

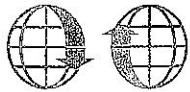
How do SMEs succeed in international business despite resource limitations?

- Compared to large MNEs, smaller firms are often more innovative and adaptable and have quicker response times when it comes to implementing new ideas and technologies and meeting customer needs.
- SMEs are better able to serve niche markets around the world that hold little interest for MNEs.
- Smaller firms are usually avid users of information and communication technologies, including the Internet.
- As they usually lack substantial resources, smaller firms minimize overhead or fixed investments. They rely on external facilitators, such as FedEx and DHL, as well as independent distributors in foreign markets.
- Smaller firms tend to thrive on private knowledge that they possess or produce. They access and mobilize resources through their cross-border knowledge networks or their international social capital.¹⁴

In each chapter of this text, you will find a feature entitled *Global Trend*, profiling an important recent development in international business. The first *Global Trend* features Diesel, an SME that eventually grew into a large firm.

Governments and Nongovernmental Organizations (NGOs)

In addition to profit-seeking focal firms, governments are central participants in international trade and investment. The role of governments is so important that we devote later chapters to government intervention, political systems, and other government-related topics. In addition, numerous *nonprofit organizations* conduct cross-border activities. These include charitable groups and *nongovernmental organizations (NGOs)*. They work on behalf of special causes,



GLOBAL TREND

DIESEL: A Smaller Firm's Smashing International Success

The global youth culture loves Diesel jeans, Europe's hottest brand. Founded in Italy, Diesel began as an SME and grew to achieve annual sales of more than \$500 million (U.S.), 85 percent of which comes from abroad. Diesel produces unusual but popular men's and women's casual wear, like \$300 jeans in exotic shades and styles, that competes with Ralph Lauren and Tommy Hilfiger brands. Its style is futuristic. Company management sees the world as a single, borderless macro-culture, and Diesel staff includes an assortment of personalities from all parts of the globe who create an unpredictable, dynamic vitality and energy. The firm focuses on design and marketing, leaving production to subcontractors.

Diesel has expanded distribution to department stores and specialty retailers in over 80 countries, as well as to 400 company-owned stores from Paris to Miami to Tokyo.

Japan is currently Diesel's largest market. In 2010 Diesel opened its first stores in Mumbai, aiming to have more than 30 stores in India by 2015.

Controversial advertising has propelled it to enormous international success. Ads have featured sumo wrestlers kissing, a row of chimpanzees giving the fascist salute, and inflatable naked dolls in a board meeting with a hugely overweight CEO. Some people see the prankish campaigns, which poke fun at death, obesity, murder, and do-gooders, as politically incorrect. Under pressure from activists, Diesel withdrew ads that applauded smoking and gun ownership with slogans such as "145 cigarettes a day will give you that sexy voice and win new friends." Another ad featured nuns in blue jeans below the copy, "Pure, virginal 100 percent cotton. Soft and yet miraculously strong."

Diesel was one of the first firms to have a major Internet presence (www.diesel.com), selling jeans via an online virtual store. Its web advertising is also hip, with a powerful, market-friendly message that drives its popularity among youth worldwide. The firm introduces some 1,500 new designs every 6 months and employs a multicultural team of young designers who travel the globe for inspiration and weave their impressions into the next collection. Diesel is a classic success story in international business by a smaller firm.

Sources: Web site, <http://www.diesel.com>; Gail Edmondson, "Diesel Is Smoking But Can Its Provocative Ads Keep Sales Growth Hot?" *BusinessWeek*, February 10, 2003, p. 64; Diesel corporate profile at <http://www.hoovers.com>; Y. Moroz, "Adidas Refuels with Diesel Collaboration," *Retailing Today*, March 17, 2008, p. 4; Luisi Zargani, "Fresh Outlook At Diesel," *WWD: Women's Wear Daily*, May 9, 2011.