

Chapter 4

International Strategic Management

portunity assessment

ned set of actions that managers employ to make best use of the firm's resources and core competencies
vantage.

erned with evaluating the firm's competencies that keep it distinctive and different from its competitors.

portunity is favorable combination of circumstances, location or timing that offers prospects for e
tnership in foreign market.

must seek the most relevant data and knowledge to attain international opportunities. H
marketing and other value adding activities on a worldwide basis.

International business

Strategy carried out in two or more countries. While developing strategies, SWOT analysis should be conducted.

There should be determination of target market, product line to be offered, dealing with and organizing overall firm's activities. Every firm that wants to be competitive must seek three key objectives:

1. To reducing the cost of the firm's operations and activities on a global scale. An IB firm should have efficient international value-chains.

2. To identify and exploit different and diverse country-specific risks and opportunities; to manage such risks and opportunities, the firm must develop worldwide flexibility.

3. An IB firm should develop the ability to learn from operating in international environments and adapt to changes.

market potential

t potential or demand for products in foreign markets.

to use innovative research methods for gaining insights or data. ➤ There needs two stages to be

ng global market.

try market potential

pany sales potential

Industry Market Potential

the likely sales for all firms in the particular industry for a specific period.

It also has its own industry-specific market potential indicators, which the company needs to analyze and assess.

Using market potential and opportunities:

c.

Costs

Company Sales Potential

and demand/market potential in the foreign market.

researcher to obtain highly refined market information.

Company sales potential:

Competition

Human resources

Financial resources

Top managers

Conclusion

tion strategy/global strategy

reduction: high

responsiveness: low

e a global standardization strategy focus on increasing profitability and profit growth by reaping the **economies of scale**,

and **location economies**; that is, their strategic goal is to pursue a low-cost strategy on a global scale.

market a standardized product worldwide.

their cost advantage to support aggressive pricing in world markets.

ods like semi-conductor by Intel, Texas Instrument, Motorola; Whirlpool' world washer

gy/multi domestic strategy

reduction: low

responsiveness: high

ability by customizing the firm's goods or services so that they provide a good match to tastes
markets, and yes in doing so cost may be high and that does not matter

BY

duction: high

responsiveness: high

tions are so intense that to survive, firms must do all they can to respond to pressures for cost red

fficult to pursue because the firm tries to customize the product to satisfy the customers and at the
w cost.

this strategy; Caterpillar, Lenovo too.

[gy/home replication strategy](#)

duction: low

responsiveness: low

Gamble, Microsoft; Xerox followed this strategy (in 1960s) enjoying its monopoly benefit after its commercialization of the photocopier, as it was a monopolist it did not have to deal with strong pressures

strategy may not be viable in the long term, and to survive, firms need to shift toward a global transnational strategy in advance of competitors.

g in International Markets: Entry Strategies

RTING

have increased due to advancement of communication, transportation, banking, insurance, internet.

domestic products to foreign countries, i.e. executing orders received from foreign countries directly or through a port agent, export-management-company, import agent, or piggybacking).

foreign products from foreign countries, i.e. placing orders to foreign sellers directly or through middlemen (

VENTURES AND STRATEGIC ALLIANCES

venture is a form of cooperation between two or more firms.

pool resources & capabilities and generate synergy.

collaboration/strategic alliance allows the partners to carry out activities that each might be unable

share the risk of their joint efforts, which reduces vulnerability for any one partner.

or types:

non-equity collaborative ventures/strategic alliances (strategies without FDI) in which, firms' partners

work on projects related to R & D, design, manufacturing, or any other value-adding activity

management contract, turnkey projects, network

equity collaborative venture/strategic alliance, (manufacturing strategies with FDI) where

e.g. **joint ventures** that result in the formation of a new legal entity.

licensing, the foreign company (i.e. licensor) allows the licensee to use trademarks, patents, copyrights,

royalty fees usually as some percentage of the licensee's sales revenues (e.g. 5%).

company (licensor) grants rights to intangible property to another company (licensee) to use in a specified period in exchange of royalty fees.

When cost of going overseas and doing business in the alien environment is higher than the benefits of doing so, companies that are experts in local business. Besides, the licensor can concentrate on developing new inventions.

pecialized form of licensing in which the franchisor not only sells an independent franchisee the use of (including the trade mark) essential to the franchisee's business but also operationally assists the business on a regular basis (including promotion and training), and insists that the franchisee agree to abide by strict rules as to how it does bus

ness and tight control over manufacturing & marketing of the products by the Franchisee.

licensing that tends to involve longer-term commitments.

G

t/global purchasing/**off shoring** not onshoring)

the procurement of products or services from **independent suppliers** or **company- owned subsidiaries** in a foreign country or a third country.

a low-control strategy in which the focal firm sources from **independent suppliers** through a low-control strategy of buying from company- owned subsidiaries.

actual relationship between the buyer (the focal firm) and a foreign source of supply, *E.g. Dell*

is popular due to development of communication, and transportation, falling tariff & non-tariff barriers, and other factors.

quality or cost or both reasons.

es (MNCS)

terprise (MNE) is any business that has productive activities in two or more countries. (Hill, 2013)

at are headquartered in one country (i.e. home country) but have operations in one or more other coun

n & Hodgetts, 2002)

ment Orientation

tion Purpose

Management orientation

NC: uses its home country culture, technology and management system, in its overseas operations. Example: Nepali MNCs gave all employees a holiday during Dashain in the Pakistan-based office.

C: uses culture, technology and management system of the home-country region in its overseas operations. Example: Nepali MNCs gave all employees a holiday in America or Arab.

E: adapts itself to the host-country's culture, technology and management system. Nepali MNCs gave all employees a holiday in the local office.

EC: combination of all the three (ethno-, regio- and poly-centric). Mixes both local and home-country systems.

ose of organization

ers

rs are the earliest MNCS.

aterial seekers are in the areas of oil, gas, and mining companies, i.e. British Petroleum, Standard Oil

heap and quality raw materials throughout the world, buy them, process them and ship them to the home co

the modern forms of MNCs that go overseas (i.e. operate in different countries) to produce and sell in foreign

er

egory of MNCs doing business internationally

invest in lower-cost production sites overseas (e.g. Hong Kong, Taiwan, China, India, Malaysia, and Thailand)

as Instruments, Atari, Zenith

nts (FDI)

Investment placed directly in business operations in a foreign country: thus it is international investment

moving the capital across the border for the purpose of actively controlling property and ownership of a company

Investment (Direct Investment) and Acquisition: when a company can acquire other foreign company with (minority share, majority share(50-99 percent) or even with full outright stake (100 percent).

Portfolio Investments: investment by individuals, firms or public organizations in foreign financial instruments (stocks, bonds, etc.). Such purchase of shares and bonds aims at obtaining returns on the funds invested.

flows: Global FDI inflows recovered after 2010 till 2013 (UNCTAD WIR, 2013). But in 2014, Global FDI inflows were mostly because of the fragility of the global economy, policy uncertainty for investors and increased geo-political tensions.

Inward FDI flows to developing economies: Inward FDI flows to developing economies reached their highest level at \$600 billion at the end of 2014.

Cross-border M&As: Cross-border M&As in 2014 rebounded strongly to \$399 billion while announced Greenfield FDI rose to \$696 billion.

Investments by developing-country multinational companies: Investments by developing-country multinational companies also reached a record high in 2014. Companies in Asia now invest abroad more than any other region.

Shift towards services FDI: By sector, the shift towards services FDI has continued over the past 10 years in all regions. The share of FDI in the sector (UNCTAD WIR, 2015).



Any Questions?