

# **“International business strategies”**

## **Lecture 3**

# **International strategic management**

**Moscow, 2019**

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# Lecture Objectives

- Characterize the challenges of international strategic management
- Assess the basic strategic alternatives available to firms
- Distinguish and analyze the components of international strategy
- Describe the international strategic management process
- Identify and characterize the levels of international strategies

# International Strategy

**What Is Strategy?** A strategy is the central, integrated, externally oriented **concept of how a firm will achieve its objectives**. **Strategy formulation** (or simply *strategizing*) is the process of deciding what to do; **strategy implementation** is the process of performing all the activities necessary to do what has been planned.

**International Strategy** reflects trade-offs between *local responsiveness* and *global efficiency*. For firms to gain a competitive advantage, they have to devise strategies that take best advantage of the firm's *core competencies* and that are difficult for competitors to copy

# International Strategic Management

**International strategic management** is a comprehensive and ongoing management planning process aimed at formulating and implementing strategies that enable a firm to compete effectively internationally

## Strategic Planning

The process of developing a particular international strategy is often referred to as **strategic planning**

# International Strategic Management

## Fundamental Questions

- What products and/or services does the firm intend to sell?
- Where and how will it make those products or services?
- Where and how will it sell them?
- Where and how will it acquire the necessary resources?
- How does it expect to outperform its competitors?

## Factors

- Language
- Culture
- Politics
- Economy
- Governmental interference
- Labor
- Labor relations
- Financing
- Market research
- Advertising
- Money
- Transportation/  
communication
- Control
- Contracts

# International Strategy: Sources of Competitive Advantage

Global efficiencies

Location efficiencies

Economies of scope

Economies of scale

Multinational flexibility

Worldwide learning

# Components of International Strategy

## Distinctive competence

- Answers the question
  - *What do we do exceptionally well, especially as compared to our competitors?*
- Represents important resource to the firm

## Scope of operations

- Answers the question
  - *Where are we going to conduct business?*
- Aspects of scope
  - Geographical region
  - Market or product niches within regions
  - Specialized market niches

