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BY WILLIAM R. KERR

THE LEADING QUESTION
How should companies pursue global expansion?

FINDINGS

- **Determine whether to take your best products to new markets or harness the best the world has to offer.**
- **Understand whether your business model has local or global network effects — or both.**
- **Ask whether your business needs to operate in five or more countries to have sustained long-term success.**

EXECUTIVES IN LARGE COMPANIES are seeking to harness globalization in new ways when launching their ventures — and for good reason. The opportunities for global businesses are expanding thanks to rapidly emerging product markets, the worldwide race for talent, and the widening impact of digitization. Moreover, success stories such as Airbnb Inc., Uber Technologies Inc., and Rocket Internet SE are spurring the imaginations of new entrepreneurs while highlighting the vulnerability of many traditional businesses.

For the last two decades I have researched and consulted to global ventures, studying their business models and the leadership and managerial challenges aspiring global companies encounter. (See "About the Research," p. 60.) While the idea of globalization is top of mind for many managers, the practical lessons about how companies can harness global opportunities into their business models are not well developed. What can new ventures, either *de novo* startups or internal ventures in large companies, learn from successful ventures such as Airbnb, which has shaken up the lodging industry, and Uber, which has challenged the way millions of people think about local transportation? And how do new business models for globalization compare with the traditional strategies for multinational expansion?

My research points to subtle but critical differences in how globalization is leveraged even among organizations that seem on the surface to be quite similar (for example, businesses engaged in outsourcing). Traditional approaches to globalization start with a mindset of taking the company's best products or services to global markets and often use cross-border opportunities to lower costs. I call this approach "globalizing the best that your company can offer," where the core focus is on how globalization can enhance your existing products and profit formulas. However, there are other organizations that build their businesses *on top of globalization itself* — what I call "harnessing the best that the *world* has to offer." Such businesses display a sharp external focus, harness the resources and ideas of others, and aspire to achieve a large global footprint quickly. The digital economy can enable these ventures, but the real differentiator is the managerial approach taken toward the business.

In addition to identifying different business models, my research highlights best practices that can support managers in globalizing their businesses, ranging from tailoring the businesses for the local environment to leveraging global network effects. Applying these practical lessons can boost returns from globalization for young and established businesses alike. This article also examines the increased operational complexity of global ventures and how considering the trade-offs between the benefits and costs can help managers find the optimal global footprint for their organization.[1]

Models for Global Expansion

We are accustomed to seeing growth-minded companies have a presence in a few countries, often established over long periods of time and perhaps with some pain. Against this backdrop, some highly visible global ventures are finding ways to establish themselves in dozens of countries at once.

ABOUT THE RESEARCH

The ideas contained in this article were developed in the course of my research on more than 20 case studies of global ventures; my review of academic studies, popular press articles, and discussion forums on these issues; and my consulting work with global companies. The case selection and development process was guided by a desire to understand the origins and operations of truly global businesses that could not exist in a single country. A particular theme in my research over the past 15 years has been examining how global flows of talent lead to the formation of businesses that take advantage of global opportunities. My recent work considers the effectiveness and liabilities of globally distributed inventor teams within large corporations. For this project, I analyzed patent filings, the Orbis database developed by Bureau van Dijk through national accounting records, and similar sources to establish regularities in the span of global ventures. I thank the global entrepreneurs who have worked with me on the cases. And I have benefited greatly from workshops for executives that brought together business leaders navigating global settings. Over the years, I have consulted with large and small businesses on the operational challenges of running multi-country companies and how managers can address the challenges.

San Francisco-based Airbnb, for example, is a poster child for rapid global expansion. Founded in 2008, today it provides accommodations in over 34,000 cities in 191 countries. There has also been tremendous growth in the contract labor market. Upwork Global Inc., for example, based in Mountain View, California, was formed by the merger of two online staffing companies in 2014. However, it is different from traditional outsourcing companies that directly employ overseas staffs to support client needs; Upwork, by contrast, has some 12 million independent contractors that it connects with about five million clients around the world. To appreciate the various opportunities for globalization, it's important to examine the business model spectrum in greater detail.

