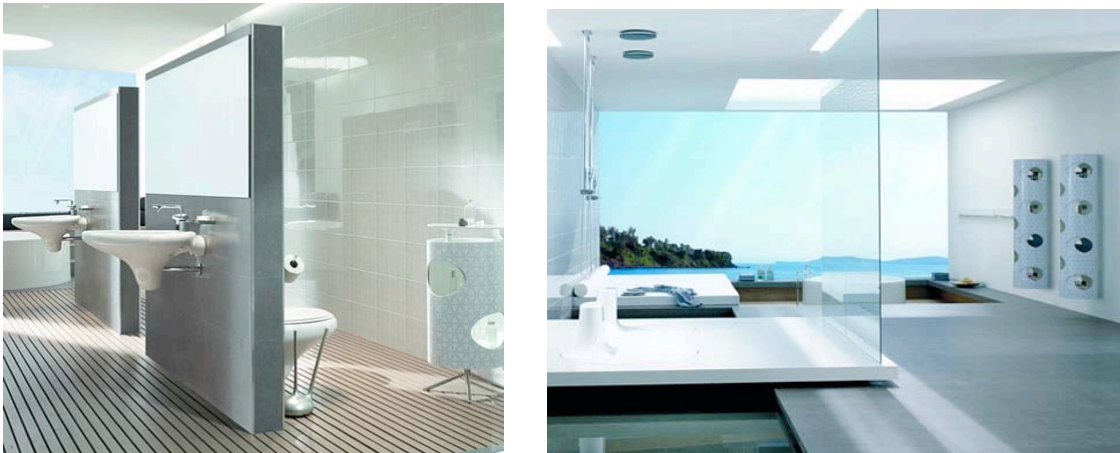


Figure 1. Vitra Istanbul collection

Tapping into tradition is not limited to formal explorations only. For example, white goods manufacturer Arcelik's products such as the Turkish coffee maker, *Telve*, and the tea maker, *Tiryaki*, address particular local practices of tea and coffee making. For example, the electric tea maker replicates the steps in the conventional brewing technique. Also, visually, it carries the formal connotations of the conventional tea maker, where two pots are rested on top of each other. Nevertheless, these products

target practices which are closely related to catering of guests, and thus, the effort invested is not seen as a chore. This has remained as a barrier of market acceptance for domestic use so far. Yet the mere existence of such products on the market increases local customers' trust in the brand.

4.2. Building Pride in Local Identity

Erak Clothing's *Mavi Jeans* brand, established in 1991, today stands up as one of the top under-20 brands in the United States. (Time, 2006). During the 1980s, Erak was a contract manufacturer for famous brands like Lee, Wrangler, CK, and Esprit, among others, capitalizing on top-quality Turkish cotton and competitive labor costs. This gave an opportunity to the company to learn from its buyers and contract granters about how to improve its production processes, increase its manufacturing speed and flexibility, and obtain high quality products in a consistent way. But, even more importantly, through interaction with buyer companies like the Italian Rifle, the company learned that real profits were in establishing its own design and branding capabilities (Tokatlı and Kızılgün, 2004). So, when in 1991 Mavi Jeans was introduced, design and brand were the two major differentiators for its products. At that time, an established jean market with several well known western brands, such as Lee, Levi's, Mustang etc. as well as local ones giving the impression of being imported products, such as Pyramid, Loft etc. already existed. In terms of brand name, Mavi chose a risky but well paid off strategy of using a Turkish name (mavi=blue). It is rare for a company producing "western product" to stress localness through their name. The logo, which is a modern and youthful crescent and star interpretation, symbols of the Turkish flag, further emphasized the brand's origins. Later it adopted the evil-eye, again, a very culture-specific icon, as its logo. This, however, combined with the unique design and high quality, increased the respect and self worth rather than creating reactance. At the time Mavi entered the market jeans were almost identical. Mavi chose to treat them as fashion items like any other garment. It also utilized very well the Turkish competency in textiles offering unique denims ranging from soft fleecy feel to heavy knitted ones.