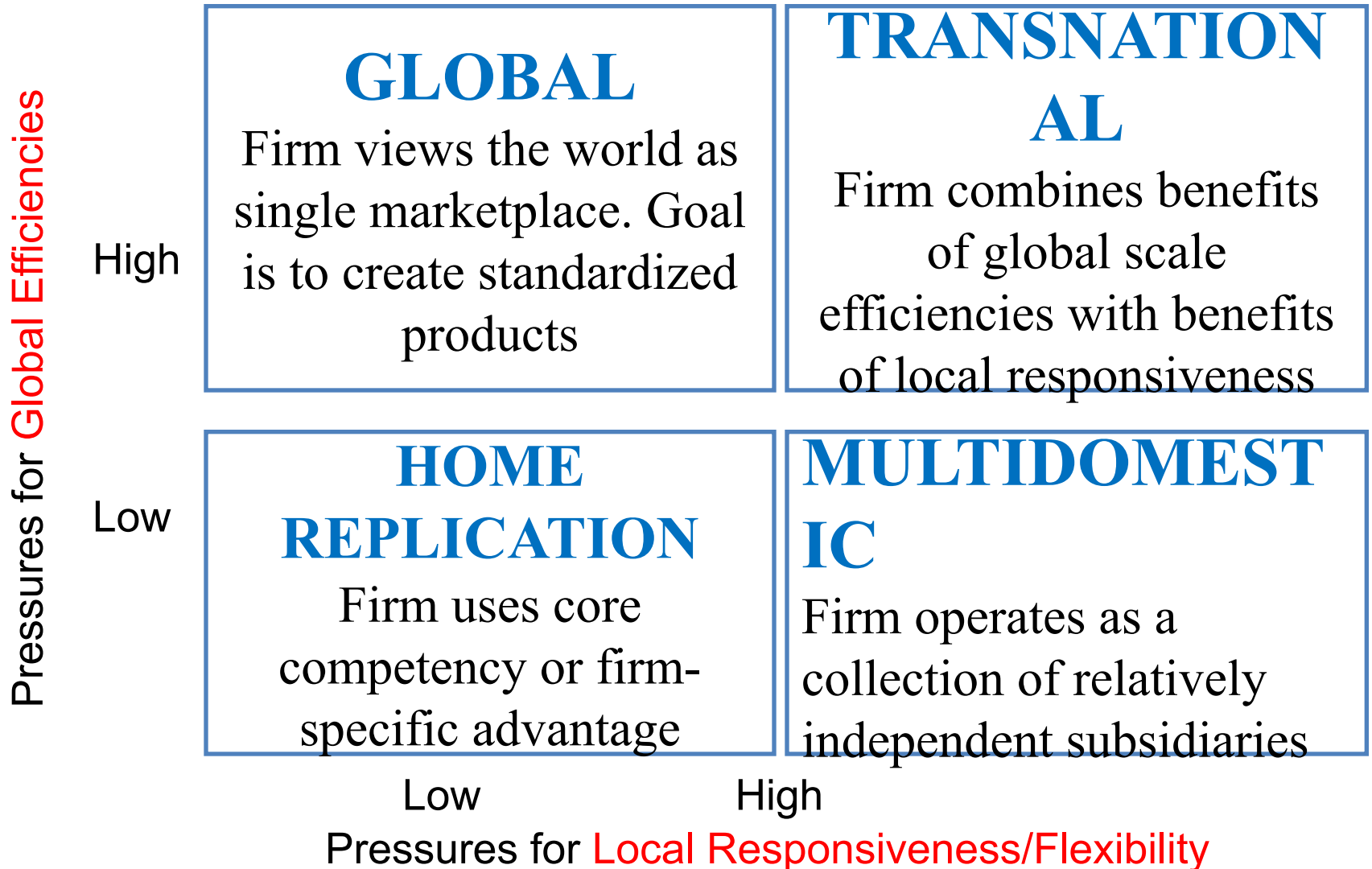
## Resource deployment

- Answers the question
  - *Given that we are going to compete in these markets, how will we allocate our resources to them?*
- Resource specifics
  - Product lines
  - Geographical lines

## Synergy

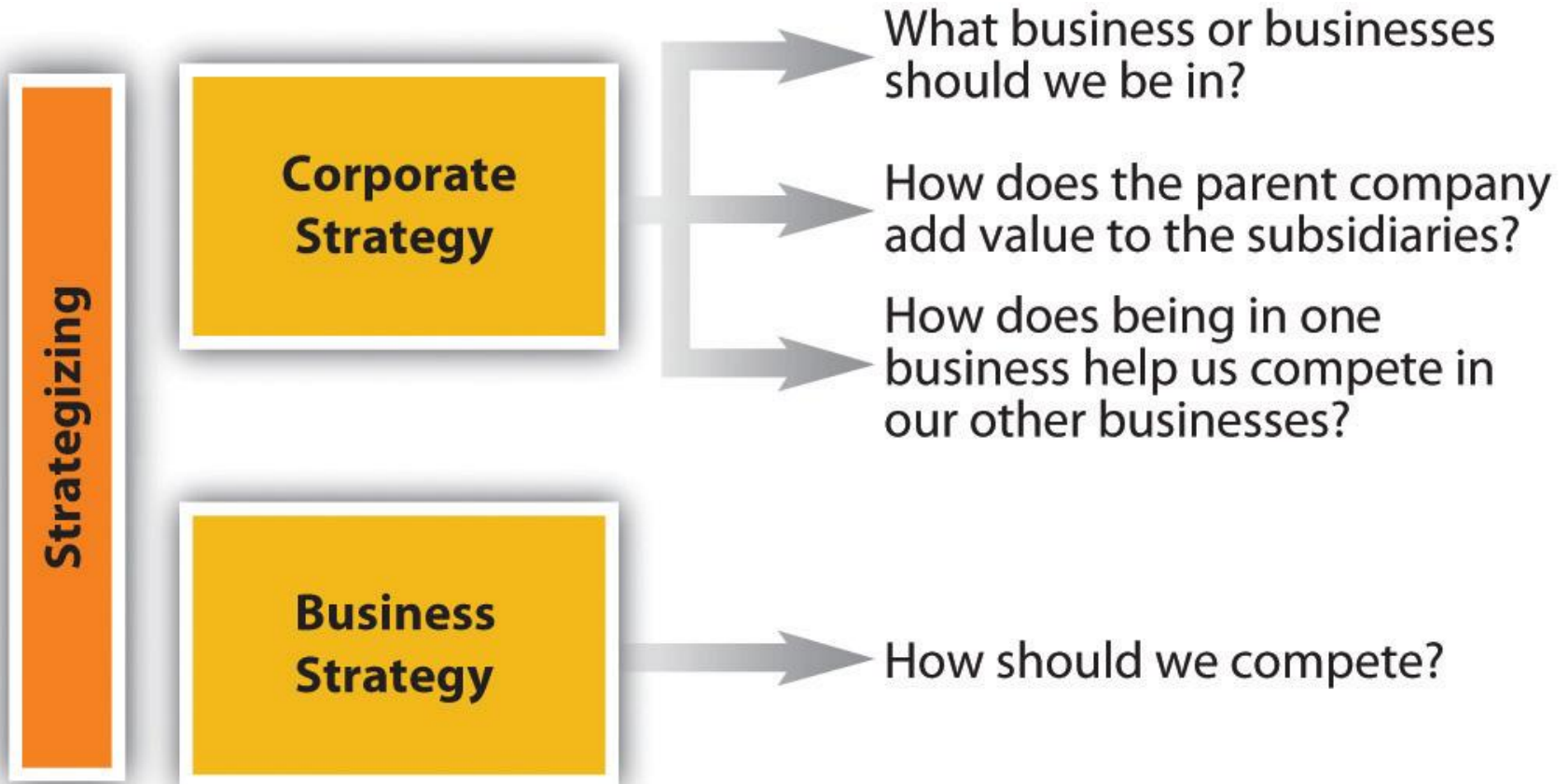
- Answers the question
  - *How can different elements of our business benefit each other?*
- Goal is to create a situation where the whole is greater than the sum of the parts

