On Global Strategy

Dr. Nicholas Aristotle Demos

A) Strategy of International Enterprise

INTERNATIONAL BUSINESS - GLOBAL STRATEGY

Defining…. Strategy

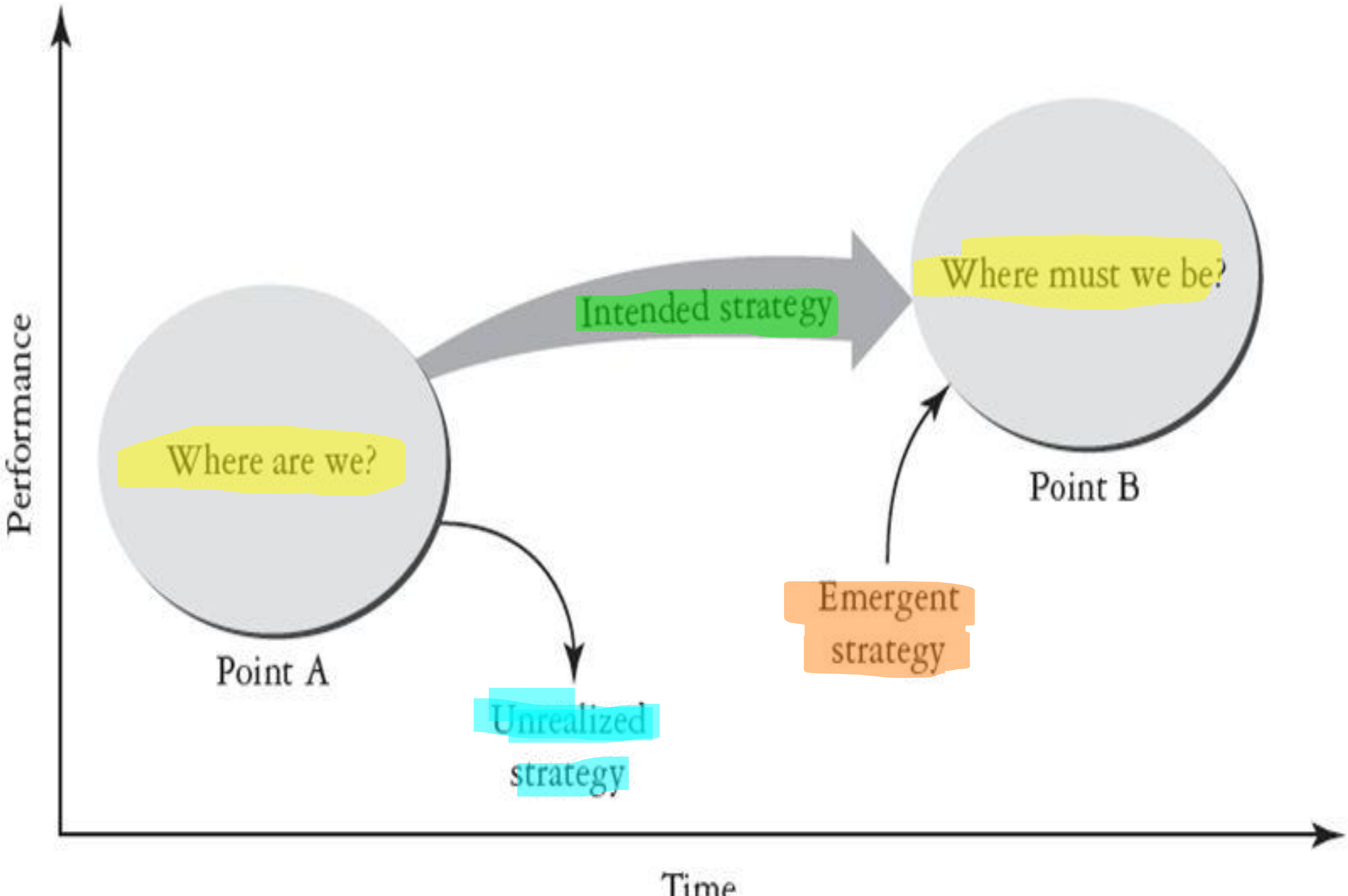
What Is Strategy?

- To increase profitability and profit growth, firms can
  - add value
  - lower costs
  - sell more in existing markets
  - expand internationally

- Strategy: actions that managers must take to attain the goals of the firm
- Main goal usually to maximize long-term profit (Π)
- Profitability defined by return on sales or return on equity

- Strategy is concerned with identifying and taking actions that will lower costs of value creation and/or differentiate the firm's product offering through superior design, quality service, functionality, etc.

The Essence of Strategy

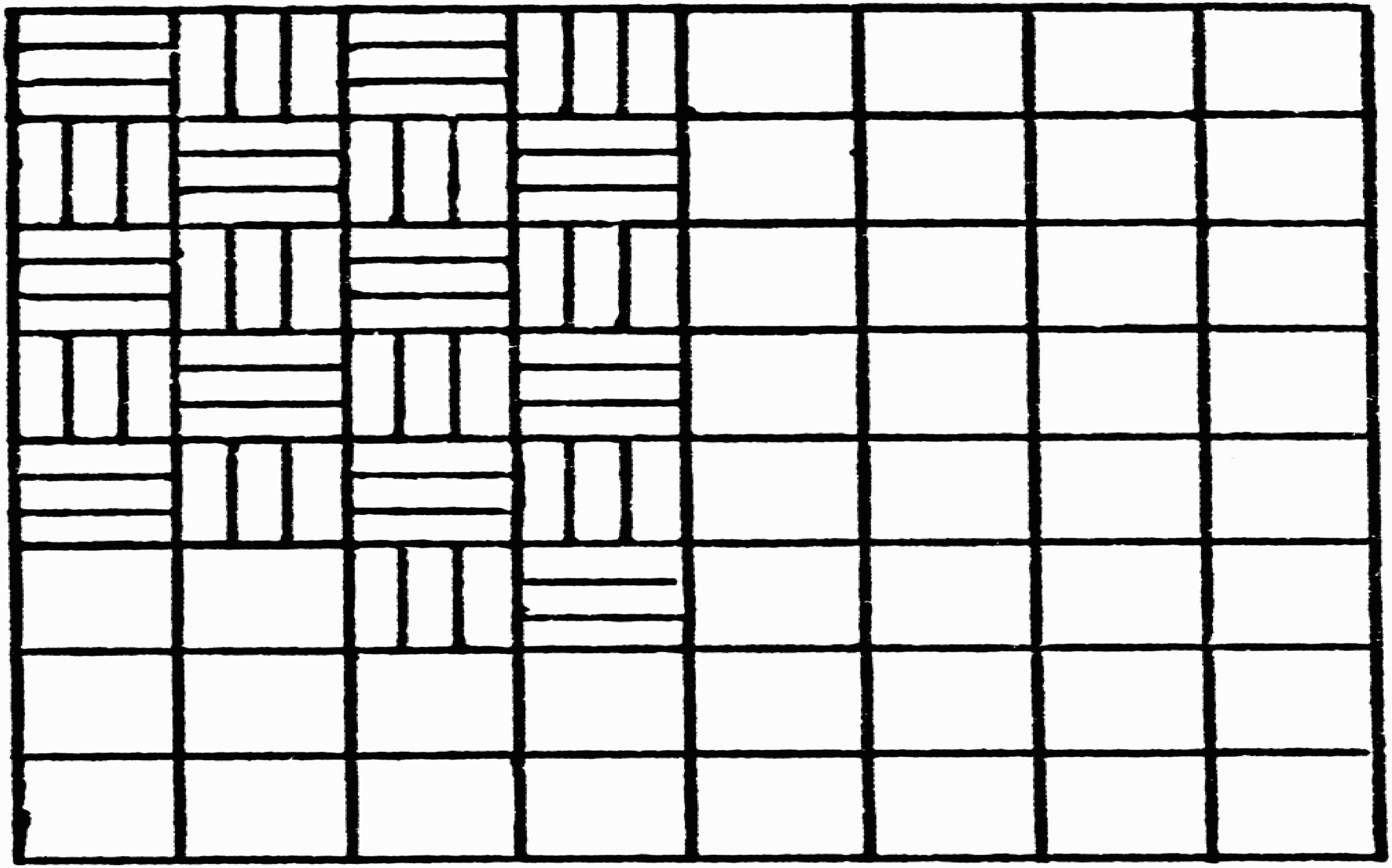


The essence of Global Strategy

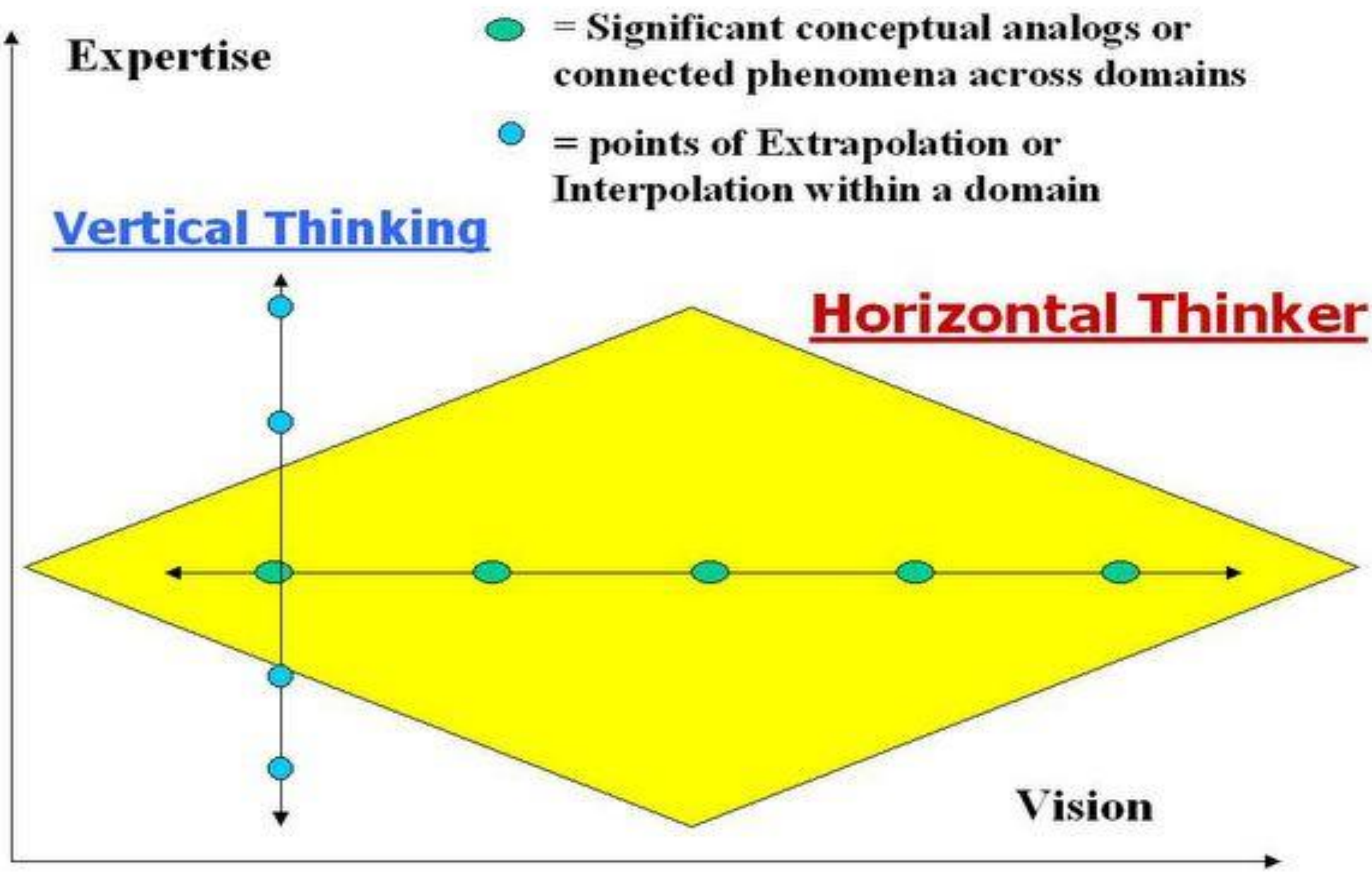
Foundation of …… Strategy

….Evolution …/ Expansion…/ Two Strategies….