Mavi's real success, however, came with its exports, and specifically with its entry to the U.S. market. Here it is marketed as a "designer" brand at stores like as Bloomingdale's, Nordstrom as well as

the recently opened Mavi flagship stores. The company targeted exclusive niches which would appreciate the designed details, unique materials, and carefully crafted fits. Mavi Jeans develops designs based on the trends and concerns in different countries, and works with designers from that country. In the United States, for example, it works with Adriano Goldshmeid from CK who knows well not only the standards and tastes but also the lifestyles of the American MTV generation. Because of its own flexible, high-tech production plant, Mavi can afford to customize its jeans to accommodate different tastes, body shapes, fits, and user habits. Over the years, Mavi moved to design a total brand experience, treating jeans, stores, communications, events etc as part of a unified design concept. The success abroad reduced the feelings of deficiency, led to increased self-esteem and self-respect, and fostered pride in the local market, leading to an empowering and confidence-building cycle at home. Mavi is an excellent example of how the prejudice and the disdain to local products could be overcome. It is also a perfect example of how, through original design and marketing, local competency in raw materials can turn out to be a high value-added competitive advantage.

4.3. Addressing Local Problems

One of the opportunity areas for local companies discussed earlier was serving to segments to which global companies were not sensitive enough. For many global companies, this means offering cheaper and lower technology or obsolete products, ignoring users' real needs and demands for sophisticated products.

Karel Electronics is a company that was able to establish itself as a major player in the Turkish market by identifying a largely unexplored market for small-scale telephone switchboards. In Turkey, more than 95% of businesses are SMEs. Such businesses need easy-to-use, robust telephone systems with few lines, and usually cannot afford full-scale switchboards. Even if they could, much of the capacity offered would remain unused, and a large amount of office space would be occupied. So Karel was initially founded to design fully automatic telephone switchboards for small offices. The company grew rapidly selling these PBSs and peripheral products through the distribution network composed of

authorized distributors, wholesalers, dealers and resellers. This network has over time become a means for user feedback communicated directly to the design team.

Over the years, Karel used internal designers and design consultancies, like Izmir based Nesne Tasarım, to develop its products to better meet the needs and desires of the SMEs, and support its core product with peripheral systems, giving its customers the chance for one-stop-shopping for all their communications needs. For example, their smallest PBX, called MS38, was redesigned offering not only several capacity options, but also an attractive appeal, smaller space occupancy, easier installation and use (Figure 2).



Figure 2. Karel MS 38 Switchboard

The need for such small scale PBXs at an affordable price existed in other countries with similar business structure. Today, Karel sells in about 50 countries such as Poland, Hungary, Romania, Jordan, Tunisia, Saudi Arabia, Lebanon, Egypt, Iran, Nigeria, India, Greece, Spain and Portugal. In some countries, Karel's price differential with the closest competitor runs up to fivefold.

An automotive company, *Otokar*, has also succeeded in remaining competitive using the same strategy. Otokar is a manufacturer of vehicles such as city buses, mini- and midi-buses, trailers, and armored vehicles. Otokar produces under license agreements, previously of Magirus-Deutz and now Land Rover. Although Otokar does not have its own technology, it successfully identifies the market gap and

adapts licensed technology to local requirements. Take, for example, the minibuses designed and produced specifically as dolmuş², like the M2000 series (Figure 3). Otokar minibuses have become the prototypical vehicle of dolmuş service. Since most dolmuş drivers are also the owners of the vehicle, cost, durability and the availability of spare parts are the three most important factors for them in buying decisions. Therefore, a major design priority is to make a durable vehicle with low-purchase, low-operation, and low-maintenance costs. Dolmuş minibuses are designed to allow for several standing passengers since there is always more demand than the seats available. The role of design here is to provide the base equipment only.



Figure 3. Otokar M2000 minibus

Iveco and Mercedes have recently attempted to enter the dolmuş market. Instead of designing a new minibus specifically for use as a dolmuş, they adapted their commercial minibuses by adding seats and windows. This and the more sophisticated production systems of each of these two companies made the retail price of their dolmuş minibuses much lower than that of Otokar's. In the end, however, these vehicles turned out to be less effective and less durable. They also failed to match the low cost spare parts of Otokar and the widespread service network that Otokar has established over the years. Otokar

² Dolmuş is a unique public transportation in Turkey. It can be described as a collective cab, which follows a specific route, but has flexible stops. Dolmuses are more readily available than city buses, and the ride costs less than it does with cab.

minibuses and Sultan series midibuses are also in high demand in countries where the traffic and the infrastructure is similar to that of in Turkey, such as the Middle Eastern countries.