# Strategic Alternatives





# Levels of International Strategy



# The Strategizing Process

Strategy  
**formulation**

Steps in  
International  
Strategy  
Formulation

Develop a mission statement

Perform a SWOT analysis

Set strategic goals

Develop tactical goals and plans

Develop a control framework

Strategy  
**implementation**

# Mission Statements

- Clarifies the organization's purpose, values, direction
- Communicates firm's strategic direction
- Specifies firm's target customers and markets, principal products, geographical domain, core technologies, concerns for survival, plans for growth and profitability, basic philosophy, and desired public image

## SWOT Analysis

- Strengths
- Weaknesses
- Opportunities
- Threats

## Environmental Scanning

is a systematic collection of data about all elements of the firm's external and internal environments, including markets, regulatory issues, competitors' actions, production costs, and labor productivity

# Strategic Goals

major objectives the firm wants to accomplish through pursuing a particular course of action

## Tactical Goals and Plans

- Middle management issues
- Details of implementation
- Examples
  - Hiring
  - Compensation
  - Career paths
  - Distribution and logistics

## Control Framework

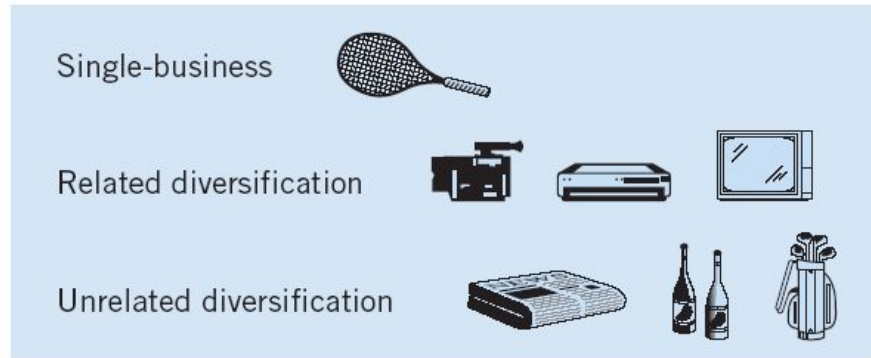
set of managerial and organizational processes that keep the firm moving toward its strategic goals

# Strategizing: **KEY TAKEAWAYS**

- **Strategy formulation** is coming up with the **plan**, and **strategy implementation** is **making the plan happen**.
- There are different **forms of strategy**. Business strategy refers to **how a firm competes**, while **corporate strategy** answers questions **concerning the businesses** with which the organization **should compete**. *International strategy is a key feature of many corporate strategies*. In some cases, international strategy takes the form of outsourcing or offshoring.
- An overview of the **strategizing process** involves a **SWOT** (strengths, weaknesses, opportunities, threats) analysis and the development of the organization's **mission and vision**.