Horizontal & Vertical

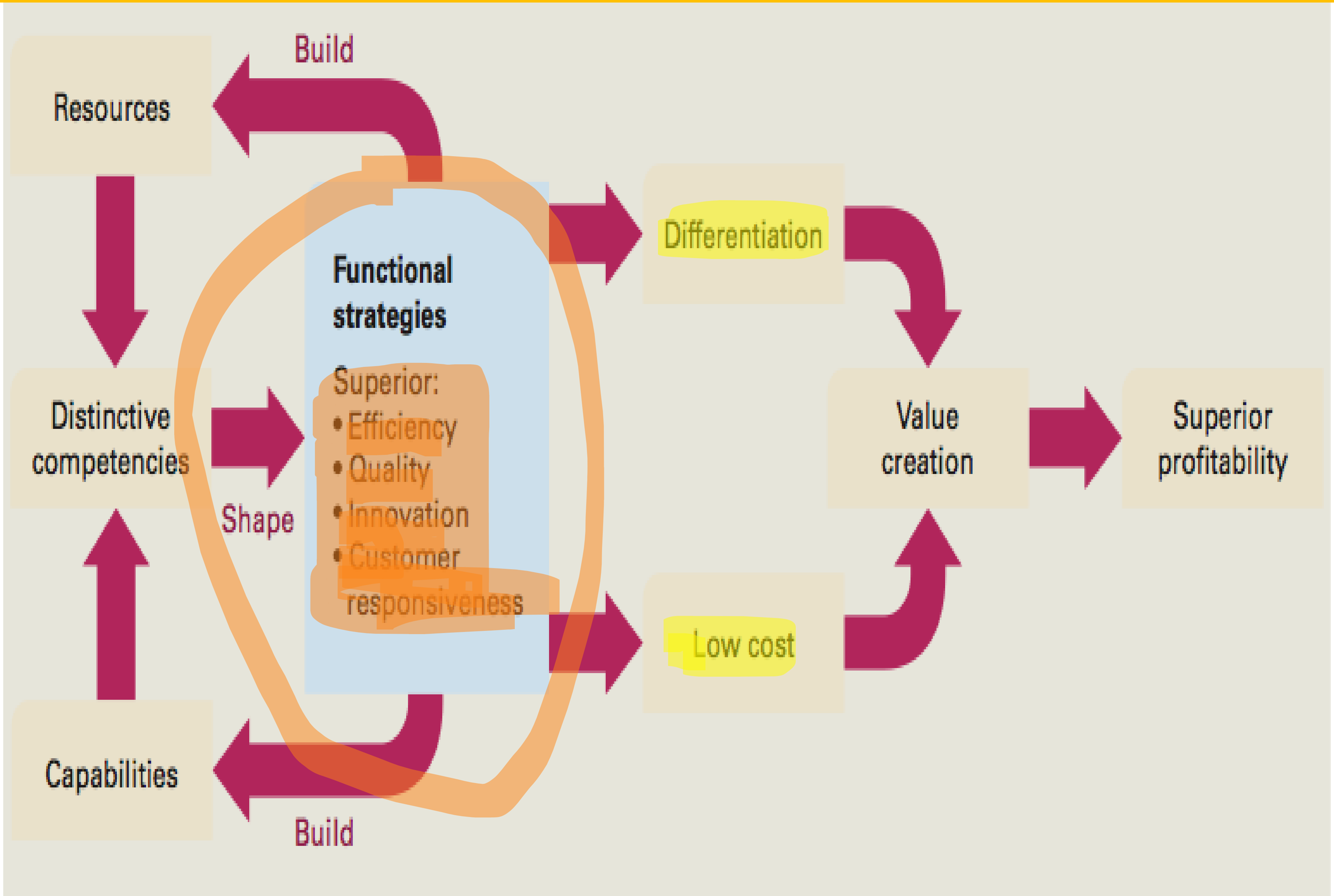


Linear Thinking Strategies



Benefits of Vertical Thinking to a Horizontal Thinker

Strategy for SSCA and Π

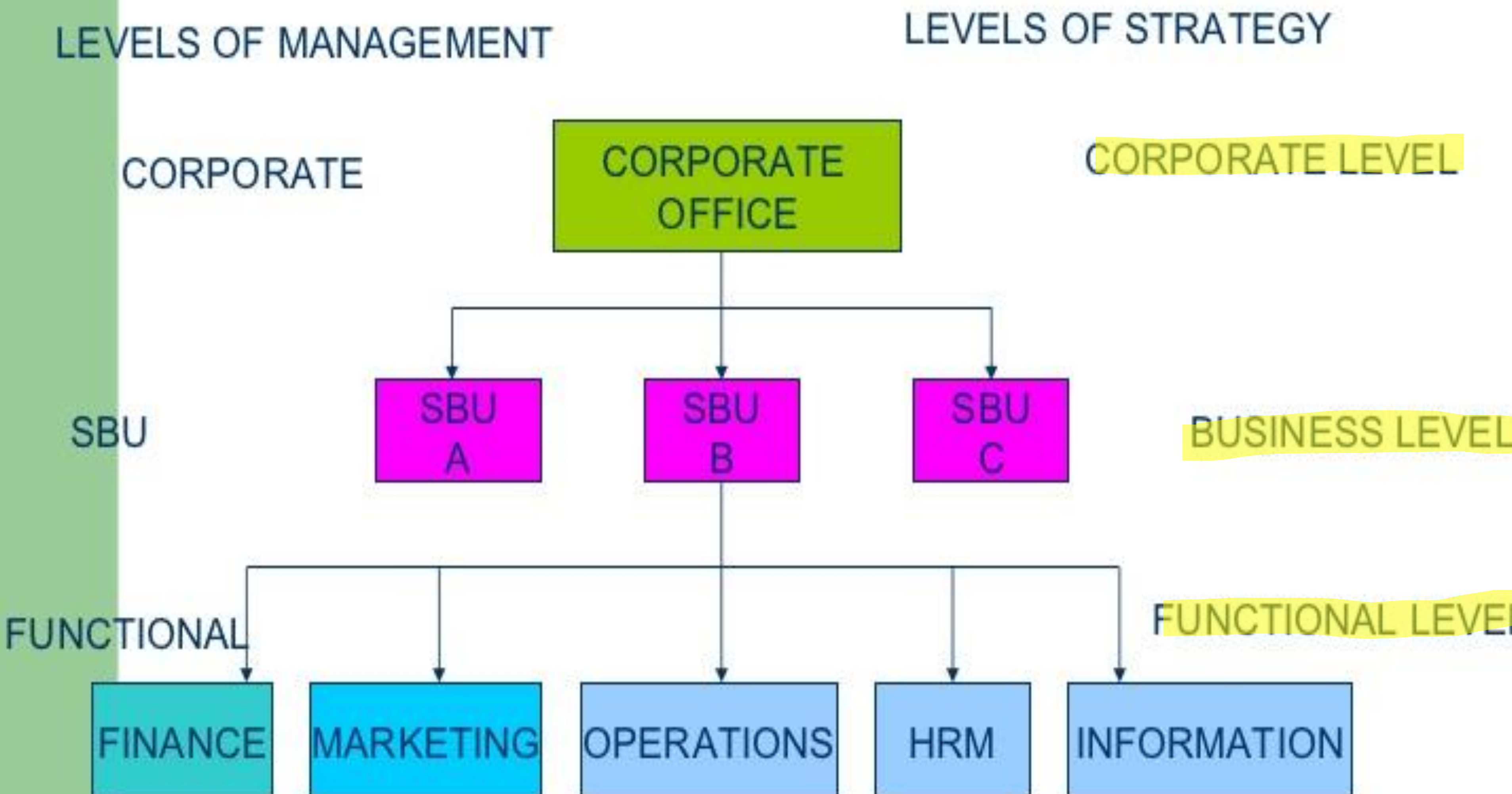


…. SSCA via…

Three Generic Business Strategies

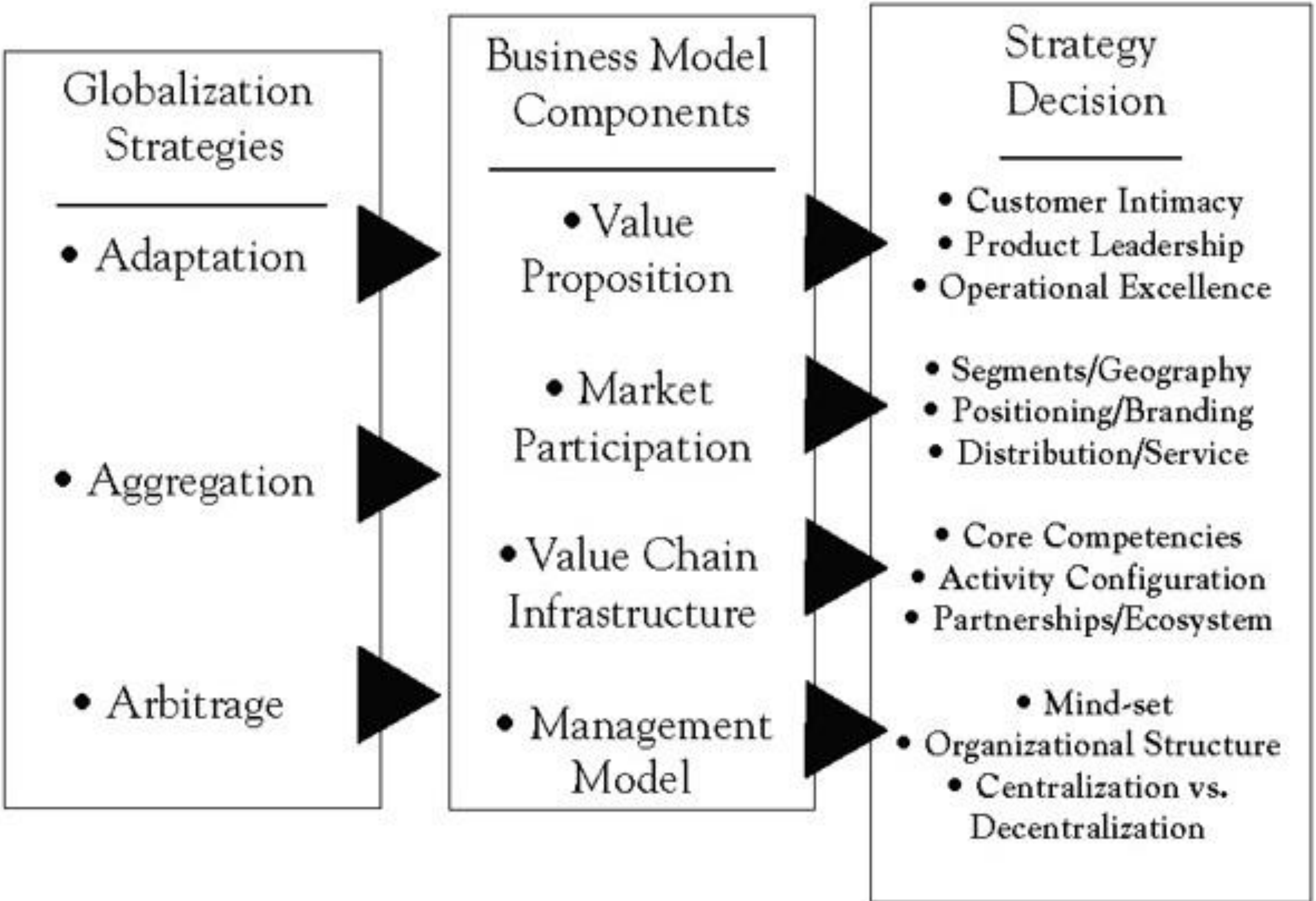
Cost Leadership	– producing and marketing a good quality product or service at a lower cost than your competitors.
Differentiation	– creating a product or service that is perceived as being unique "throughout the industry".
Focus	– addressing a "focused" segment of the marketplace, product form or cost management process

DIFFERENT LEVELS OF STRATEGY



Adopting Strategies for …Global expansion..

Reasoning for Global Strategies..



Reasoning for Global Strategies..

Firms that operate internationally are able to:

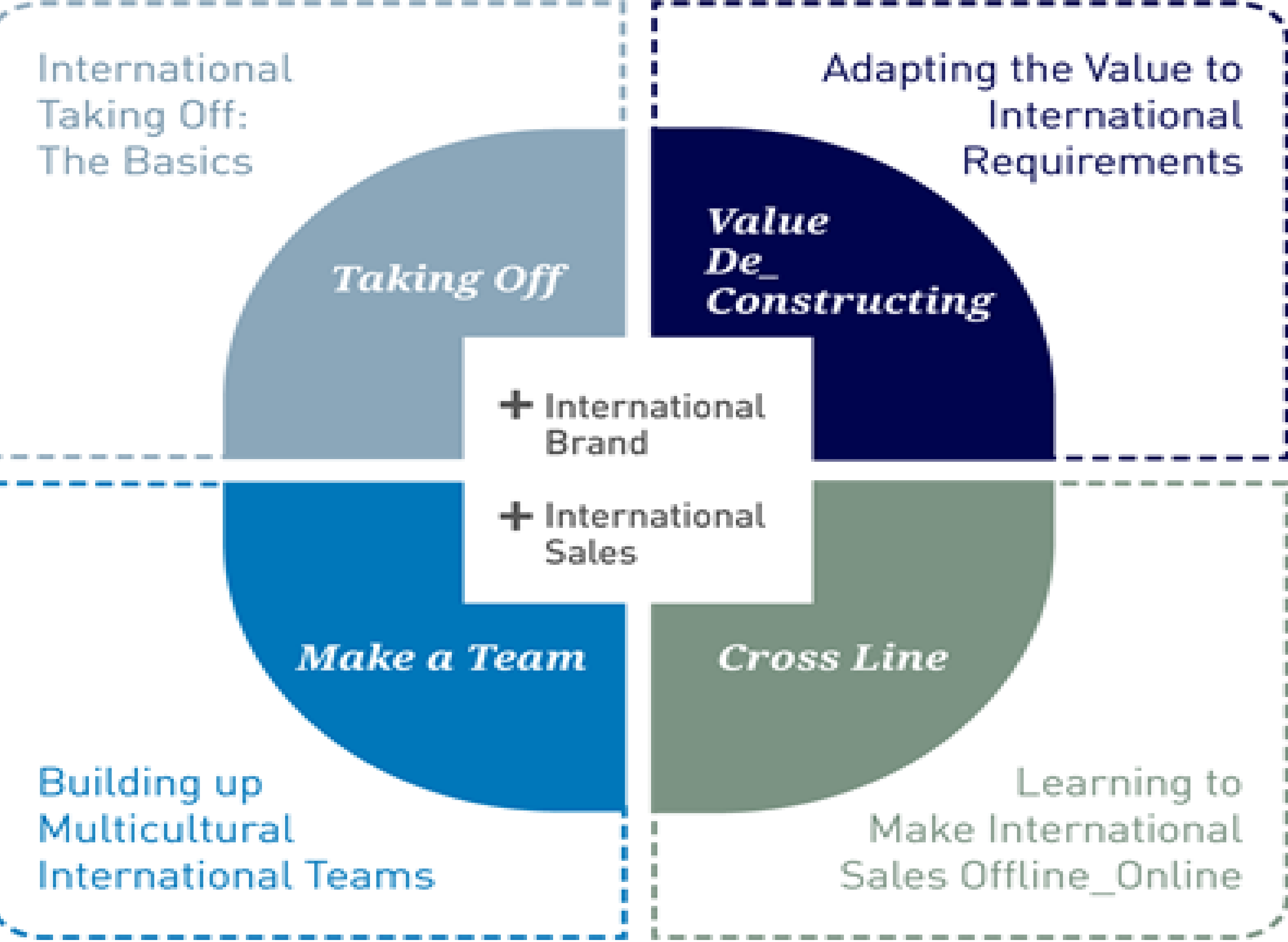
- Expand the market for their domestic product offerings by selling those products in international markets
- Realize location economies by dispersing individual value creation activities to locations around the globe where they can be performed most efficiently and effectively
- Realize greater cost economies from experience effects by serving an expanded global market from a central location, thereby reducing the costs of value creation
- Earn a greater return by leveraging any valuable skills developed in foreign operations and transferring them to other entities within the firm's global network of operations

The Strategy of International Business

- **Controls** are the metrics used to measure the performance of subunits and make judgments about how well managers are running those subunits
- **Incentives** are the devices used to reward appropriate managerial behavior
- **Processes** are the manner in which decisions are made and work is performed within the organization
- **Organizational culture** is the norms and value systems that are shared among the employees of an organization
- By **people** we mean not just the employees of the organization, but also the strategy used to recruit, compensate, and retain those individuals and the type of people that they are in terms of their skills, values, and orientation

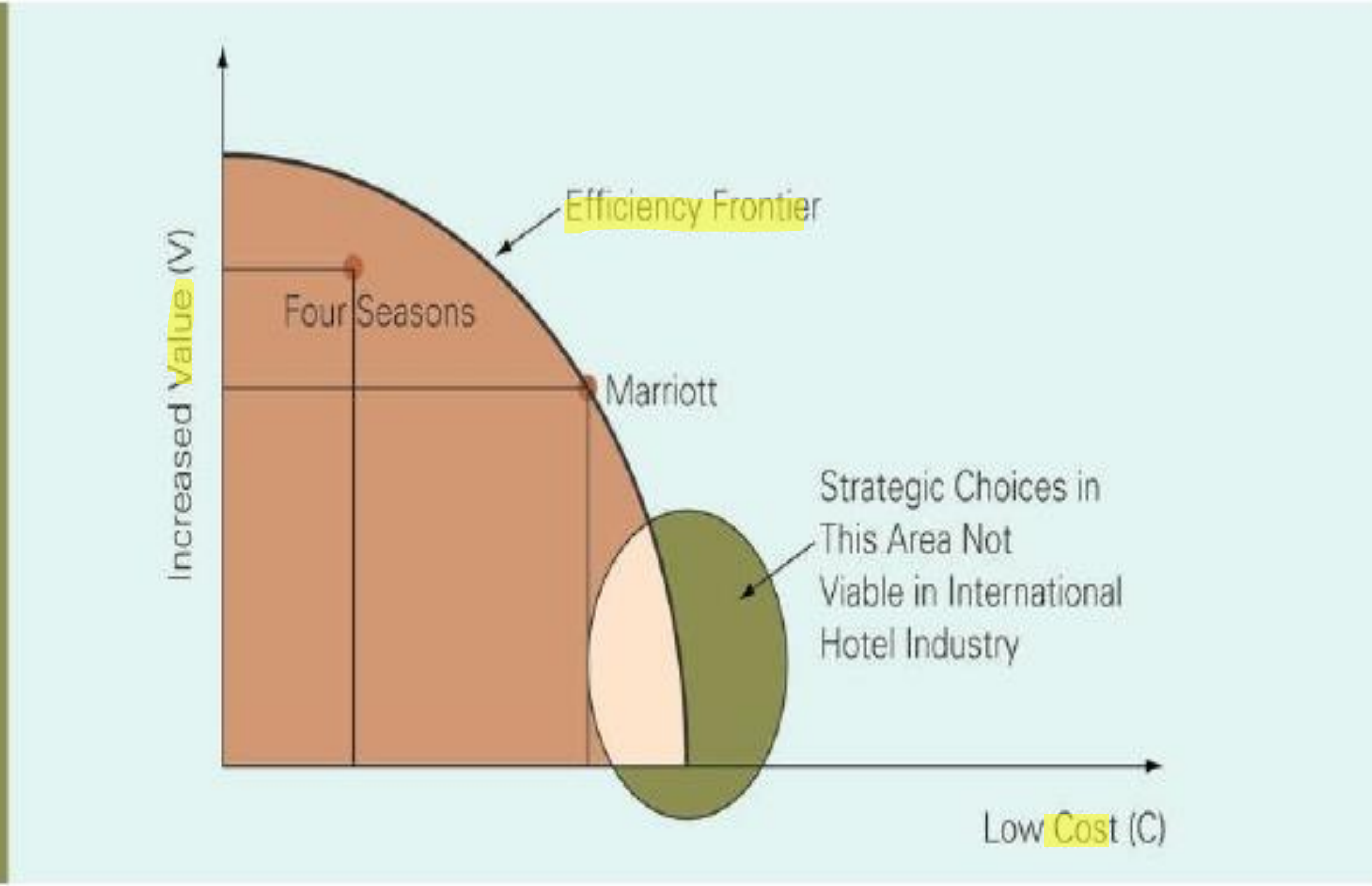
Business Strategy in a Global Economy

- Going global to access new markets
  - increased demand
  - spreading risks
  - can exploit advantages over local firms
    - ownership of superior technology
    - entrepreneurial and managerial skills
    - R&D capacity
  - access to local technology
  - learning from experience in diverse markets