Globalize the best the business can offer. As noted above, the traditional route to becoming a global company involves taking existing products or services to new markets. For example, an established hotel company with a well-honed set of lodging concepts and brands may seek to operate new properties in overseas locations. Similarly, a young outsourcing company that has successfully assembled expert talent in a lower-wage country may offer access to its resources to new clients in high-priced markets. In the hotel example, the company might be relatively mature; in the outsourcing example, globalization might be woven into the original business model. Sometimes, companies seek multiple advantages from globalization at once.[2]

In classic corporate strategy, several tests have been developed for companies contemplating a multinational presence.[3] For example, the "better off" test requires that the company create some extra value by performing an activity in a new market. The "ownership" test requires companies to articulate why they should own the necessary resources rather than purchasing them (for instance, setting up their own facilities abroad rather than outsourcing the work to a contract vendor).[4] These tests make a critical but nonobvious assumption— that companies are analyzing their next moves in a global setting as opposed to thinking through how they can approach globalization in fresh ways.

Harness the best that the world can offer. Companies that develop ambitious global offerings from the ground up take a different approach. In contrast to traditional hotel companies, Airbnb, for

> As important as network effects and digital platforms may be, they are not the only important thing that sets these models apart.

example, didn't take an existing product concept that it was executing well and export it to new locations. Instead, the founders went after a global opportunity. They saw that travelers were seeking accommodations and would stay in private dwellings rather than branded hotel chains, and that many people would be willing to rent their apartments and homes to travelers. Airbnb doesn't own the resources being offered but instead built a business model that harnessed its global insight.

Likewise, Upwork and other players in the global labor market space don't have dedicated teams in India to perform work for their own outsourcing clients. Instead, they have focused on an opportunity: that large differences in wage rates and talent availability enable companies that have work to hire contractors in less expensive locations who would love to sell their services. Upwork's platform has predictably connected companies in the United States with contractors in India. But it has also brought businesses in countries such as Russia, Spain, and the United Arab Emirates together with contractors in places like the Philippines and Nigeria.

In contrast to traditional efforts by mature businesses to exploit international differences for internal cost advantages or incremental sales, innovative global models use market differences (be they costs, skill levels, or resource availability) as part of their value proposition and construct businesses that take advantage of the opportunities globalization offers.

Airbnb and Upwork each bring together two sets of parties (travelers and apartment listers for Airbnb contractors and companies in need of support for Upwork), and their services become more valuable as the size of the networks grows. The more the selection of Airbnb apartments and homes expands, the more attractive the offering is to potential travelers and property listers. Similarly, the depth and variety of services offered by contractors on Upwork make it more valuable for companies seeking to address their staffing needs. Both companies offer an automated digital platform (where buyers and sellers can connect directly online without intermediation from the company) that possesses enormous economies of scale and allows for fast rollout. Yet as important as network effects and digital platforms may be, they are not the only important thing that sets these models apart. Another key differentiator is the way they approach global opportunities.

To appreciate the importance of this approach, consider Alvogen Inc., a rapidly growing generic pharmaceutical company that was founded in 2009. Alvogen is an example of a venture that is attempting to harness globalization in its business model. CEO and executive chairman Robert Wessman's idea was to start selling generic drugs in more than 30 countries as rapidly as possible. By 2014, the company had global sales of $643 million.[5] How did Alvogen accomplish this so quickly? First, it set out to match the products it selected to the markets with the greatest potential. In fact, much of Alvogen's growth has been achieved by introducing products that were developed in advanced markets, such as the United States, to Central and Eastern Europe and the Asia-Pacific region. Alvogen has developed its product portfolio in various ways; some drugs had patents that were expiring, some were acquired as existing generics, and some were licensed for sale outside the existing provider's geographic footprint. Alvogen does not aspire to offer the same products everywhere. As Wessman has noted, "To achieve extraordinary results, we had to rethink every aspect of the generic business model."[6]

Alvogen reaps the benefits of globalization in several ways. First, it exploits differences across countries in terms of intellectual property protections, which allows it to bring new products to market faster than other generic pharmaceutical companies. Second, it arbitrages global financing conditions to access financial capital: It borrows in U.S. markets against U.S.-based assets in ways that allow it to fund global R&D; and in its regional consolidations, it has been able to roll revenues and earnings into markets with high multiples, thus maintaining a plentiful supply of expansion capital. Finally, Alvogen consolidates worldwide R&D and manufacturing in countries where technical talent is the most cost-efficient.