# Levels of International Strategy

## CORPORATE STRATEGY



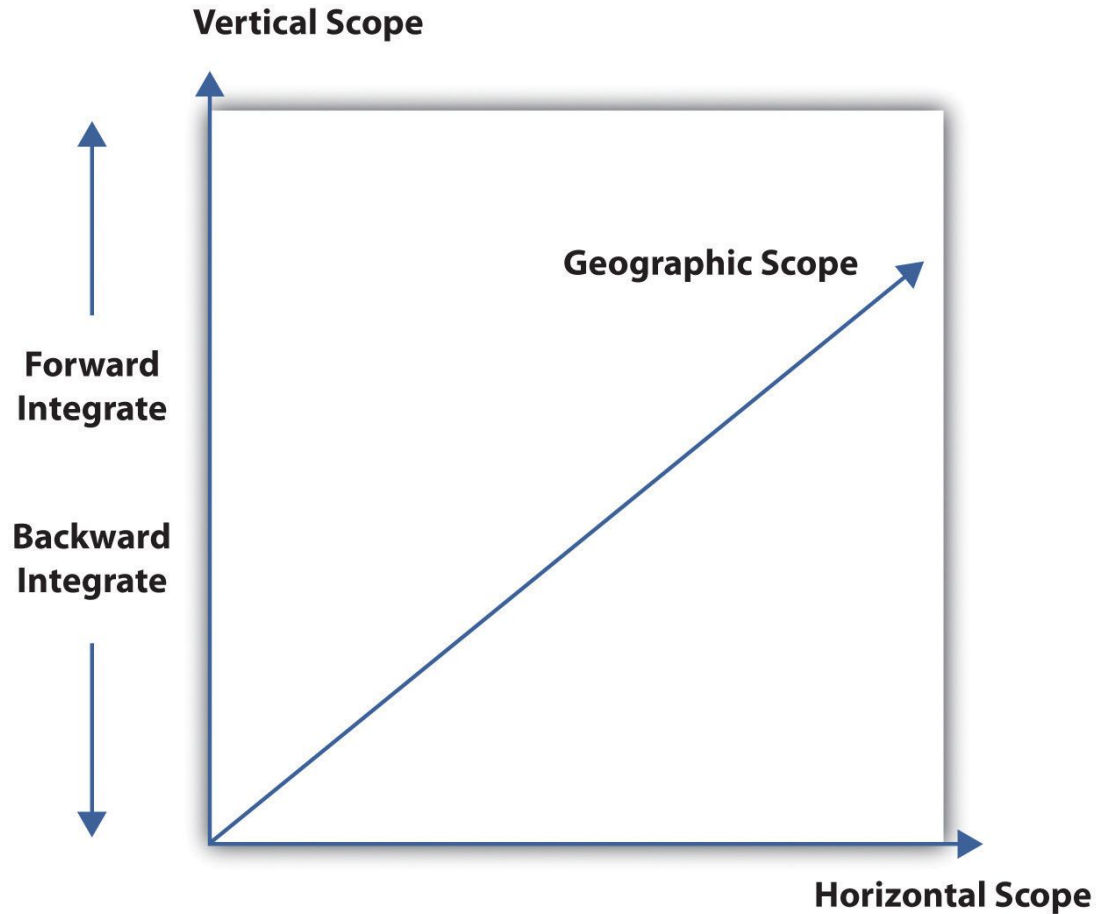
## BUSINESS STRATEGY



## FUNCTIONAL STRATEGIES



# Types of Corporate Strategy



# Types of Business-Level Strategies: *The Value Chain*



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**Thank You for Your Attention!**