4.4. Adaptive Learning from Partners

The success story of Mavi Jeans discussed earlier shows that local companies can learn and acquire knowledge that moves them to creating higher value added products through partnerships, contract or license agreements with established global players. Although the high value added activities of global players remain firmly in their headquarters, such as design and marketing, an awareness of those activities starts to emerge among the local partners. For example, this is exactly what happened with Vestel's move from OEM to original design manufacturing (ODM) to own brand management (OBM). During its OEM contracting, Vestel not only built an awareness of the value added by design among its clients, but it also learned how designers function within a company thanks to its close collaboration with designers in companies like Toshiba and Sharp. Creating its own original designs soon became indispensable for Vestel to keep its existent clients from moving away to low-cost Chinese OEM manufacturers as well as to attract new ones. Designers are primarily responsible for churning large numbers of stylistically varied models within short product development times. Vestel's Design Manager comments that this is necessary since their clients want to look different from their competitors, even for the cheapest models. That is, large numbers and aesthetically pleasing models lock-in clients. The move from OEM to ODM has brought high returns to the company and the management with regards to design as a key competence in moving up in the value added chain, and eventually establishing Vestel's own brand. According to Heskett (2003), in brand managing organizations, design has a companywide impact, and it functions at management and strategy levels. In OEM and ODM organizations, on the other hand, design's impact is on the product itself, and designer's role is that of an executant. Vestel views design as a critical tool in brand development, but its design approach is still that of an ODM company. Vestel's designers believe they could have a much greater contribution to the growth of the Vestel brand if they were allowed to get involved in the areas of problem definition, research and creation of branding strategies.

What distinguishes Vestel from Mavi and Otokar is that Vestel attempts to compete with the global companies on the same terms, whereas others adapt what they have learned to utilize local needs or resources. Since the former is perceived to be risky and the company does not want to make extensive marketing investment, it keeps its branding efforts limited to domestic and a few export markets for now.

5. Discussion

All cases analyzed so far have achieved some success in competing with the global players, utilizing their knowledge of the local culture and resources to some extent. Note however that such knowledge may be innately available to any company. That is, by definition, it is internalized and tacit (Polanyi, 1967). As such, it may easily be taken for granted or devaluated as a competitive asset. So it is one thing to possess the knowledge, but quite another to be able to turn it into a competitive strategy. It is exactly here, that is, in the process of putting the local knowledge into use that design comes into play. As McCracken (1988) writes, design, by acting as cultural translator, carries major responsibility in creating a seamless transfer between spheres of production and use. Design uses its understanding of local problems, behaviors and culture to create products in such a way that users can see that the object so designed possesses certain cultural meanings and addresses their real needs.

For designers, using cultural resources is not an easy and straightforward task. For one thing, there is always the danger of trivialization of the local culture by fostering stereotypical images or creating a temporary popular trend or fad. Also, relying on one advantage only, such as reinterpretation of local forms and symbols, may not lead to sustainable competitive advantage, as it is not hard to replicate strategy. The cases discussed above do not really use one of the advantages only, but choose to blend several of them. For example, Otokar designs vehicles particular to local needs, but it is also supported with a complex supplier, distributor, and service network. Similarly, Mavi capitalizes on designs exploiting high quality local cotton, but is also attentive to different tastes, and relies on flexible manufacturing capabilities acquired over time. Vitra's emotionally pleasing designs are made possible with improved manufacturing technology. That is, in order to contribute to the competitiveness of local

companies, design has to go beyond the trivial application of cultural icons. The true contribution comes when it is able to combine the understanding of the local context and cultural values with the unique resources and manufacturing and market conditions of the local firms in the creation of user-centered, culturally desirable and appropriate products.