Another example of a company harnessing global opportunities is Rocket Internet, which specializes in building e-commerce startups based on proven Internet-based business models. Founded in Berlin in 2007 by brothers Marc, Oliver, and Alexander Samwer, Rocket Internet is a quintessential global venture. It tries to identify powerful business ideas from Silicon Valley and other entrepreneurial hotbeds in order to replicate them in other settings, such as Asia. To date, the company has launched businesses modeled after companies such as Uber, Amazon, Zappos, and Groupon, sometimes drawing criticism for how closely its portfolio companies imitate the original concepts. Through its portfolio companies, Rocket Internet now employs more than 30,000 people in more than 110 countries.

Although many of the business concepts that Rocket Internet clones involve two-sided digital platforms with heavy network effects,[7] the company itself is managed by a small executive team that launches a limited number of new ventures each year. While it takes advantage of some scale economies across its ventures (mostly in fund-raising and back-end technology development), it tends to operate the ventures individually or in small regional pods.

Baked into Rocket Internet's business model is the company's overall mindset regarding globalization.

TWO APPROACHES TO GLOBAL STRATEGY

Most companies approach globalization from the perspective of taking their best products or resources to overseas markets, as illustrated on the left side of the chart below. However, some global ventures (such as Rocket Internet and Alvogen) seek to harness the best the world has to offer, as shown on the right.

GLOBALIZE THE BEST THAT THE COMPANY CAN OFFER	HARNESS THE BEST THAT THE WORLD CAN OFFER
• Focuses on company's best capabilities	• Focuses on world's largest gaps/needs
• Directly owns core assets	• Usually does not own many core assets
• Often develops a global strategy as business matures	• Often global from day one of venture
• May sustain success with a handful of countries	• Usually requires a large global span for success
• Less likely to use network effects or digital platforms	• Very likely to use network effects or digital platforms

Essentially, it tries to match the world's most advanced e-commerce concepts with the most suitable locations. It doesn't originate the concepts it replicates, nor does it have preferential access to the chosen markets — it simply tries to link business models with geographic markets better than anyone. In this way, Rocket Internet's global matching of ideas with markets starts to line up with Airbnb's matching of travelers with the best lodging or Upwork's matching of employers with the best contractors.

In a different context, New Energy Finance, established in 2004 and now owned by Bloomberg L.P., set out to harness core elements of globalization to support decisions related to clean energy investments. Founder Michael Liebreich, who had been a management consultant and venture capitalist, became convinced that renewable energy would be a growth industry for many years. However, in his view, the quality of the information that corporations and governments needed to make important decisions (such as how much to invest in large infrastructure projects or bid for government energy contracts) was seriously inadequate. In response, he hired analysts and programmers to collect and organize information from disparate sources around the world. The information enabled the company to provide specialized analytics to address financial, economic, and policy questions, selling products and services in many countries and using the global information resources to provide superior answers. Implicit in Bloomberg's decision to buy the business (now called Bloomberg New Energy Finance) in 2009 was the recognition that clean energy projects would require debt financing; Bloomberg's global information resources regarding interest rates and debt give the business an extra competitive advantage.

Innovators such as Airbnb, Upwork, Alvogen, Rocket Internet, and Bloomberg New Energy Finance have more in common with one another than they have with traditional players in their own industries. With any global venture, the natural first step is to ask what factors (for instance, products, labor, sources of finance, and ideas/technologies) are being globalized. The next step is to ask where the venture falls on the spectrum that lies between "globalize the best that the company can offer" and "harness the best that the world can offer." (See "Two Approaches to Global Strategy.") Determining this will help management determine how the venture will operate, the key factors that will govern its success, and the type of management and leadership it will require.