International
Taking Off:
The Basics
Adapting the Value to
International
Requirements
Taking Off
Value
De_
Constructing
+ International
Brand
+ International
Sales
Make a Team
Cross Line
Building up
Multicultural
International Teams
Learning to
Make International
Sales Offline_Online

Formulating …Global Strategy

Global Strategic Trap…



Global Strategic Positioning

Global Competitive Strategy

The international business firm's competitive advantage depends on five major drivers:

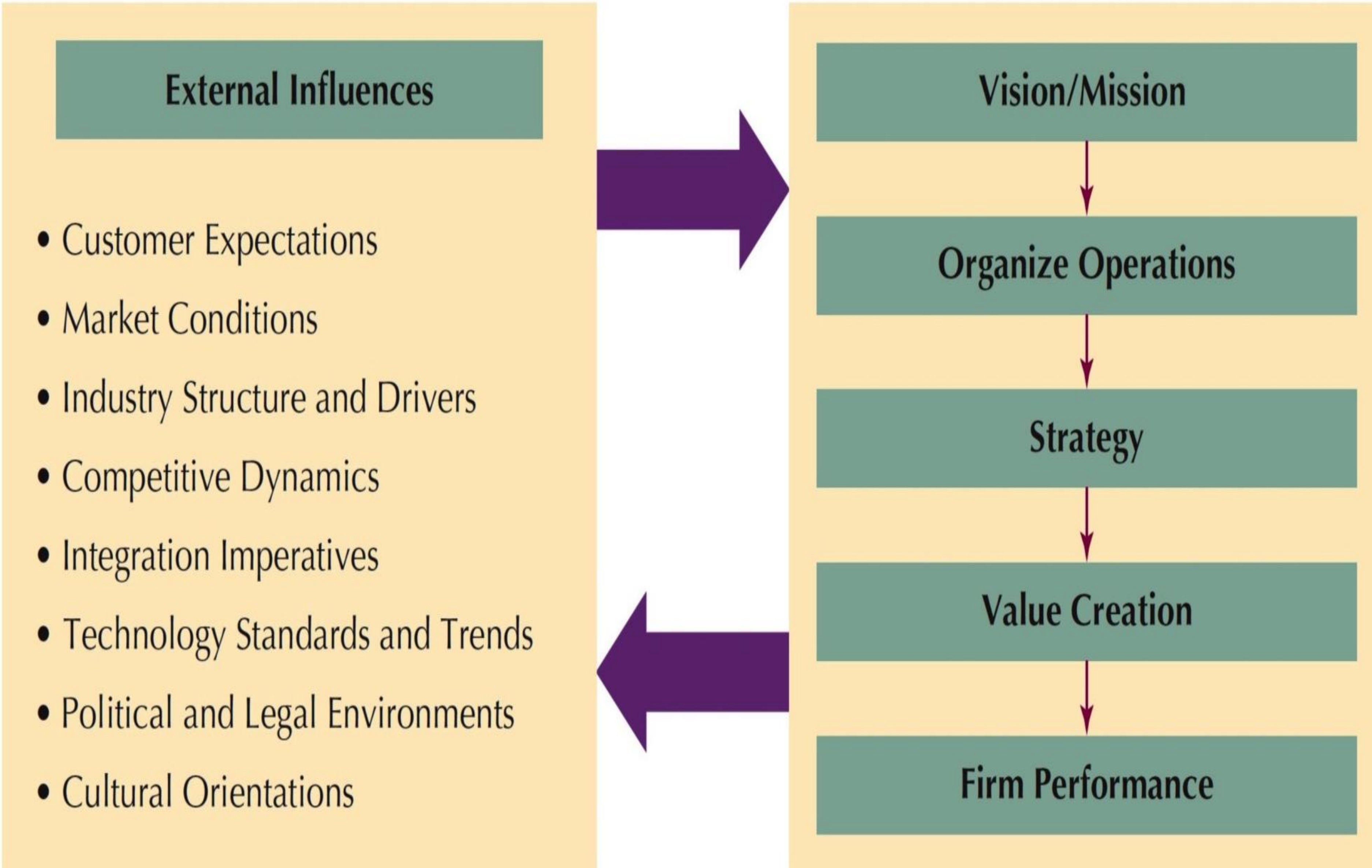
- Home country
- Supplier countries
- Customer countries
- Partner countries
- Competitor countries

Prerequisites of Global Strategy…

- Understand how firms can profit by expanding globally
- Understand how pressures for cost reductions and local responsiveness influence strategic choices
- Be familiar with different strategies for competing globally and their pros and cons
- Explain the pros and cons of using strategic alliances to support global strategies

Process of Global Strategy….

Figure 12.1 The Role of Strategy in IB



1) Mission and Vision

- What is a vision?
- What is a mission?

Examples of Mission and Visons

Company	Home	Vision/Mission Statement[30]
Adidas	Germany	Creating the "new" by focusing on speed, cities and open source
BMW	Germany	World's leading provider of premium products and premium services for individual mobility.
Google	USA	Organize the world's information and make it universally accessible and useful.
Infosys	India	Provides best-of-breed business solutions, leveraging technology, delivered by best-in-class people.
Microsoft	USA	Help people and businesses throughout the world realize their full potential.
Pearson	England	Help people make more of their lives through learning.
Virgin Atlantic	England	Embrace the human spirit and let it fly.

Strategy Creation…

How do Executives Create Strategy?

- Industrial Organizations Outlook
- Perspective and Choice

Based on …

- Resources
- Organization
- Capabilities
- Core Competencies

Tangible and Intangible Resources

Table 12.2 Resources of the Firm: Specification and Profile

Type	Example
Tangible: Physical resources that are observable and measurable.	• Creditworthiness in terms of Selling Equity or Debt • Employees Skills • Property Portfolio • Retail Network • Scale of Distribution Network • Scale of Manufacturing Facilities • Scope of Service System • Sophistication of Technology Systems
Intangible: Resources that lack physical form.	• Brand Recognition • Corporate Goodwill • Decision-Making Process • Foreign Exchange Risk Management • Intellectual Property • Managerial Skills • Public Affairs Management

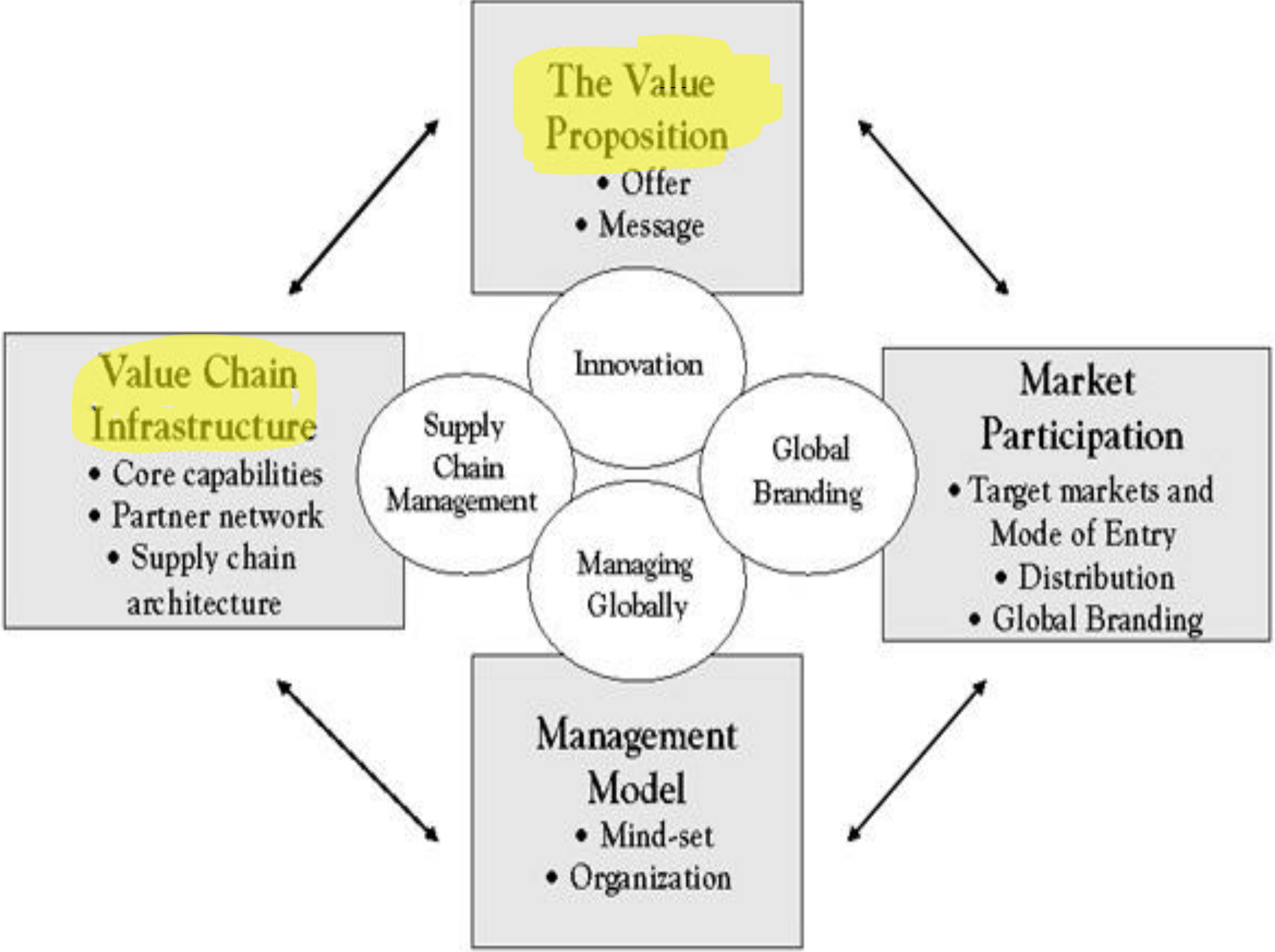
Additional ..effects

Configuration Choices

- Configuration definition
  - Concentrated
  - Dispersed
  - Location advantages
  - Economies of scale
  - Experience and learning effects
  - Risks of configuration choices

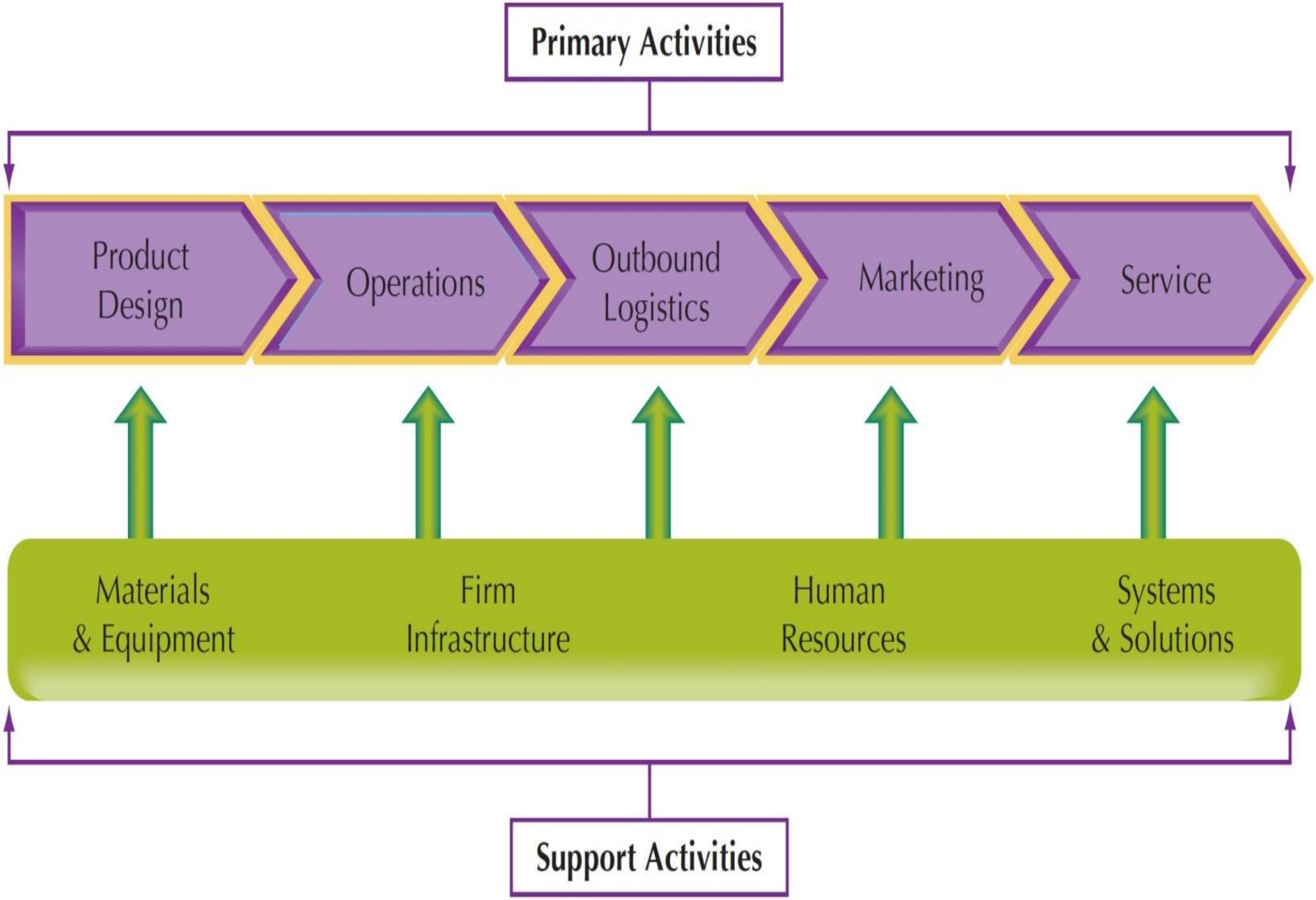
Aiming for ....**Value Creation**

- Value
- **Cost** Leadership Strategy
- **Differentiation** Strategy
- Integrating Cost Leadership/Differentiation Strategies


The Value Proposition
• Offer
• Message
Value Chain Infrastructure
• Core capabilities
• Partner network
• Supply chain architecture
Innovation
Supply Chain Management
Global Branding
Managing Globally
Market Participation
• Target markets and Mode of Entry
• Distribution
• Global Branding
Management Model
• Mind-set
• Organization

The Value Chain

Figure 12.2 Visualizing the Value Chain



A Synthesis of Strategy, Structure and Control Systems

Structure and control	Multi-domestic	International	Global	Transnational
Vertical differentiation	**Decentralized**	**Core competency; rest decentralized**	**Some centralized**	**Mixed centralized and decentralized**
Horizontal differentiation	**Worldwide area structure**	**Worldwide product division**	**Worldwide product division**	**Informal matrix**
Need for coordination	**Low**	**Moderate**	**High**	**Very high**
Integrating mechanisms	**None**	**Few**	**Many**	**Very many**
Performance ambiguity	**Low**	**Moderate**	**High**	**Very high**
Need for cultural controls	**Low**	**Moderate**	**High**	**Very high**

Interdependence, Performance Ambiguity, and the Costs of Control for the Four International Business Strategies

Strategy	Inter-dependence	Performance Ambiguity	Costs of Control
Multi-domestic	**Low**	**Low**	**Low**
International	**Moderate**	**Moderate**	**Moderate**
Global	**High**	**High**	**High**
Transnational	**Very high**	**Very high**	**Very high**

Of course in global business it is….Imperative..