Yet another challenge is to be able to utilize the local knowledge on an ongoing basis. Local companies which start with an insight of an unmet user need, or have an innate understanding of what is socially desirable may become blind to their own local understanding, as they grow larger and distance themselves from their users. As more global companies are investing to better understand local markets by employing social scientists and user-centered design teams, local companies cannot safely rely on their own intuitive understanding of the local culture. Therefore, they too need more structured approaches to explicate their local knowledge, and get constant user feedback.

It is clear that a better understanding of the local problems, behaviors and culture, and creating products that communicate those give the company a strong position at home. But the question still remains as to how a company's competitive assets translate internationally, if at all, when they rely on local knowledge only? Domestic and global markets are different and it cannot be safely assumed that a company could successfully leverage its domestic position (Craig and Douglas, 2000). The strategy that many local companies that want to go global adopt is to build capabilities and resources that big players have, target the same market, and try to catch and match them. This is very difficult to achieve considering the fact that locals start far behind in terms of resources, and face political and economic barriers. The cases analyzed here have been chosen based on their success in the domestic market, but all have some international presence too. Figure 4 shows the alternative paths taken by these companies.

By focusing on local needs and cultural values which are not otherwise known to the western global companies, local companies may not only secure their position at home but also set a launching path for global expansion. One strategy for local companies would be to target niche markets abroad emphasizing localness, authenticity, uniqueness, and prestige as distinguishing characteristics, as in the case of Vitra. Such a strategy needs to be supported with sophisticated design and marketing. Another

strategy would be to look for markets with similar market characteristics and user needs. This works specifically for companies competing on the basis of solving local problems, like Karel and Otokar. Opportunities in this area could be abundant, especially for companies that target the base of the pyramid, as this segment’s needs are largely unmet, and, to a certain extent, are similar worldwide. Yet another strategy would be developing an understanding of the industry in which the company operates. Here the challenge is to identify unique strengths and gaps in the global market, as in the case of Mavi Jeans, which leveraged its competencies in manufacturing and materials with fashion.