What Companies Can Do

What can companies do to reap the potential rewards of globalization? My research points to a set of best practices that can help managers pursue global expansion successfully. Some of these practices are fairly straightforward. For example, managers need to prioritize the benefits they hope to get from becoming more global and consider the potential trade-offs. Expanding into contiguous countries, for example, may make sense from an operations cost standpoint, but if the new markets are closely intertwined with the company's existing markets, the company may not achieve the amount of market diversification it hopes for. What's more, it's important when designing global ventures to also grab the best regional elements where appropriate. Regional platforms within global ventures can provide organizational benefits such as information sharing, faster decision making, and easier sales of assets.

Paying attention to these and other best practices can go a long way toward helping companies build long-term advantages. Specifically, companies must learn how to take advantage of the local and global network effects that surround global ventures; recognize the importance of tailoring business models to the particular geographies the company seeks to enter (by doing things such as hiring local talent); and select companies to partner with and manage the partnerships effectively.[8]

Navigate the local and global network effects that surround global ventures. Many global ventures take advantage of network effects (that is, situations in which the value of a good or service increases as more people use it) or find themselves competing with companies that are seeking to establish network effects. This is not surprising given the tremendous profitability and strategic advantages that accrue to companies that are able to establish large-scale network effects.

Although managers may be accustomed to studying the degree to which network effects impact their business, it is very important to identify the network scale more specifically — as local, global, or both. (See "Understanding Global and Local Network Effects.") For example, dating websites such as Match.com and daily deal models such as Groupon rely on localized network effects. (After all, proposing a good match between a woman in Finland and a man in Alabama is probably not helpful.) At the other end of the spectrum, Airbnb takes advantage of global network effects when matching renters and owners from around the world.

Businesses that use local network effects tend to grow by pushing aggressively into new markets. They achieve critical mass incrementally, one local market at a time. Therefore, it can take time to develop a global footprint — and this adoption phase is what replicators such as Rocket Internet seek to exploit. If a company wants to expand into another market, it's often cheaper and easier to purchase a company that already has critical mass there than to seek to dislodge it.

For companies that rely on business models that use local and global network effects, the ideal strategies are less straightforward. Consider Uber. First and foremost, Uber takes advantage of local network effects: The quality of its service depends upon how many riders and car drivers are densely packed into a city, quite similar to how a dating website works. Yet it also exploits global network

UNDERSTANDING GLOBAL AND LOCAL NETWORK EFFECTS

The types of network effects present in a business model impact the nature of the competition a company will face and the optimal business strategies.

If network effects are primarily local

- The company frequently starts with a focused local presence
- Needs ground-level implementation force
- Watch out for global replication of model by rivals
- Acquisition may be the easiest way to enter new countries

If network effects are primarily global

- The venture must begin with a substantial global presence
- Requires customer acquisition in many markets
- Tendency toward winner-takes-all markets
- May make more sense to compete directly with rivals in other countries than acquire them

If both local and global network effects are important

- The venture frequently starts with a focused local presence but awareness of key global opportunities
- Requires an orientation toward both local and global customers
- Mixture of market outcomes and global industry structures is feasible

effects, especially with business travelers who value being able to use Uber when traveling both domestically and overseas and don't want to find a new service for each new city. Uber has chosen to combat its rivals directly in many places rather than pay premium acquisition prices, in part because global network effects and the Uber brand provide a lever to help Uber dislodge local incumbents that are offering services only in a single country.