Local Responsiveness

Global Integration vs. Local Responsiveness

- Firms face two conflicting pressures:
- Pressures for **global integration**
  - the process of combining differentiated parts into a standardized whole
  - maximize efficiency
- Pressures for **local responsiveness**
  - the process of disaggregating a standardized whole into differentiated parts
  - optimize effectiveness

Global Integration or Local Responsiveness?

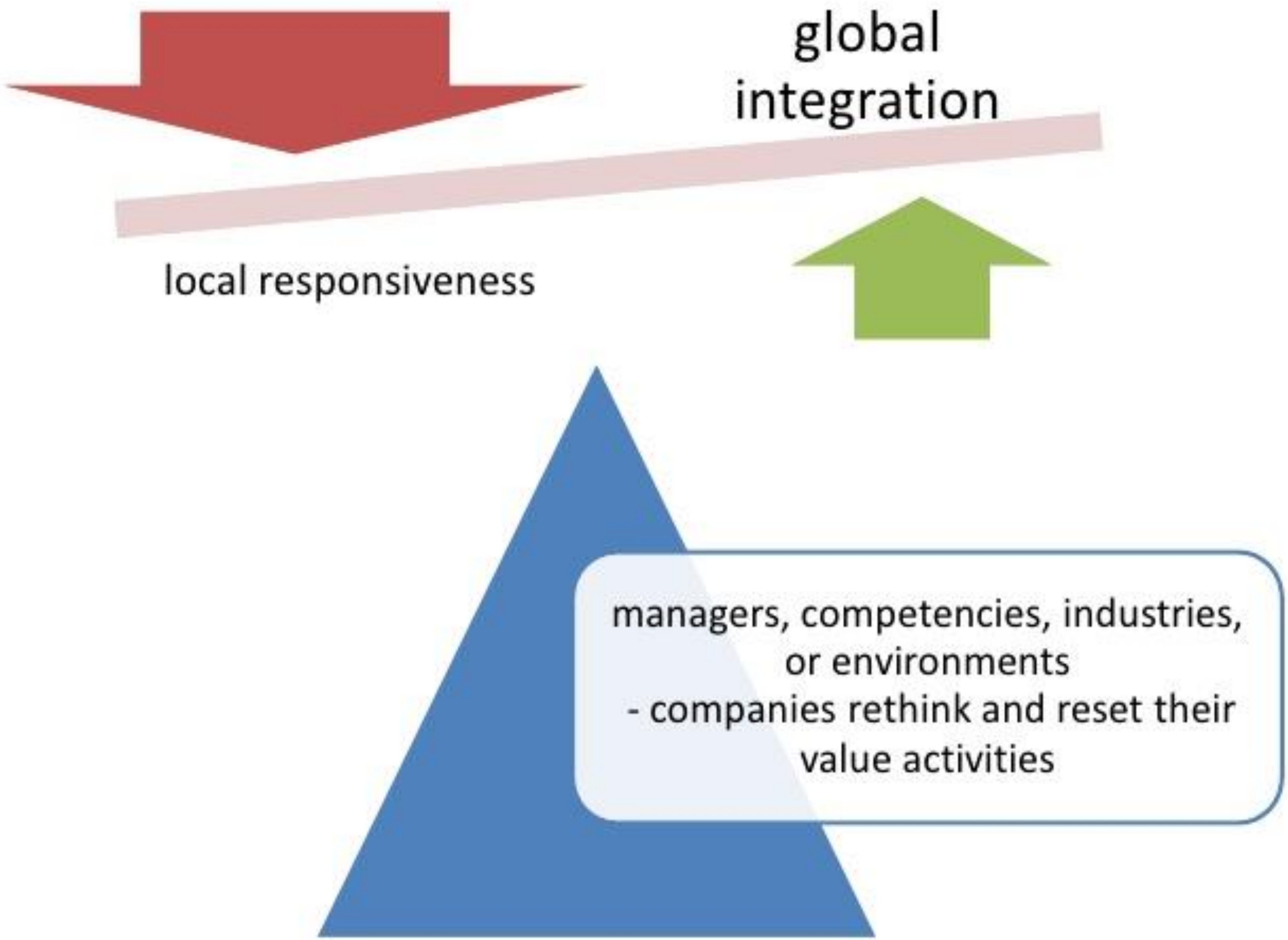
Table 12.6 Motivations of Global Integration and Local Responsiveness

Motivations for Global Integration	Motivations for Local Responsiveness
• Standardize products and processes to maximize scale, experience, and learning effects	• Customize products and process to local customer preferences to optimize scale, experience, and learning effects
• Maximize productivity of resources, capabilities, and competencies	• Satisfy host government requirements and regulations
• Exploit location effects	• Tap local resources, capabilities, and competencies
• Capitalize on converging consumer preferences and universal needs	• Promote a local profile to placate national stakeholders
• Provide uniform service to all customers	• Directly engage local competitors
• Accelerate consumers' quest to maximize purchasing power parity	• Adjust to local political, economic, and cultural circumstances
• Source materials and inputs globally	• Increase sensitivity to new product and process options
• Directly engage global competitors	• Tailor marketing message to local ideals
• Build global image with universal message	• Build local goodwill by supporting national agenda
• Exploit integration efforts of transnational institutions	• Accommodate differences in distribution channels and service systems
• Leverage expanding cross-national technological connectivity	• Respond to historical or geographic imperatives
• Respond to the progressive, ongoing globalization of markets	• Adjust products and processes to the digital divide

Considerations with Global Integration or Local Responsiveness

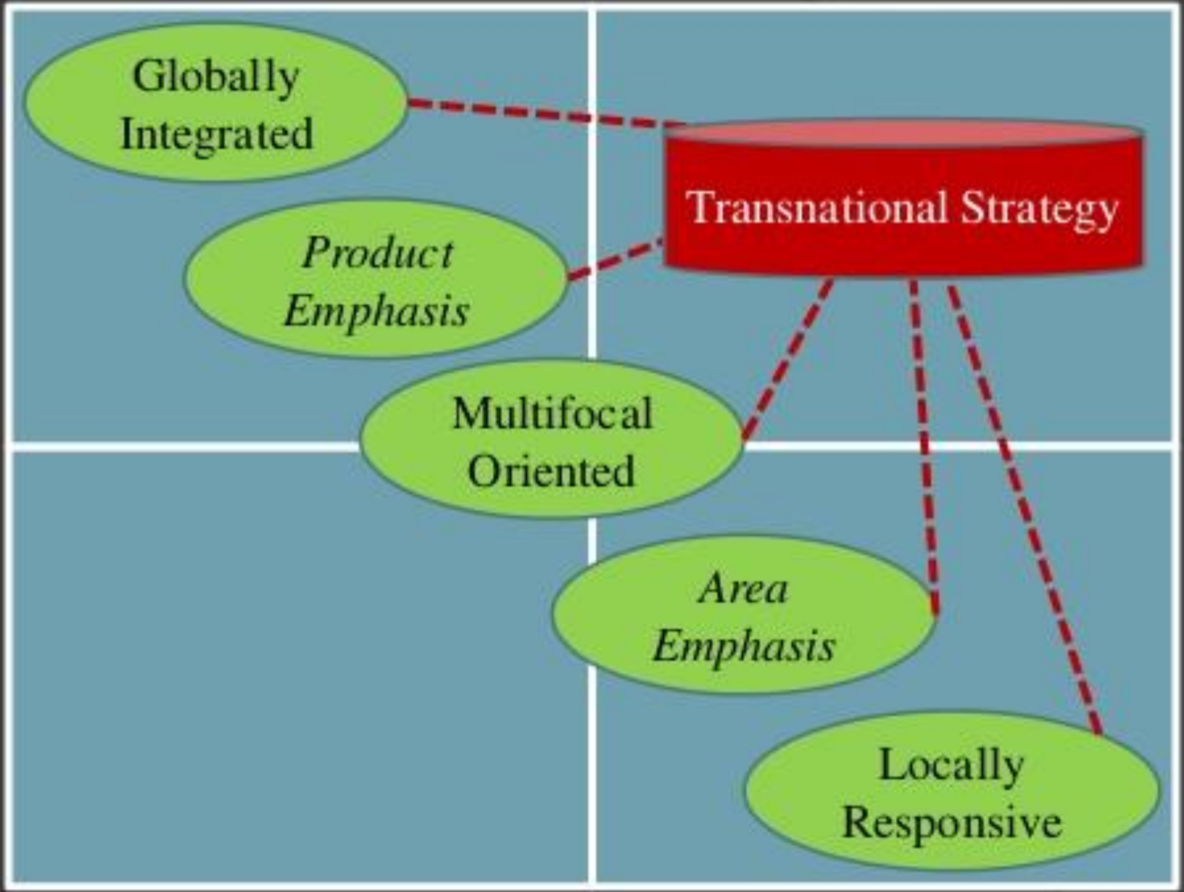
- Potential to standardize
- Responding to local customers preferences
- Institutional agents
- Mapping interaction

Pressures for Global Integration vs. Local Responsiveness



PRESSURE OF GLOBAL INTEGRATION:

- Importance of Multinational Customers
- Presence of Multinational Competitors
- Investment Intensity
- Technology Intensity
- Pressure for Cost Reduction
- Universal Needs
- Access to Raw Materials & Energy



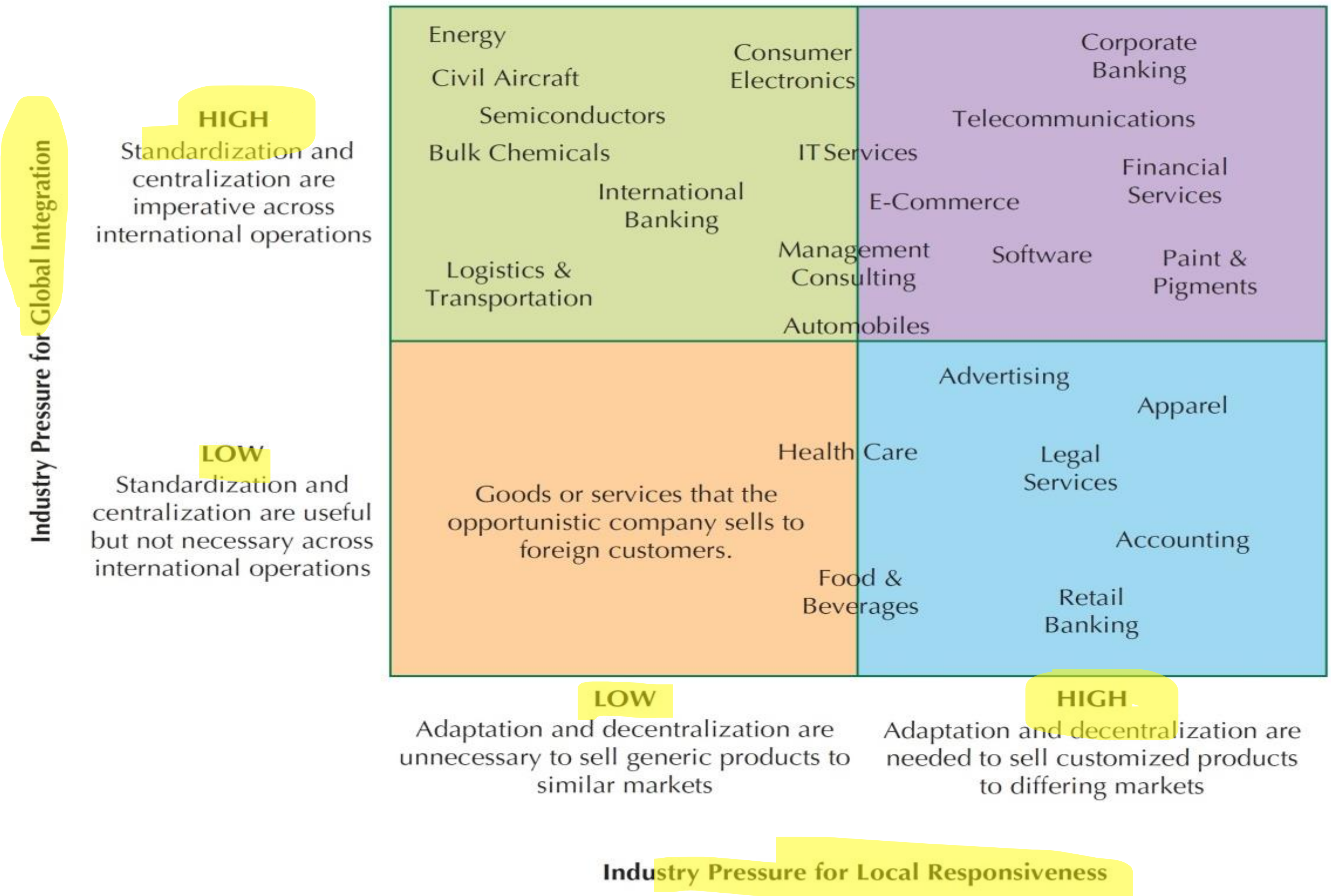
PRESSURE OF LOCAL RESPONSIVENESS:

- Difference in Consumer Needs
- Difference in Distribution Channels
- Availability of Substitutes
- Market Structure
- Host Government Demands

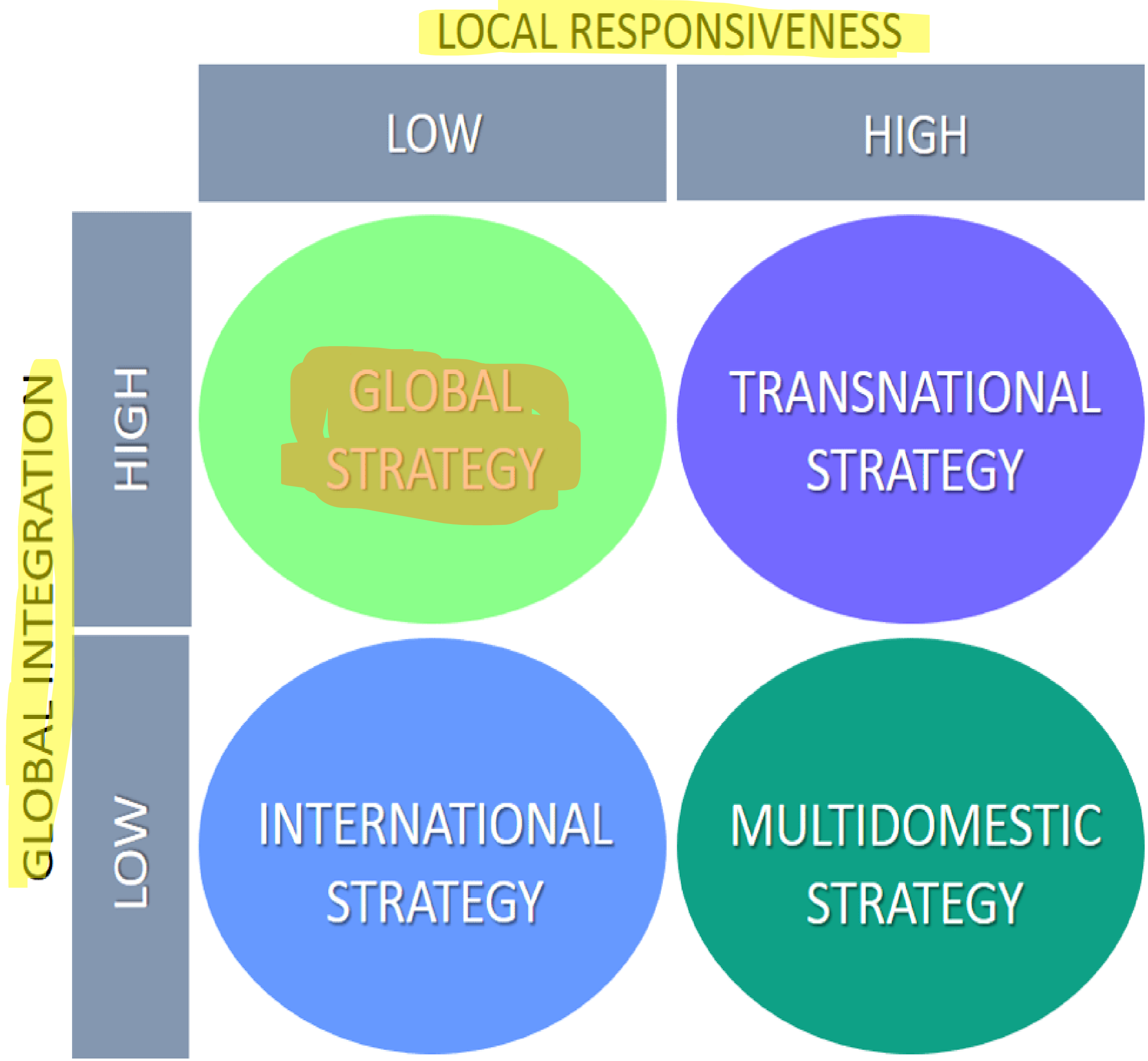
(Prahalad and Doz see Dicken, 2003:Figure 7.12;220)

The Integration Responsiveness Grid

Figure 12.4 The Integration-Responsiveness Grid



In terms of Strategic Intent….