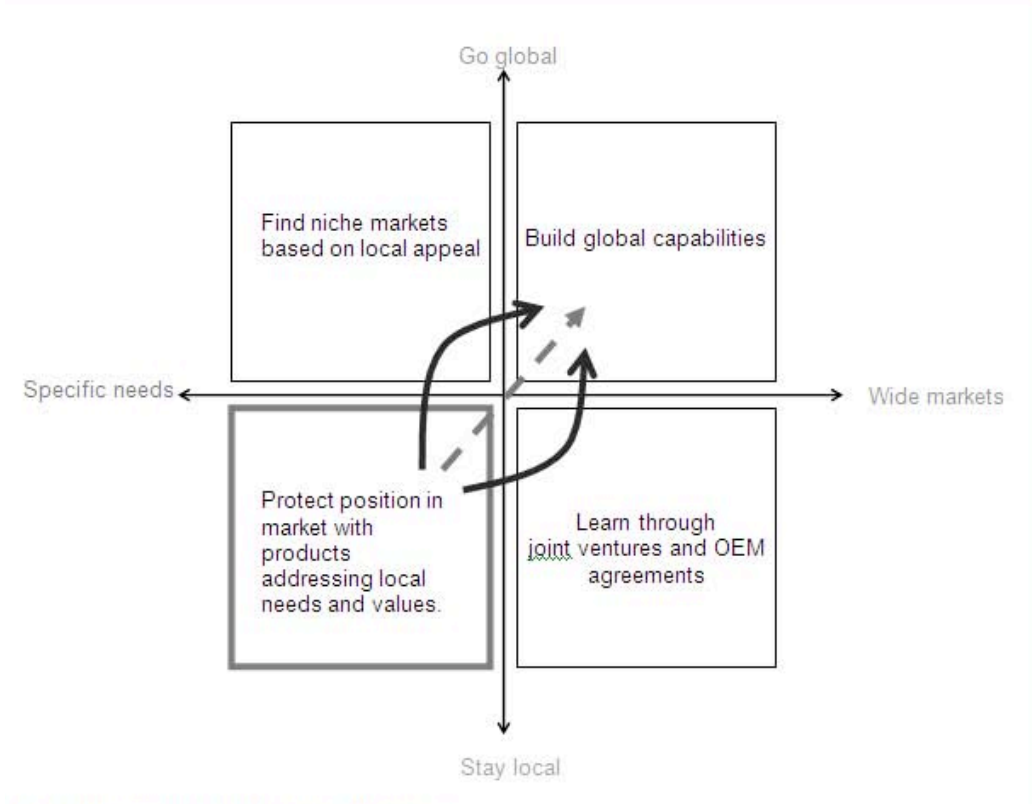


Figure 4. Alternative strategies for global competitiveness.

It is perhaps not a coincidence that companies analyzed here acquired design capabilities as part of their efforts to compete against their global rivals at home, to sell their products internationally, or to build their own original brands. But although design does contribute to the success of local businesses, acquiring design capabilities alone is not sufficient. Design is not a magic wand *per se*, but part of corporate and business strategies. So it is the development and effectiveness of firm strategy that supports innovative

design that matters, as well as the management and integration of design to business functions. The cases also showed that design brings change and a culture of innovation. How exactly design contributes to the establishment of a culture of innovation in local firms, to the move from OEM to brand development, or to the establishment of globally competitive businesses deserves further research attention. Also do the mechanisms of organizational learning and strategic integration of creativity and design thinking, and their impact on business performance.

References

- Alden, D. L., Steenkamp, J. B. E. M. and Batra, R. (2006). Consumer attitudes toward marketplace globalization: Structure antecedents and consequences. *International Journal of Research in Marketing*, 23(3), 227-239.
- Applbaum, K. (2000). Crossing borders: Globalization as myth and charter in American transnational consumer marketing. *American Ethnologist*, 27(2), 257-282.
- Bartlett, C. and Ghoshal, S. (1998). *Managing across borders: The transnational solution*. Boston, MA: Harvard Business School Press.
- Bartlett, C. and Ghoshal, S. (2000). Going global: Lessons from late movers. *Harvard Business Review*, 78(2), pp.133-42.
- Baser, D. D., Farrell, D. and Meen, D. E. (2003). Turkey's quest for stable growth. *McKinsey Quarterly*, Special Edition: *Global Directions*.
- Bonsiepe, G. (1991). Developing countries: Awareness of design and the peripheral condition. In G. Bonsiepe (Ed.), *History of Design: 1919-1990 The Dominion of Design* (pp.252-262). Milan: Electra.
- Bonsiepe, G. (1999). *Interface: An approach to design*. Maastricht, Netherlands: Jan van Eyck Akademie.
- Borja de Mozota, B. (2003). *Design management: Using design to build brand value and corporate innovation*. New York: Allworth Press.
- Borja de Mozota, B. (2006). The four powers of design: A value model in design management. *Design Management Review*, 17(2): 44-53.
- Bourdieu, P. (1984). *Distinction: A social critique of judgment of taste* (R. Nice, Trans.). Cambridge, MA: Harvard University Press. (Original work published 1979)
- Calantone, R. J., Cavusgil, T., Schmidt, J. B., and Shin, G. C. (2004). Internationalization and the dynamics of product adaptation – An empirical investigation. *Journal of Product Innovation Management*, 21(3), 185-198.
- Chatterje, A., (2005). Design in India the experience of transition. *Design Issues*, 21(4), 4-10.
- Craig, C. S., and Douglas, P. S. (2000). Configural advantage in global markets. *Journal of International Marketing*, 8(1): 6-26.
- Dawar, N and Frost, T. (1999). Competing with giants. *Harvard Business Review*, 77(2), 119-129.
- Douglas, P. S., and Craig, C.S. (1989). Evolution of global marketing strategy: Scale, scope and synergy. *Columbia Journal of World Business*, 24(3), 47-59.
- Ger, G. (1999). Localizing in the global village: Local firms competing in global markets. *California Management Review*, 41(4), pp.64-83.
- Ghemwalt, P.(2003). The forgotten strategy. *Harvard Business Review*, 81(11), 77-84.
- Guillén, M. F. (2001). Is globalization civilizing, destructive or feeble? A critique of five key debates in the Social Science literature. *Annual Review of Sociology* 27, pp. 235-260.