In some sectors, network effects can extend beyond the competitive dynamics of the market and into the core of business models themselves. Entrepreneurial Finance Lab LLC (EFL), for example, is a financial services company that was launched in 2006 to develop low-cost credit screening tools that stimulate entrepreneurial lending in emerging markets. Previously, few loan applicants in emerging markets had the collateral or credit histories that lenders demanded, which made them "unbankable." EFL developed psychometric tests that can quantify features like applicant intelligence, business acumen, and ethical behavior. EFL now operates in more than 30 countries, and it uses its global database spanning these countries to deliver stronger products to its clients. Had EFL operated in a single market, not only would it have been difficult for the company to justify its product development costs, but the product itself would have been weaker.[9]

Tailor the business model to the locations and the required implementation. A common misperception is that it is easier to adjust business models for digital and e-commerce businesses because of their Internet-based nature. Yet the experiences of Rocket Internet and others show that such companies face formidable challenges. For example, language issues can become significant when companies try to span multiple countries, requiring extensive customization of user interfaces and the hiring of translators, among other things. Logistics and delivery are often a nightmare in settings with poorly functioning postal systems, and payment and customer communication approaches need to be adapted in settings where consumers may not have credit cards and personal computers. Ventures that overcome these barriers create huge advantages for themselves.[10]

Scholars have written about the importance of contextual intelligence for businesses entering new domains.[11] Successful global ventures incorporate such tailoring into their core models. In fact, while customization is often thought of as an entry cost, it also provides an opportunity for sustained advantage. Local barriers to entry, such as the company's logistics capabilities in difficult environments or locked-in networks of local users, help protect the global venture in a new location and thus can help generate long-term value for the venture.

How do global ventures go about tailoring their businesses? First, it is important to minimize the overall gap between an existing business model and what's required in a new market, and to identify which dimensions require adjustment. Home Essentials (HK) Limited, which began as a lessor of high-end furniture to expatriates in Hong Kong, grew rapidly during its first 10 years, expanding into 17 countries. Unfortunately, many of the markets the company entered were not sustainable during the financial crisis. After things stabilized, management developed a model for evaluating potential markets against 14 criteria. In developing the model, management found that some of the prior choices didn't meet important criteria and that there were other promising markets worth considering. The quantitative analyses, which fall somewhere between "gut instinct" and full-blown financial forecasts, have helped Home Essentials develop a stronger global business and identify attractive areas in which to expand. Since no location is perfect on all dimensions, managers are able to identify the most important weaknesses of expansion sites and plan for how to overcome them.[12]

In addition to tweaking the business model, companies should be strategic about selecting team members. For example, Rocket Internet frequently hires newly minted MBAs from top business schools to return to their home regions to help start ventures (for example, recruiting a graduate from Kenya to help launch a business in East Africa). The MBA gets an appealing opportunity in his or her home region, while Rocket Internet gets to assemble a global team. The staffing decisions are woven into Rocket Internet's business model itself. Rocket Internet minimizes challenges on one dimension — for example, the job of the MBA is to replicate a model that is known to be successful, rather than develop something new — and places emphasis on getting the local context correct and executing quickly.

Partnerships must be carefully selected, crafted, and managed. Partnerships can be an effective lever for getting established in new contexts, provided they are carefully selected and managed. In many countries, locally based partners are either required by law or implicitly needed to navigate the local business environment. Many global ventures stumble in these relationships. A common problem is not knowing important information until it's too late, due either to misrepresentation by the local partner or a reluctance to share difficult news. For example, it's not unusual for global ventures to find out that the product that was promised next week is really months away. Likewise, global companies should be wary of entangling alliances in emerging economies: Once a partnership is finalized, companies often discover that the in-country partner expects sister organizations to handle things like construction, insurance, etc.[13]

Global ventures are sometimes enabled by partnerships with other global companies. For example, Planetary Power Inc. is a Redmond, Washington-based venture that builds power generators for telecom towers in developing and emerging economies that rely on renewable energy sources rather than diesel fuel. Recognizing how time-consuming it is to develop sales leads in new markets, Planetary Power president and CEO Joe Landon leverages relationships with telecom-equipment providers that already have existing relationships with target clients in developing countries. The company pays special attention to nurturing relationships with the expatriate country managers stationed in Planetary Power's target markets, based on the accounts they may be able to unlock.