Cost & Locality

The Strategy of International Business

COST PRESSURES AND PRESSURES FOR LOCAL RESPONSIVENESS

Firms that compete in the global marketplace typically face two types of competitive pressures:

- pressures for cost reductions
- pressures to be locally responsive

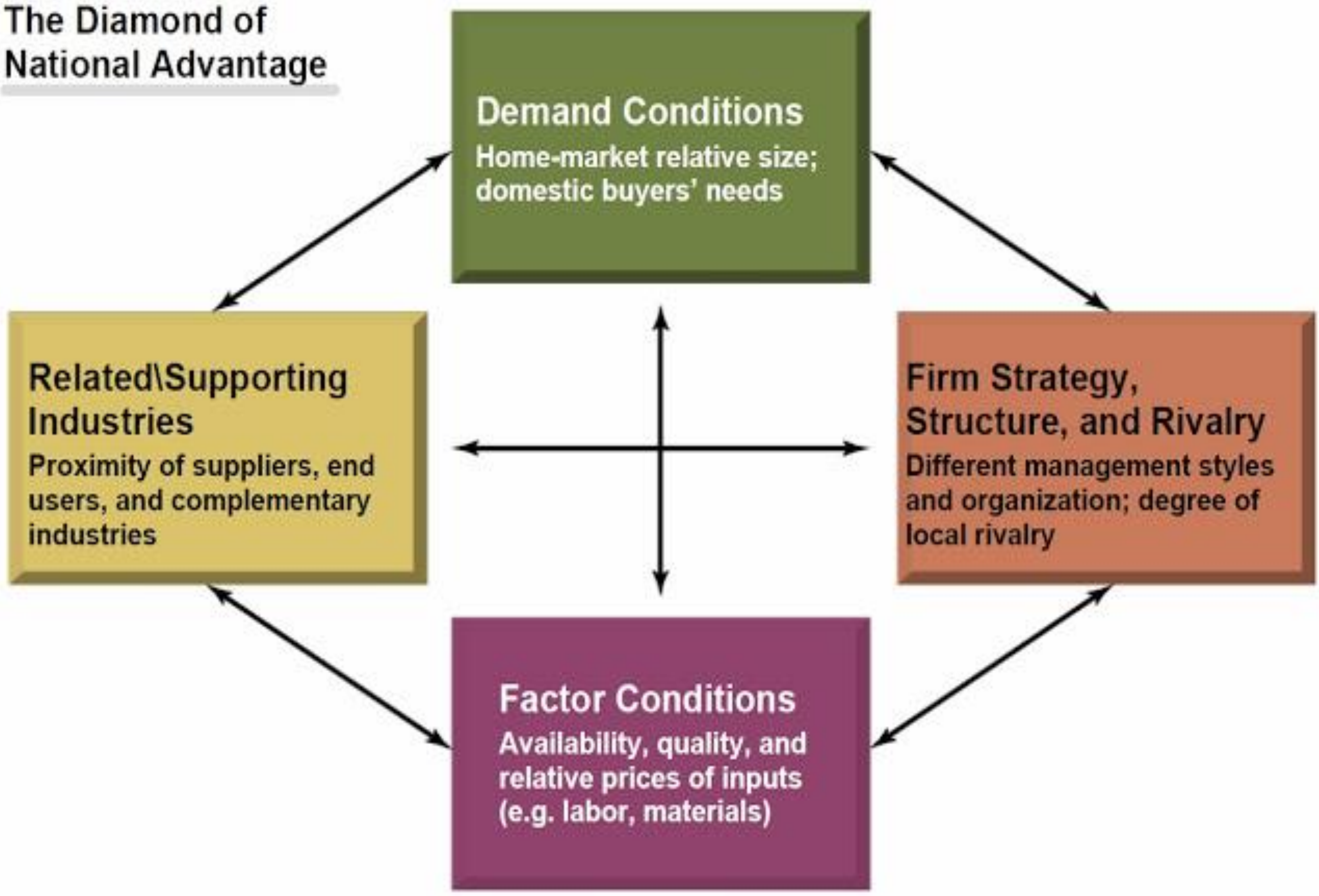
These pressures place conflicting demands on the firm.

Four International Operations Strategies

Implementing…

Global Generic Strategies

Domestic to Global…



AREAS OF BUSINESS INTELLIGENCE

MARKET INTELLIGENCE

- Industry information: top 10 industry sectors in a country
- Country investment plans, announced projects, etc
- Market size (potential vs. available vs. offered market)
- Local market shares per competitor
- Customers, top accounts, availabe wallet size
- Emerging local competitors, local intelligence on global competitors

COMPETITIVE INTELLIGENCE

- Competitor strategies
- Announced goals
- Acquisitions, divestitures
- Global Market Position
- Touching Points
- Footprint, R&D, Capex
- Financial Performance
- Executives: Backgrounds

MACROECONOMIC INTELLIGENCE

- Global and regional GDP development
- Industry cycles: capex, opex, output
- Value chain of vertical industries
- Political / institutional developments

VARIOUS KEY INTELLIGENCE TOPICS APPLICABLE IN MORE THAN ONE BI AREA

- Market vs. Competitive Intelligence: Local market shares, local footprint
- Macro vs. Market intelligence: Political development, regional cycles
- Competitive vs. Macro Intelligence: Peer group growth rates


globalisation
market potential
alliances and strategies
firm specific attributes
cross culture practice
Globestrategy
entry strategy
localisation
multinational operations
country specific attributes
strategic planning
marketing
first mover advantages

Entry Decision (between Phase 1 and Phase 2) — Operation Start (between Phase 3 and Phase 4)

Service Line	Phase 1 Entry Strategy Development	Phase 2 Operational design	Phase 3 Operational Development	Phase 4 Operational Support	Phase 5 Optimization
Consulting (including alliances)	Market Research Operational Environment Research Entry Strategy Development	Detailed Marketing Strategy Development Operating Model Design Business Plan Development	Overall Project Management Marketing Support Supply Chain Development Operational Infrastructure Development	Performance Monitoring	Marketing Strategy Optimization Operation Optimization Organization/Human Resources Optimization IT Infrastructure Optimization
Deal Advisory	M&A Advisory				Corporate Value Optimization
Tax Affairs	Taxation System Research	Tax Strategy Development	Incorporation Application for Permit/Approval/License	Tax Reporting	Tax Advisory
Audit and Assurance		Accounting Advisory	System/Process Development	Accounting/Internal Control Audit/Warranty Internal Audit Support/Diagnosis	Internal Control/Financial Reporting Optimization

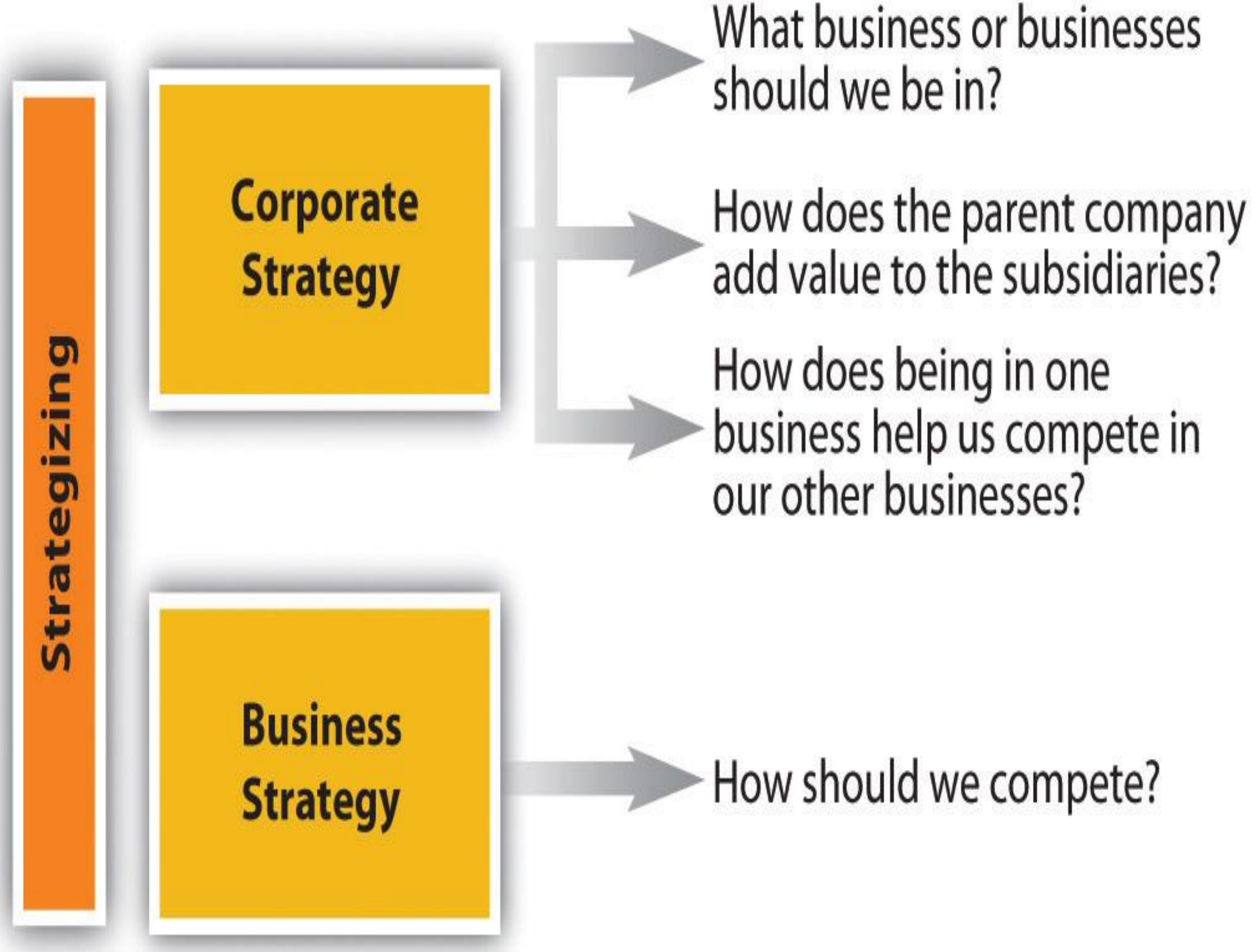
Choices in global business strategy

Geographic scope		Internal to business	External to business
	Home country	Internal organic growth and development	Mergers and acquisitions, joint ventures, and other forms of strategic alliance
	International	Exporting, offshore manufacturing, or service delivery	Mergers and acquisitions, joint ventures, and other forms of strategic alliance

Basic Types of……International Strategies

INTERNATIONAL BUSINESS LEVEL STRATEGY

INTERNATIONAL CORPORATE LEVEL STRATEGY



Strategizing
Corporate Strategy
What business or businesses should we be in?
How does the parent company add value to the subsidiaries?
How does being in one business help us compete in our other businesses?
Business Strategy
How should we compete?

Business Level ….International Strategies

International business-level strategies

- Cost leadership
- Differentiation
- Focused cost leadership
- Focused differentiation
- Integrated cost leadership/differentiation

Low-Cost Strategy

Exploit economies of scale to have the lowest cost structure of any competitor in an industry

Mantra is cutting costs

Quality remains important

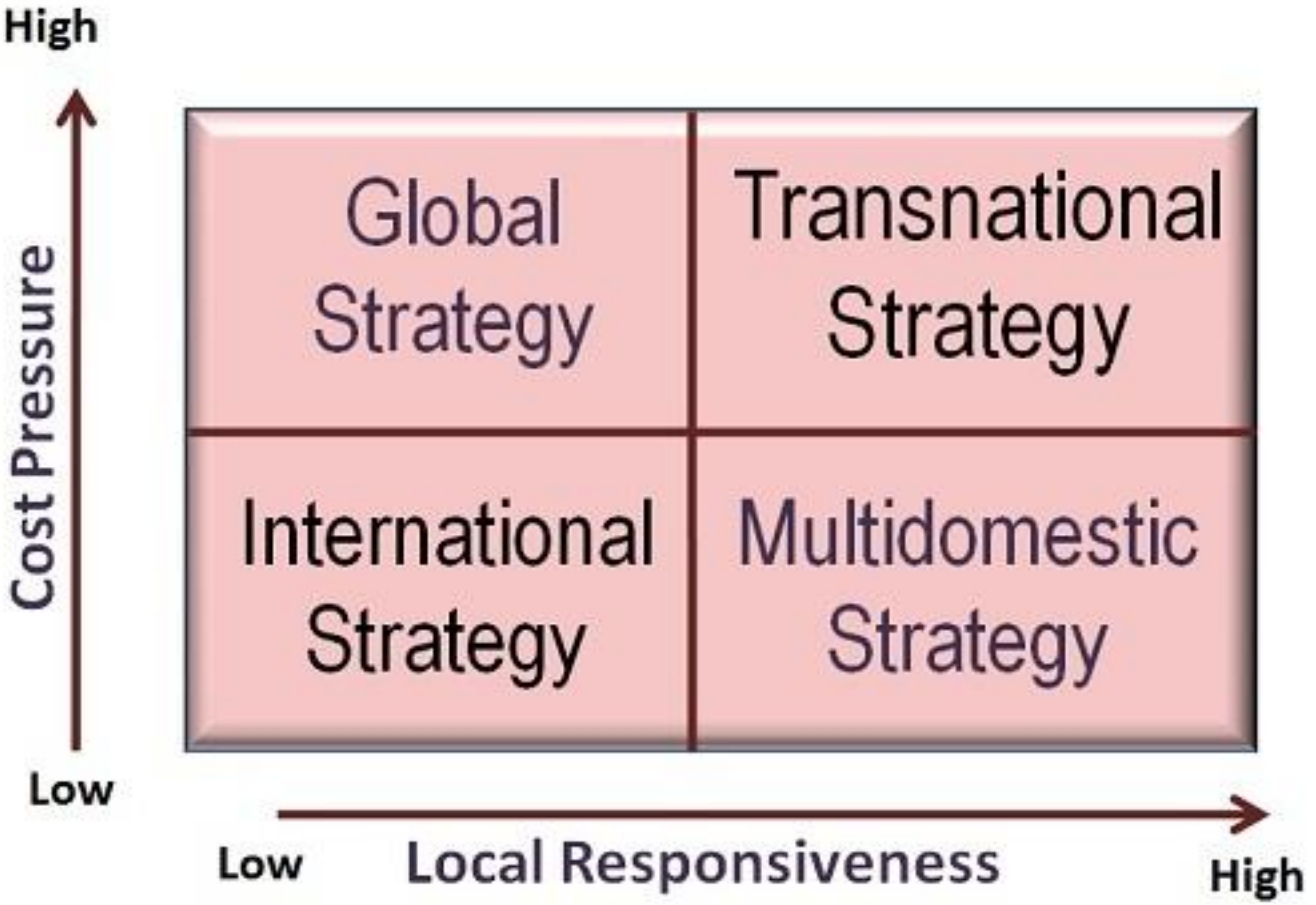
Scale is barrier for new entrants

Perhaps low customer loyalty

Mass-market products /
price sensitive buyers

Corporate Level …International Strategies

- International Strategy
- Localization Strategy
- Global Strategy
- Transnational Strategy