- Hamel, G., and Prahalad, C. K. (1985). Do you really have a global strategy? *Harvard Business Review*, 63 (4),139-48.
- Hannerz, U. (1997). Scenarios for peripheral cultures. In A.D. King, ed. *Culture globalization and the world system: Contemporary conditions for the representation of identity*.
- Hertenstein, J., and Platt, M. B. (2002). Developing strategic design culture. *Design Management Journal*, 8(2): 10-19.
- Heskett, J. (1995). Cultural human factors. In S. H. Poggenpohl and K. Chen, eds. *Design innovation for global competition*. Chicago: Institute of Design Press, 24-42.
- Heskett, J. (2002). *Toothpicks and logos: Design in everyday life*. New York: Oxford University Press.
- Heskett, J. (2003). *Shaping the future: Design for Hong Kong*. Hong Kong: The Hong Kong Polytechnic University.
- Hobday, M. (1995). *Innovation in East Asia*. Cheltenham, UK: Edward Elgar.
- Holt, D. B., Quelch, J. A., and Taylor, E. L. (2004). How global brands compete. *Harvard Business Review*, 82(9), 68-75.
- Khanna T., and Palepu. K. G. (2006). Emerging giants: Building world class companies in developing countries. *Harvard Business Review*, 84(10), 60-69.
- Kim, L., and Nelson, R. N. (Eds.) (2000). *Technology, learning, and innovation: Experiences of newly industrializing economies*. Cambridge, UK: Cambridge University Press.
- Kyung Won, C. (1998). Strategies promoting Korean design excellence. *Design Issues*, 14(2), 3-13.
- Levitt, T. (1983). The globalization of markets. *Harvard Business Review*, 61(3), 92-102.
- Lorenz, C.(1986). *The design dimension: Product strategy and the challenge of global marketing*. Oxford, UK: Basil Blackwell.
- Margolin V. (2006). Design for development: Towards a history. *Proceedings of the Wonderground Conference, Lisbon, Portugal, 1-5 November 2006*.
- McCracken, G. (1988). *Culture and consumption: New approaches to the symbolic character of consumer goods and activities*. Bloomington, IN: Indiana University Press.
- Özsomer, A. and Simonin, B.L. (2004). Marketing program standardization: A cross-country exploration. *International Journal of Research in Marketing*, 21(4), 397-419.
- Polanyi, M. (1983). *Tacit dimension*. New York: Peter Smith Publisher Inc.
- Prahalad, C. K. and Hammond A. (2002). Serving the world's poor profitably. *Harvard Business Review*, 80(9), 48-57.
- Rodrik, D. (1997). Has globalization gone too far? *California Management Review*, 39(3), 29-53.
- Takeuchi, H. and Porter, M. E. (1986). Three roles of international marketing in global strategy. In M. E. Porter (Ed.), *Competition in Global Industries* (pp.111-146). Boston, MA: Harvard Business School Press.
- Tokatlı, K. and Kızılgün, Ö. (2004). Upgrading in global clothing industry: Mavi Jeans and the transformation of Turkish firm from full-package to brand-name manufacturing and retailing. *Economic Geography*, 80(3), 221-240.
- Unghanawa, D. and Baker, M. (1989). *The role of design in international competitiveness*. London: Routledge.
- Wallerstein, I. (1997). The national and the universal: Can there be such a thing as world culture? In A.D. King, ed. *Culture globalization and the world system: Contemporary conditions for the representation of identity*.
- Walsh, V., Roy, R., Potter, S. and Bruce, M. (1992). *Winning by design: Technology, product design and international competitiveness*. Oxford: Blackwell.
- Whitney, P. (1995). Design and Global Competition. In S. H. Poggenpohl and K. Chen (Eds.), *Design innovation for global competition* (pp. 8-23). Chicago: Institute of Design Press.
- Whitney, P. and Kumar, V. (2003). Faster, cheaper, deeper user research. *Design Management Journal*, 14(2): 50-57.