Large companies may also leverage global startups. Seoul-based SK Telecom Co. Ltd., the largest mobile operator in South Korea, extended and deepened its Asia-Pacific presence and reputation by partnering with a Hong Kong-based mobile technology venture named Cherrypicks. Cherrypicks' founders had close connections with telecom operators throughout East and Southeast Asia that gave SK Telecom the ability to sell its products to new customers. Cherrypicks helped SK Telecom navigate local regulations and entry requirements and adapt its products to other telecom environments and technology standards, while also providing critical sales support.[14]

Integrating the Pieces

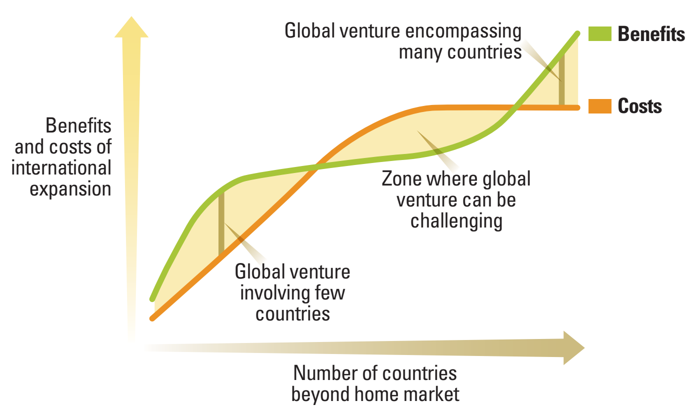
As with other factors affecting growth, globalization requires balancing the benefits that can come from business-model advantages against the accompanying costs. Among the most important issues are the need to invest in alignment around company objectives, the need to ensure that the top management team reflects the global business, and the need to develop employment practices and an organizational culture that operate effectively across nations.[15]

In my research and work with global companies, I have found that the first couple of countries that a company enters often provide a productivity and growth jump. In addition to the sales growth from the new markets, companies can benefit from having manufacturing or IT teams in lower-cost environments. Such gains are partially offset by higher operating costs and greater complexity. But, assuming the company's decision to expand globally is sound, the advantages outweigh the cost increases. This is the most common form of globalization.[16]

After the initial benefits, though, further gains from entering additional markets start to flatten out. (See "Global Expansion's Difficult Middle Ground.") The example of an outsourcing company illustrates this point. The basic business model for outsourcing involves two countries: the high-wage country where the clients are located, and the

GLOBAL EXPANSION'S DIFFICULT MIDDLE GROUND

The benefits and costs of adding countries to a company's footprint accrue at different rates. Most businesses find themselves on the left side of the graph, with the ideal footprint spanning a few countries. As companies expand, they encounter a difficult middle ground where incremental costs (shown as an orange line) grow faster than accrued benefits (shown as a green line). A rare set of global ventures find themselves on the far right side, where their business model embraces a truly global scale of operations.



> Some companies like Alvogen begin with a global scale in mind, but many others start with much simpler models and make a substantial transition.

lower-wage market where the company's team is based. At some point, it may make sense for the company to add a third country (for example, to introduce different skill sets or language capabilities, or to enable around-the-clock work). But the incremental gains may be quite small beyond that point. Costs, by contrast, will keep rising, and most companies will soon hit a point where they are at their appropriate global footprint, or perhaps even a bit overextended.

The number of ventures that operate at a truly global scale is small, but we have found that several positive things happen with global ventures when their global footprint reaches a certain size. Successful global ventures figure out how to harness the benefits of globalization into their business core. Although these companies operate and manage in a complex global environment, their streamlined structures and business model advantages yield a clear return. In fact, it becomes difficult to imagine a company like Upwork or Alvogen without a huge base of countries.

There is a middle zone where companies find continued global expansion to be difficult. Where this sticking point occurs depends upon the company's particular circumstances. For example, the multinational agreements and unrestricted movement of workers in the European Union make some of the costs of expansions lower for European ventures than for those in other regions such as Africa or Southeast Asia. E-commerce ventures will similarly find multi-country expansion easier than retail businesses requiring actual stores.