High
Cost Pressure
Low
Global Strategy
Transnational Strategy
International Strategy
Multidomestic Strategy
Low
Local Responsiveness
High

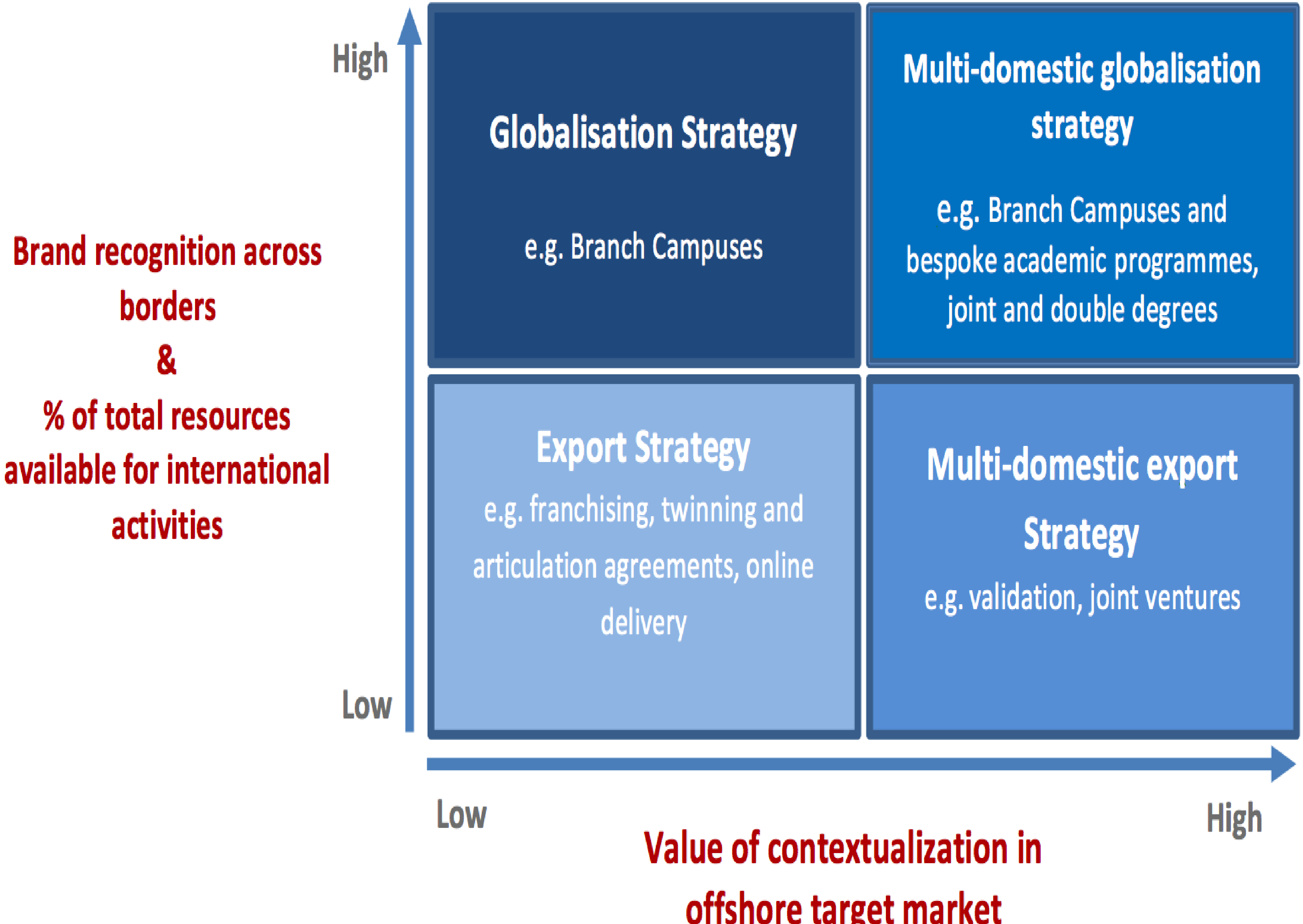
Integration-Responsiveness (IR) Grid (II): Strategy Types

Pressure for Global Integration	Low	High
High	GLOBAL Views the world as a single market. Tightly controls global operations from headquarters to preserve focus on standardization.	TRANSNATIONAL Prefers a flexible value chain to facilitate local responsiveness. Adopts complex coordination mechanisms to facilitate global integration.
Low	INTERNATIONAL Uses existing core competence to exploit opportunities in foreign markets.	MULTIDOMESTIC Relies on foreign subsidiaries operating as autonomous units to customize products and processes for local markets.

Pressure for National Responsiveness

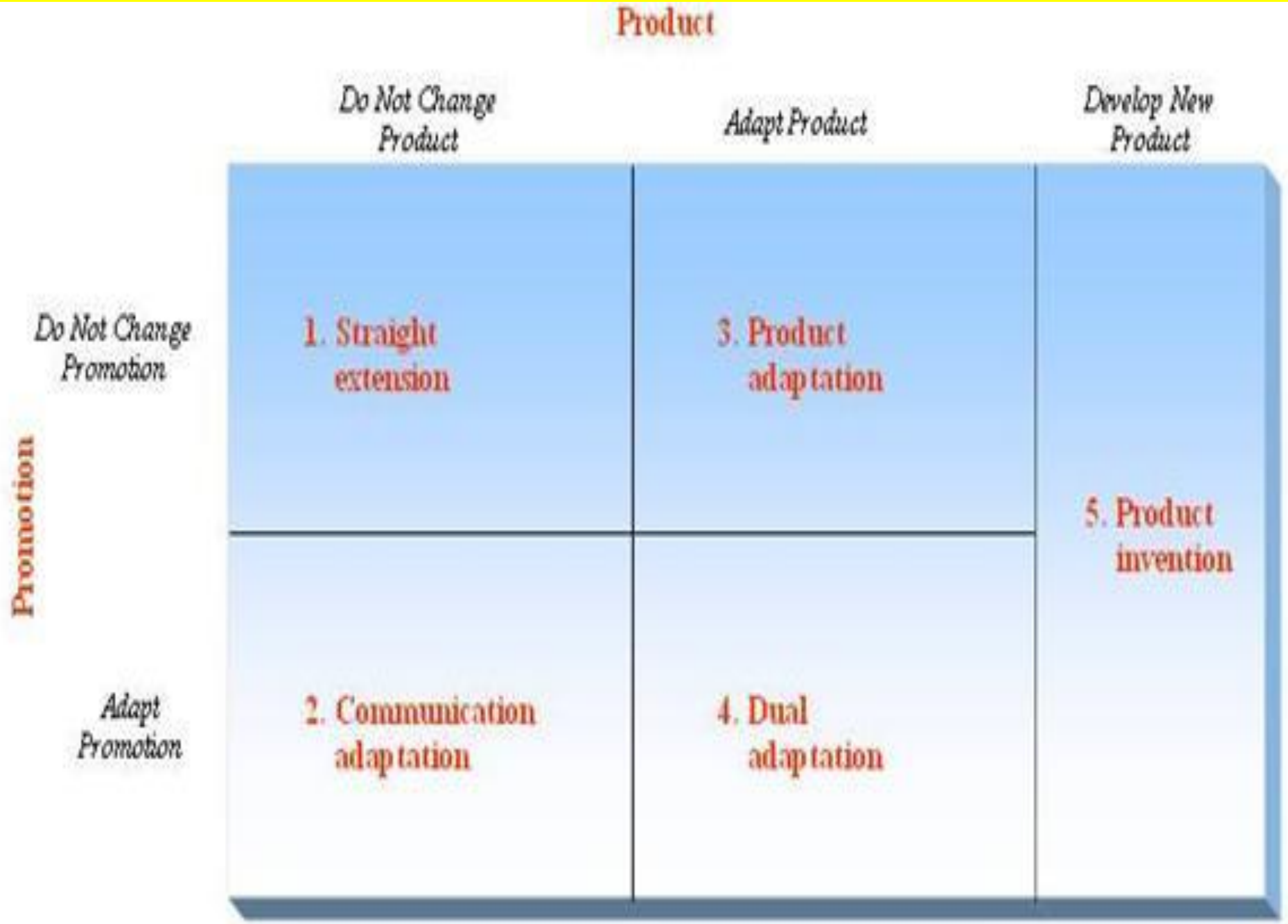
Advantages and disadvantages of the four strategies

Strategy	Advantages	Disadvantages
Global	Exploit experience curve effects Exploit location economies	Lack of local responsiveness
International	Transfer core competencies to foreign markets	Lack of local responsiveness Inability to realize location economies Failure to exploit experience curve effects
Multidomestic	Customize product offerings and marketing in accordance with local responsiveness	Inability to realize location economies Failure to exploit experience curve effects Failure to transfer core competencies to foreign markets
Transnational	Exploit experience curve effects Exploit location economies Customize product offerings and marketing in accordance with local responsiveness Reap benefits of global learning	Difficult to implement due to organizational problems

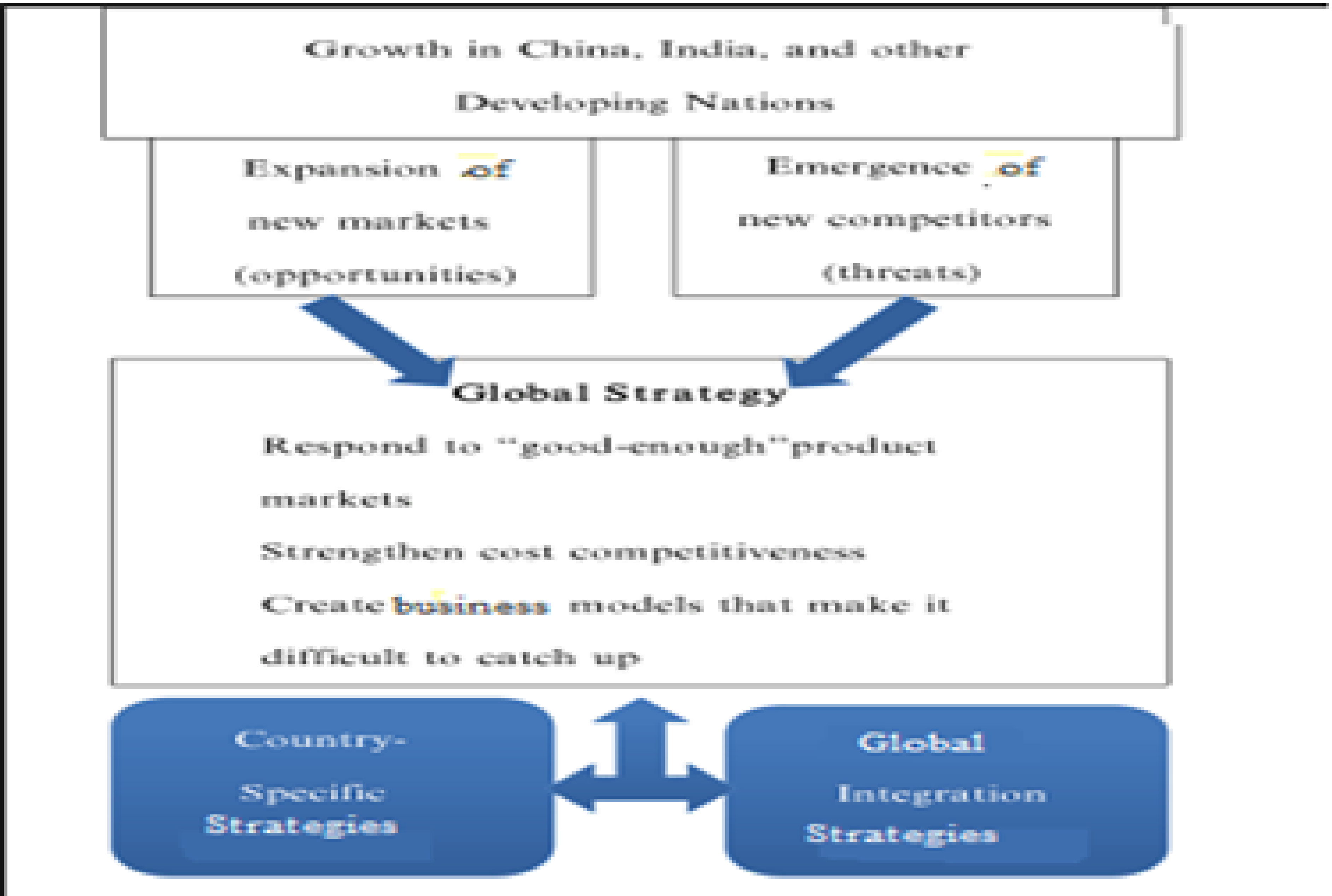

High
Globalisation Strategy
e.g. Branch Campuses
Multi-domestic globalisation strategy
e.g. Branch Campuses and bespoke academic programmes, joint and double degrees
Brand recognition across borders & % of total resources available for international activities
Export Strategy
e.g. franchising, twinning and articulation agreements, online delivery
Multi-domestic export Strategy
e.g. validation, joint ventures
Low
Low
High
Value of contextualization in offshore target market

Product / Service focused Strategies

Product …International Strategies

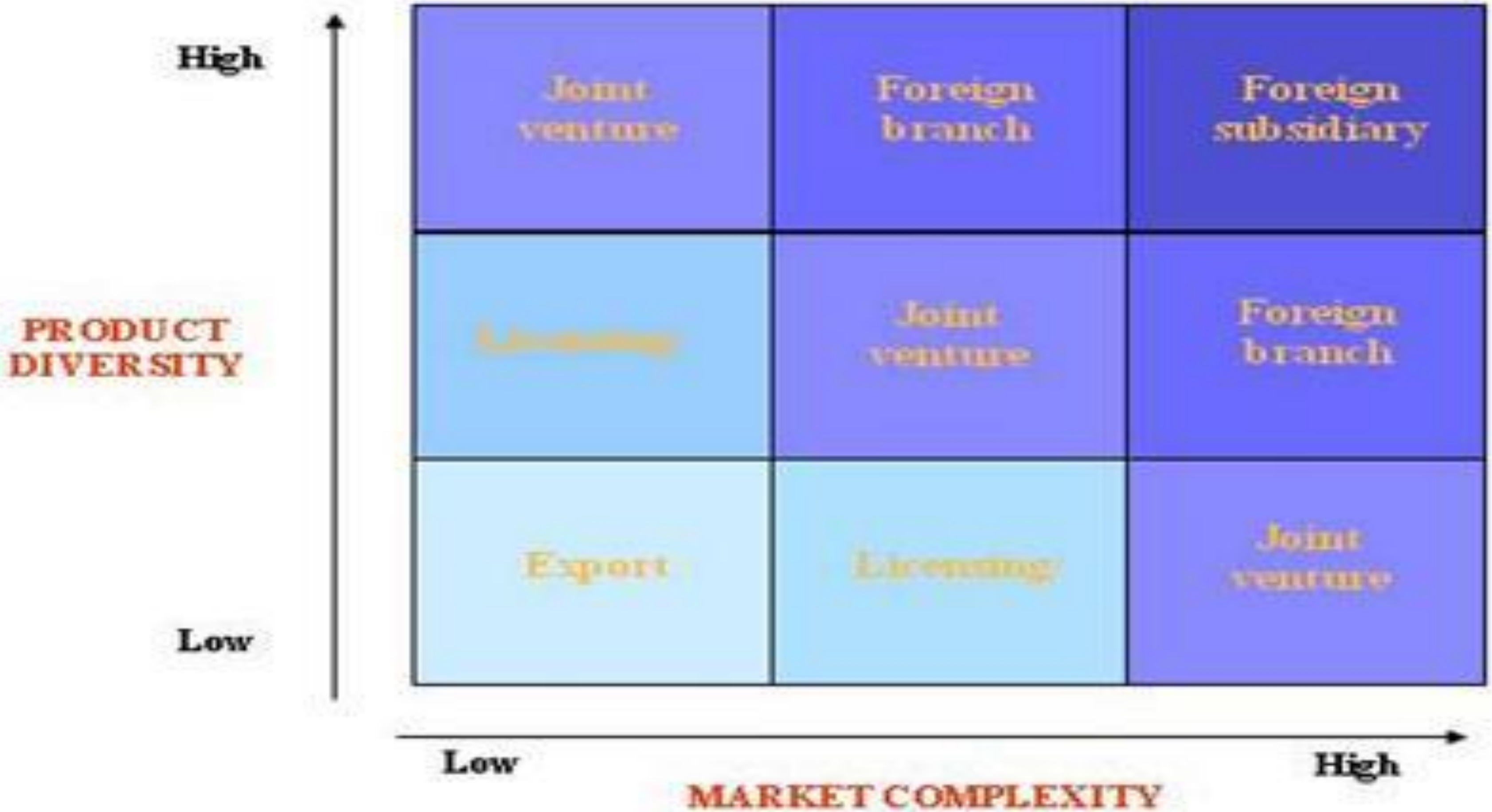


Market focused Strategies

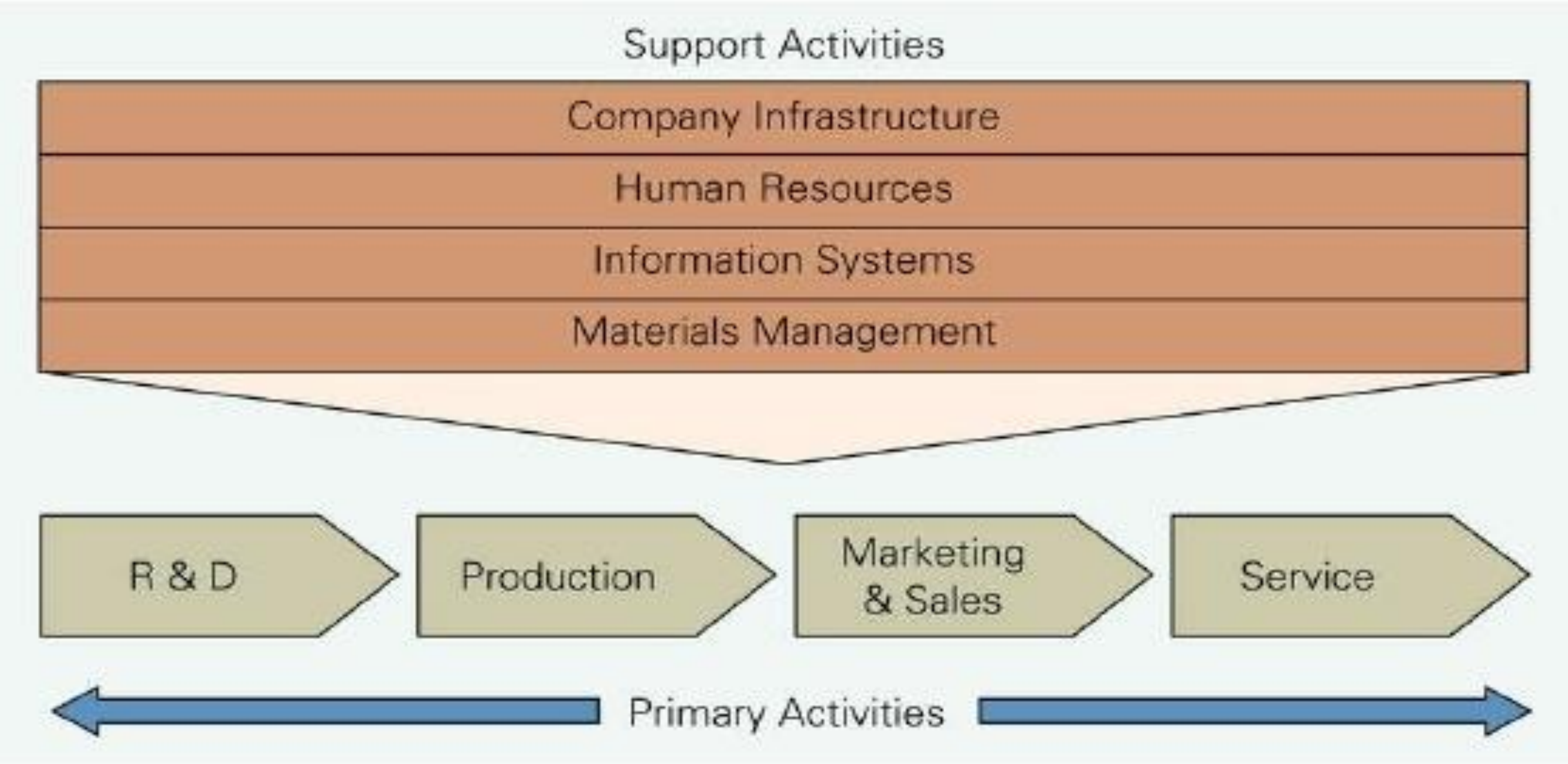

Growth in China, India, and other Developing Nations
Expansion of new markets (opportunities)
Emergence of new competitors (threats)
Global Strategy
Respond to "good-enough" product markets
Strengthen cost competitiveness
Create business models that make it difficult to catch up
Country-Specific Strategies
Global Integration Strategies

Entry Mode focused Strategies

International Strategy Options



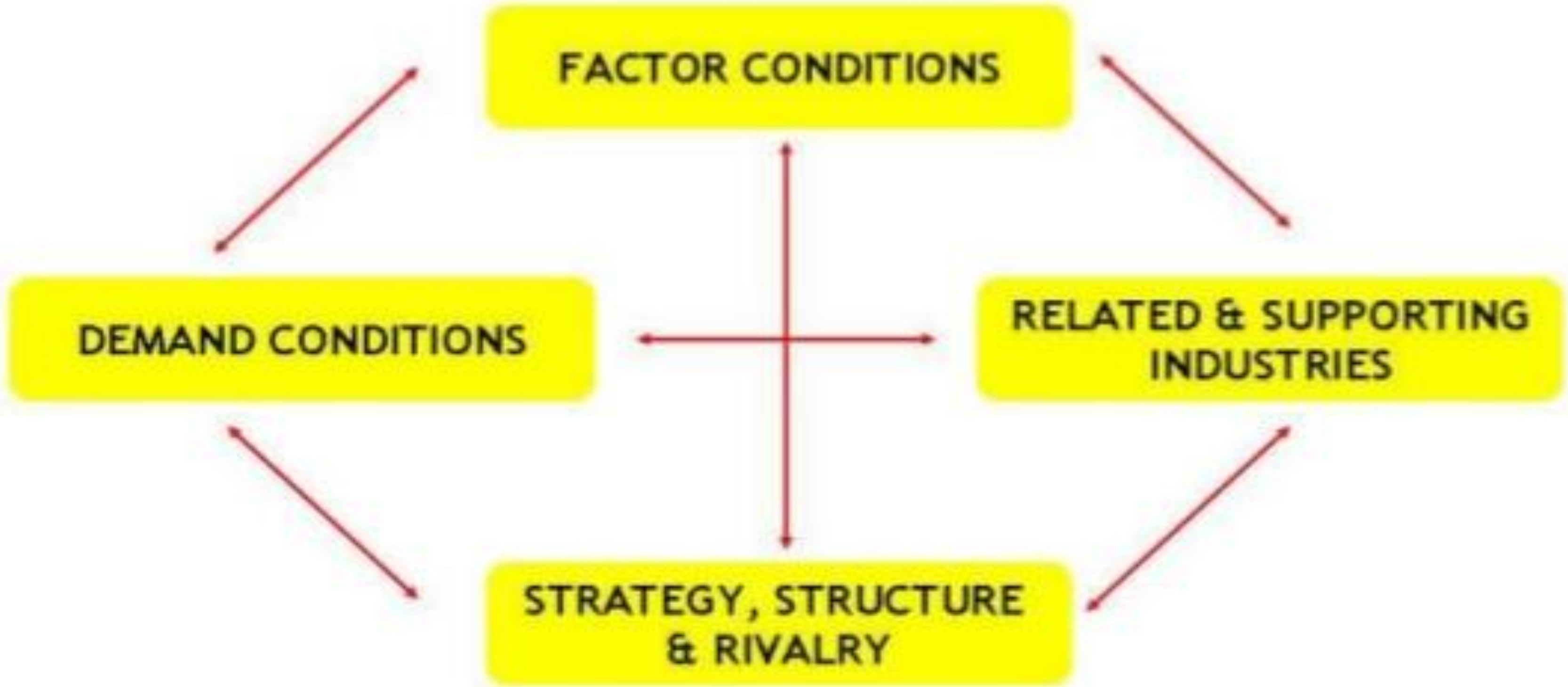
Firm as a value chain



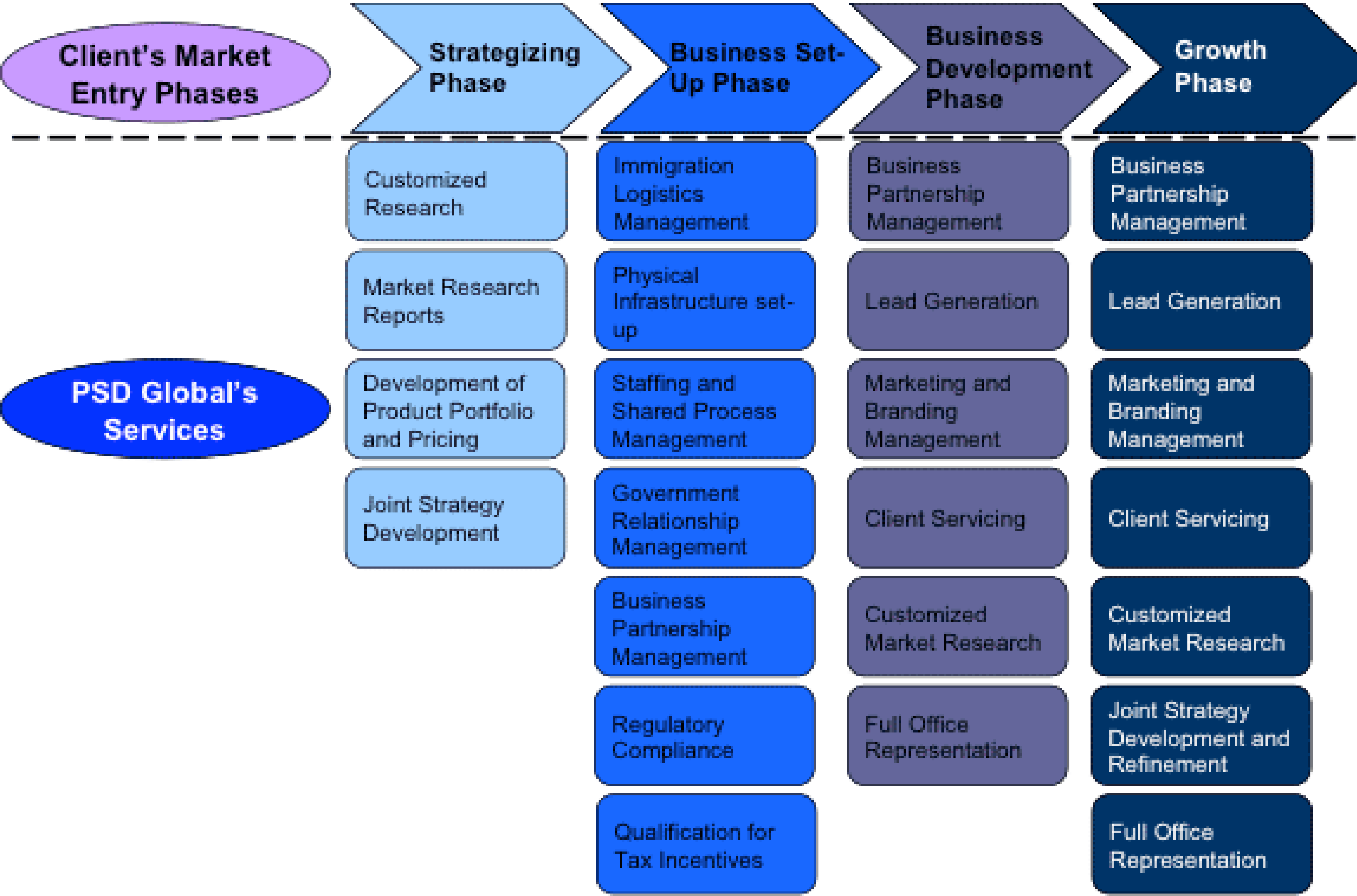
Strategic choices

- Four basic strategies to enter and compete in the international environment:
  - International strategy
  - Multi domestic strategy
  - Global strategy
  - Transnational strategy

MICHAEL PORTER'S NATIONAL DIAMOND



Entry Modes

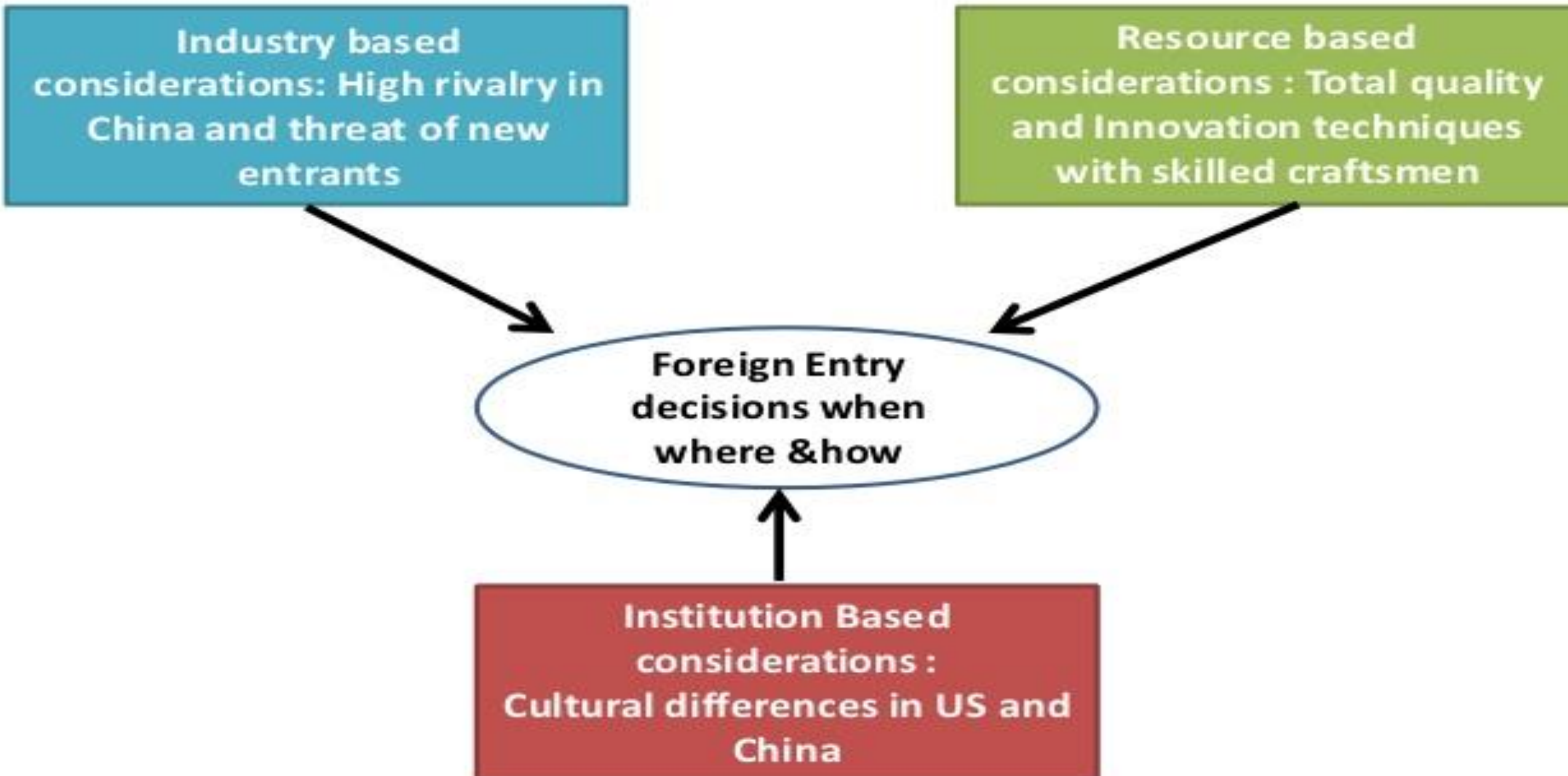


Client's Market Entry Phases
Strategizing Phase
Business Set-Up Phase
Business Development Phase
Growth Phase
PSD Global's Services
Customized Research
Market Research Reports
Development of Product Portfolio and Pricing
Joint Strategy Development
Immigration Logistics Management
Physical Infrastructure set-up
Staffing and Shared Process Management
Government Relationship Management
Business Partnership Management
Regulatory Compliance
Qualification for Tax Incentives
Business Partnership Management
Lead Generation
Marketing and Branding Management
Client Servicing
Customized Market Research
Full Office Representation
Business Partnership Management
Lead Generation
Marketing and Branding Management
Client Servicing
Customized Market Research
Joint Strategy Development and Refinement
Full Office Representation

Pros & Cons of different market entry options

Mode	Condition favoring	Advantages	Disadvantages
Direct Investment	• Import barriers • Small cultural distance • Assets cannot be fairly priced. • High sales potential • Low political risk.	• Greater knowledge of local market • Can better apply specialized skills. • Minimizes knowledge spillover • Can be viewed as an insider.	• High risk than other modes • Requires more resources and commitment • May be difficult to manage the local resources.