While recognizing these important and company-specific nuances, I have found it useful to ask managers the following question: *Does the business need to operate in five or more countries for sustained success?* Those answering yes are likely to be entering a domain with traits such as those discussed for Upwork, EFL, and other truly global ventures. Such companies need to determine early why a larger global footprint is necessary — and what they determine will either enable or foreclose important opportunities. Globalization sits at the core of these ventures and is not optional.

For the majority of companies, the answer to whether they need to be in five or more countries will be no, even when a multi-country presence is vital. These ventures experience only modest returns when they add more locations, and the time and resources of managers in these traditional ventures can be better focused on expanding the companies' reach and capabilities within the existing footprint.

Figuring out how many countries the company should operate in can also help managers determine when significant changes to the business model are called for. Some companies like Alvogen begin with a global scale in mind, but many others start with much simpler models and make a substantial transition. Upwork, for example, began as a simple connection between entrepreneurs located in the United States and Greece. As the entrepreneurs developed their idea, their answer to the question about whether the business needed to operate in five or more countries for sustained success shifted from a definite no to a definite yes, signifying the need for a different business model and implementation approach.

Similarly, Rocket Internet began when the Samwer brothers emulated eBay in Germany. Following that and subsequent successes, the brothers saw a global opportunity that extended well beyond Germany, and they proceeded to execute a global business model dedicated to business idea replication. Managers must identify when these nonlinear shifts in business models should occur and act accordingly, as opposed to seeking to apply a model that was developed for a small country footprint to additional countries.

Globalization offers significant opportunities for young and established businesses alike, and yet most companies approach key decisions haphazardly. Part of this is inevitable. The complex, multifaceted, and rapidly evolving nature of globalization means that neither entrepreneurs nor managers can ever fully analyze a global business before they need to act; managers will always need to learn and adapt on the job. That said, there are some basic tensions in global business models that are straightforward. Although there can be no guarantees, simple analysis of global ventures along these dimensions can help entrepreneurs and corporate leaders develop clearer expectations and decision-making processes.

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5. Disclosure: I have done paid work with Alvogen.

6. D. Isenberg and W.R. Kerr, "Alvogen," Harvard Business School case no. 816-064 (Boston, Massachusetts: Harvard Business School Publishing, 2015).

7. Two-sided network effect models bring together two groups (such as buyers and sellers) that each benefit from the other's size, in contrast with one-sided models where the focus is on the size of one's own group (for example, users of PayPal). Global ventures such as Airbnb and Upwork bring together the two parties in many countries. These global features can be especially powerful in an automated and digital setting where the size of the platform can scale up dramatically without huge increases in operating requirements. The opportunities and challenges of these models are discussed in A. Hagiu, "Strategic Decisions for Multisided Platforms," MIT Sloan Management Review 55 no. 2 (winter 2014): 71-80; A. Hagiu and S. Rothman, "Network Effects Aren't Enough," Harvard Business Review 94, no. 4 (April 2016): 65-71; and T. Eisenmann, G. Parker, and M. van Alstyne, "Strategies for Two-Sided Markets," Harvard Business Review 84, no. 10 (October 2006): 92-101.

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14. W.R. Kerr, "Cherrypicks," Harvard Business School case no. 807-106 (Boston, Massachusetts: Harvard Business School Publishing, 2007). The partnership of SK Telecom and Cherrypicks also helped address the soft side of country perceptions and national politics. Large government-owned telecom operators are reluctant to purchase products from large operators elsewhere. Working together, the companies learned to balance their sales and marketing pitches based on whether the decision maker was more focused on quality assurance (in which case they emphasized SK Telecom) or political sensitivities (in which case they emphasized Cherrypicks). Disclosure: I have done paid work with the SK Group.

15. T. Neeley, "Global Teams That Work," Harvard Business Review 93, no. 10 (October 2015): 74-81; W.R. Kerr and D. Isenberg, "Take Advantage of Your Diaspora Network," HBS note 808-029 (2007).

16. Calculations with data from the Orbis database, produced by Bureau van Dijk, suggest that about three-quarters of U.S. businesses with a multi-country presence span two or three countries.

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