Conclusions



Examples

Global Strategy – General examples

Pressure for Local Responsiveness: **LOW**

Pressure for Global Integration: **HIGH**

Key Features

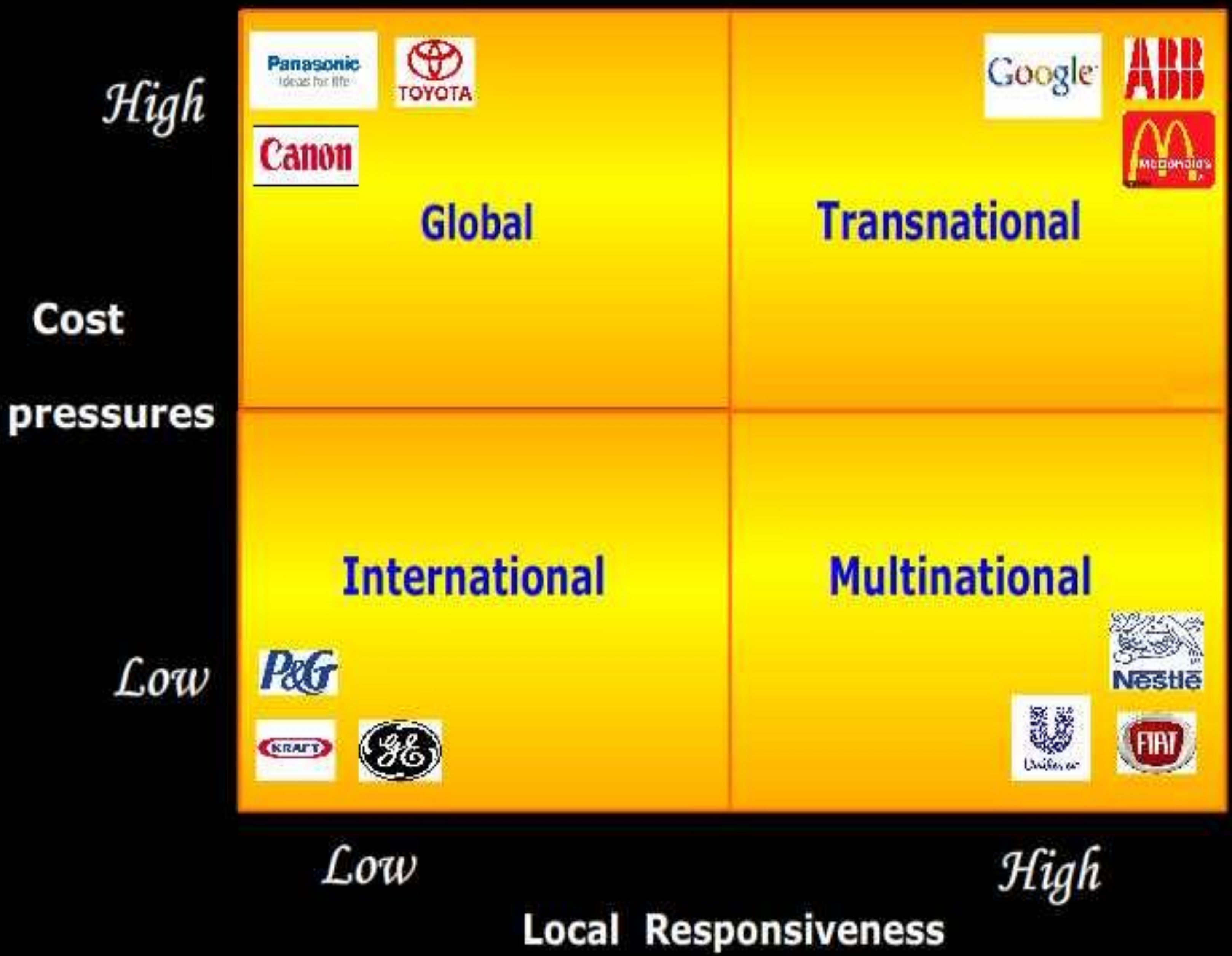
Highly centralised
Focus on efficiency (economies of scale)
Little sharing of expertise locally
Standardised products

Examples

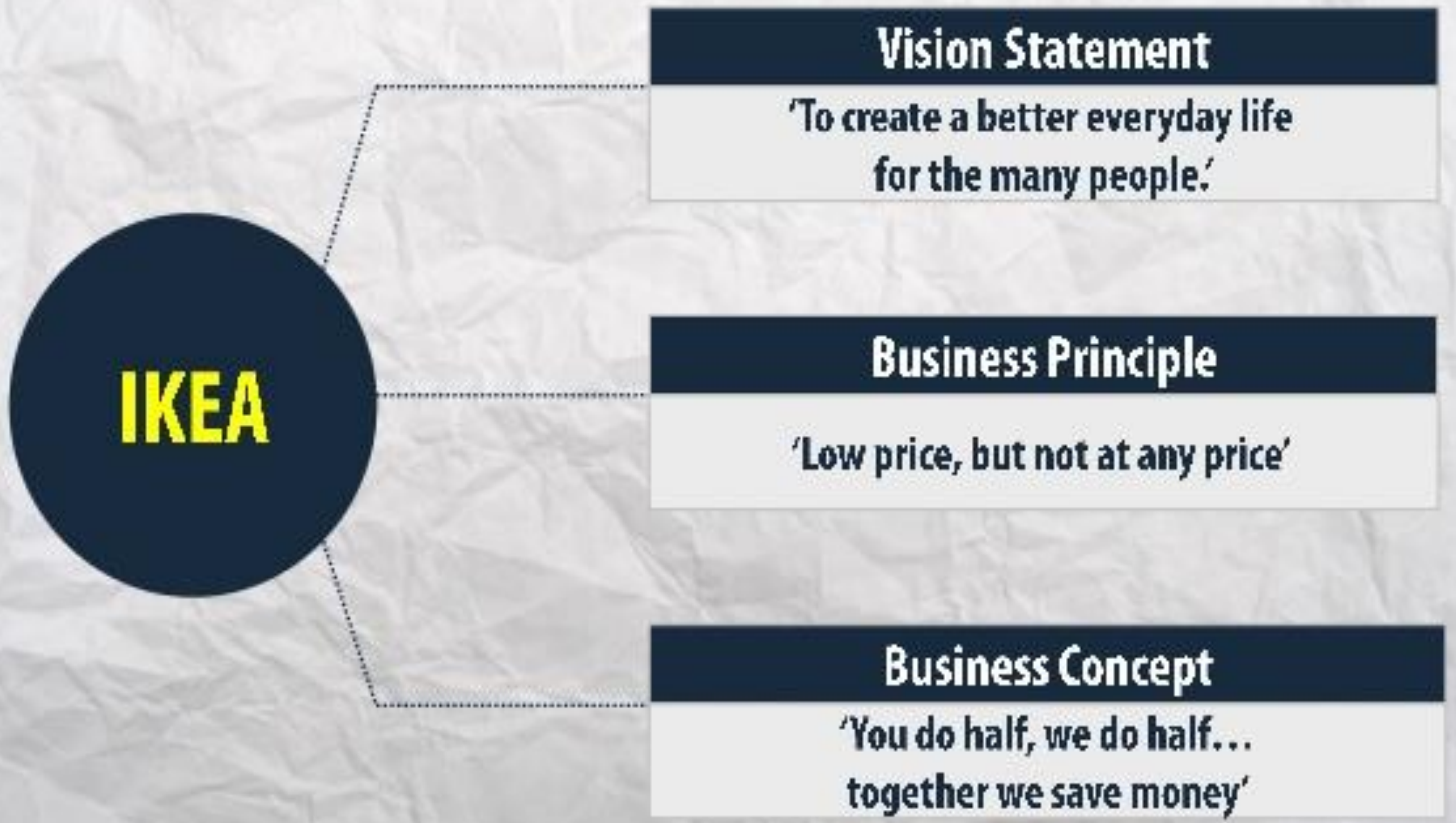
Pfizer

CAT®

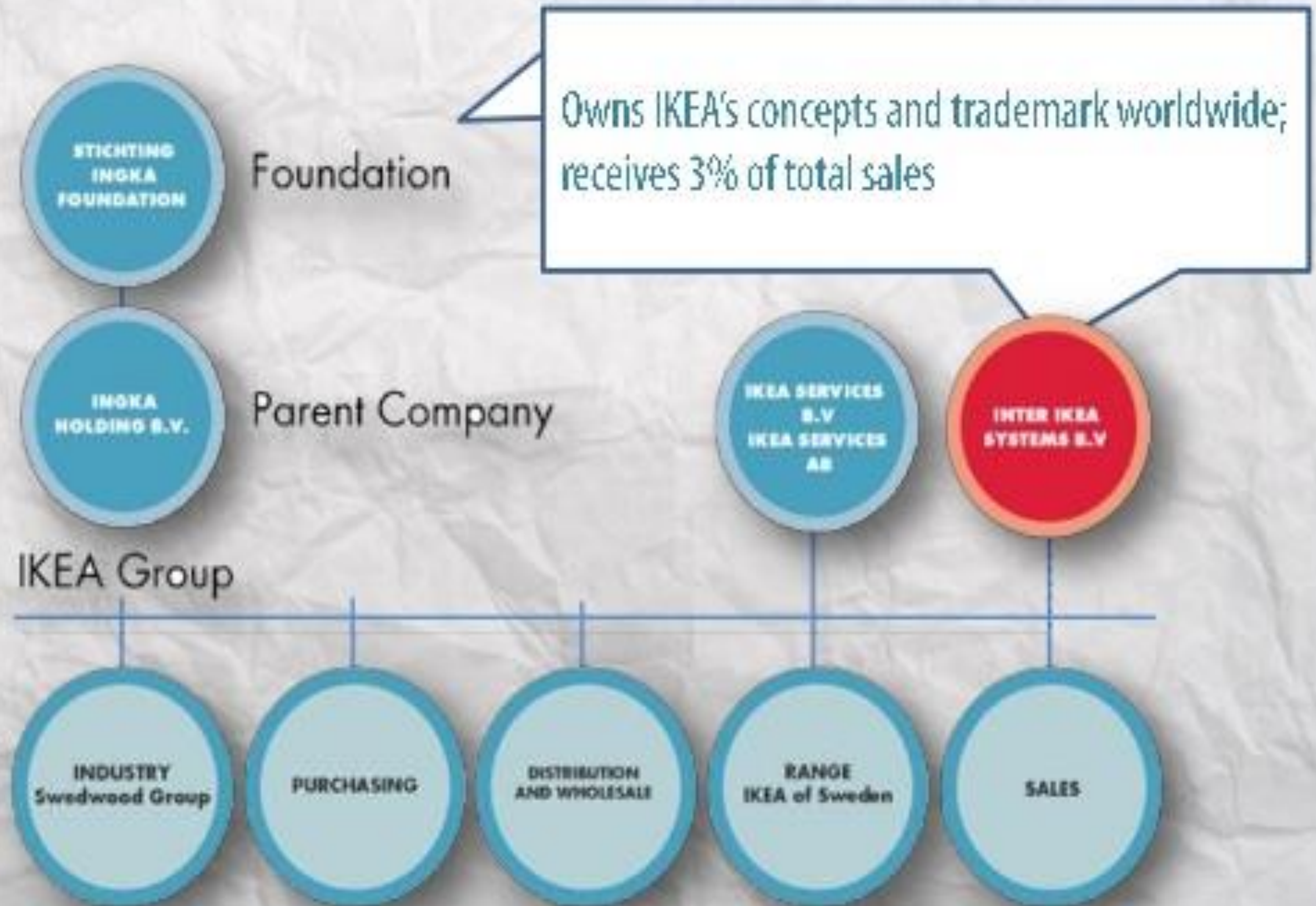
Strategies for Expanding Abroad



IKEA


IKEA
Vision Statement
'To create a better everyday life for the many people.'
Business Principle
'Low price, but not at any price'
Business Concept
'You do half, we do half… together we save money'

* Corporate Structure



* IKEA's Concept

_Cost-cutting solutions

without affecting the quality of products

_Flat pack furniture concept

introduced especially to reduce prices
for IKEA's customers by eliminating transportation and storage costs

_Properties

Functional need
Innovation
Low-cost manufacturing
Wholesale deals with manufacturers

_Differentiation from competitors

designers do not use design to justify a higher price

_Designers are instructed

to save in every possible ways

MU

Alliance Strategy

MANCHESTER UNITED

Manchester United has two types of partnership

TOSHIBA
Leading Innovation

KAGOME

Global

Regional

Global alliance strategy and partnership encourage Manchester United to perform as global brand.

MANCHESTER UNITED FOOTBALL CLUB

What makes Manchester United "Global Company"

- Global strategies for creating fans over the world
- Sponsor relationship with global companies
- Well-controlled finance contributes to the success

Walmart


Sustainability Strategies of Wal-Mart
Reduce Costs
Minimize bargaining power of powerful supplier
Remove costly steps in value chain
Raise prices
Minimize bargaining power of powerful buyer
Increased ability to differentiate
Minimize strategic risks
Reduce the threat of supplier/buyer cutoff
Minimize technology spillovers
Increase responsiveness
Bring the organization closer to its customers

Apple

Market share objectives

Market scope		High	Low
	Global	Global high share strategy	Global niche strategy
	National	National high share strategy	National niche strategy

…Apple

Global Niche Strategy:

- ✓ Offering product mix in mass market.
- ✓International Standardization.
- ✓It targets upper segments, having low price sensitivity.
- ✓High research & development.
- ✓Unit cost reduction by foreign outsourcing & importing.
- ✓Apple has 479 retail stores in 18 countries and an online store available in 39 countries.*(1)
- ✓iphone 6 & 6 plus were available in 69 countries & territories.*(2)

IT


GLOBAL IT BUSINESS STRATEGIES
• Customers who travel anywhere or companies with global operations and global IT systems help provide fast, convenient, homogeneous service.
Global Customers
• Products are the same worldwide and global IT can help manage worldwide marketing, sales, and quality control.
Global Products
Global Collaboration
• The knowledge and expertise of colleagues in a global company can only be accessed, shared, and organized by global IT systems.
Global Operations and Resources
• Common equipment, facilities, assembly processes, and people are shared by a global company and IT can track shared resources, geographic flexibility, operations, and global supply chains.
Global IT Business Drivers

Mattel


-OUTSOURCING:
Toy Parts
-ALLIANCES :
Walt Disney
Wal Mart
Toy R'Us
....
GLOBAL STRATEGY
- Invest oversea
- Standard products
TRANSNATIONAL STRATEGY
INTERNATIONAL STRATEGY
MULTINATIONAL STRATEGY
MATTEL