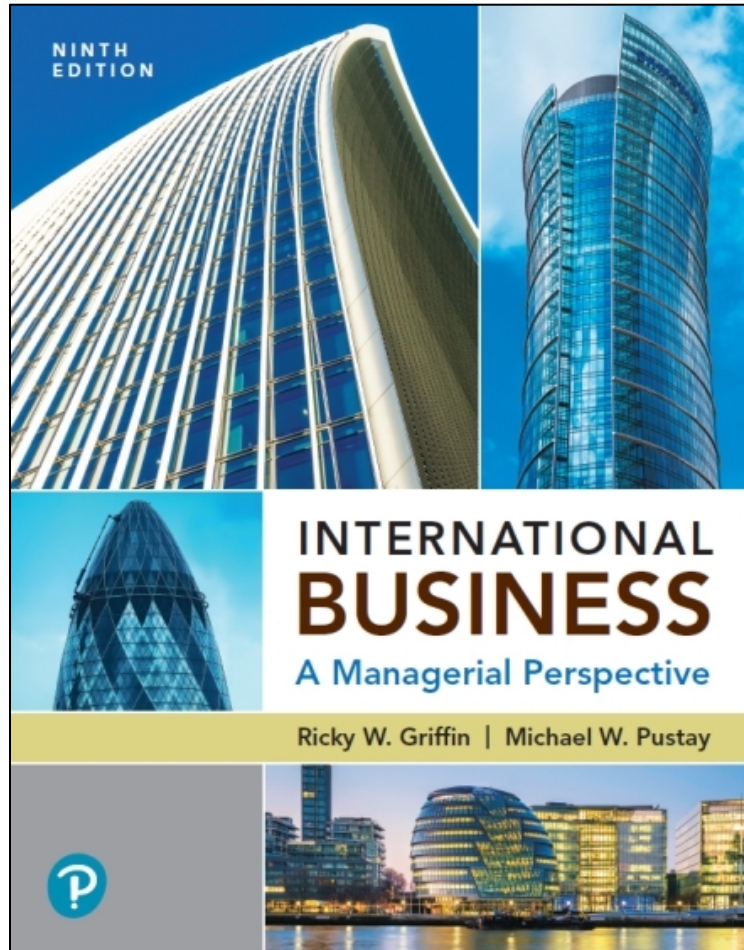


# International Business: A Managerial Perspective

Ninth Edition



## Chapter 11

### International Strategic Management

# Learning Objectives

- 11.1** Characterize the challenges of international strategic management.
- 11.2** Assess the basic strategic alternatives available to firms.
- 11.3** Distinguish and analyze the components of international strategy.
- 11.4** Describe the international strategic management process.
- 11.5** Identify and characterize the levels of international strategies.

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

# Challenges of International Strategic Management (1 of 2)

## Fundamental Questions

- What products and services to sell?
- Where and how to make them?
- Where and how to sell them?
- Where and how to get resources?
- How to outperform the competition?

## Complexities

- Understand and Deal with Multiple:
  - Governments
  - Currencies
  - Accounting Systems
  - Political Systems
  - Legal Systems
  - Languages
  - Cultures
- Acceptable Trade-offs

# Challenges of International Strategic Management (2 of 2)

Three sources of competitive advantage for international business are unavailable to domestic firms.

- Global Efficiencies
  - Location efficiency,
  - Cost efficiency - economies of scale, economies of scope
- Multinational Flexibility
- Worldwide Learning

# Strategic Alternatives (1 of 2)

MNCs typically adopt one of four strategic alternatives in their attempt to balance the three goals of global efficiencies, multinational flexibility, and worldwide learning.

- Home Replication Strategy
- Multidomestic Strategy
- Global Strategy
- Transnational Strategy

# Strategic Alternatives (2 of 2)

**Figure 11.1** Strategic Alternatives for Balancing Pressures for Global Integration and Local Responsiveness



*Source:* Based on Sumantra Ghoshal and Nitin Nohria, "Horses for courses: Organizational forms for multinational corporations," *Sloan Management Review* (Winter 1993), pp. 27 and 31.

# Components of an International Strategy

Four Basic components of strategy development are

- **Distinctive Competence**
  - “What do we do exceptionally well, especially as compared to our competitors?”
- **Scope of Operations**
  - “Where are we going to conduct business?”
- **Resource Deployment**
  - “Given that we are going to compete in these markets, how should we allocate our resources to them?”
- **Synergy**
  - “How can different elements of our business benefit each other?”



# Distinctive Competence

- Cutting-Edge Technology
- Efficient Distribution Networks
- Superior Organizational Practices
- Well-Respected Brand Names

# Scope of Operations

- **Geographic Regions**
  - Countries, regions within a country, or clusters of countries
- **Market or Product Niches**
  - Premium-quality Market Niche, Low-Cost Market Niche, or Other Specialized Market Niches

# Resource Deployment

- Product Lines
- Geographical Lines
- Combination

# Synergy

- The whole is greater than the sum of the parts.



# Developing International Strategies

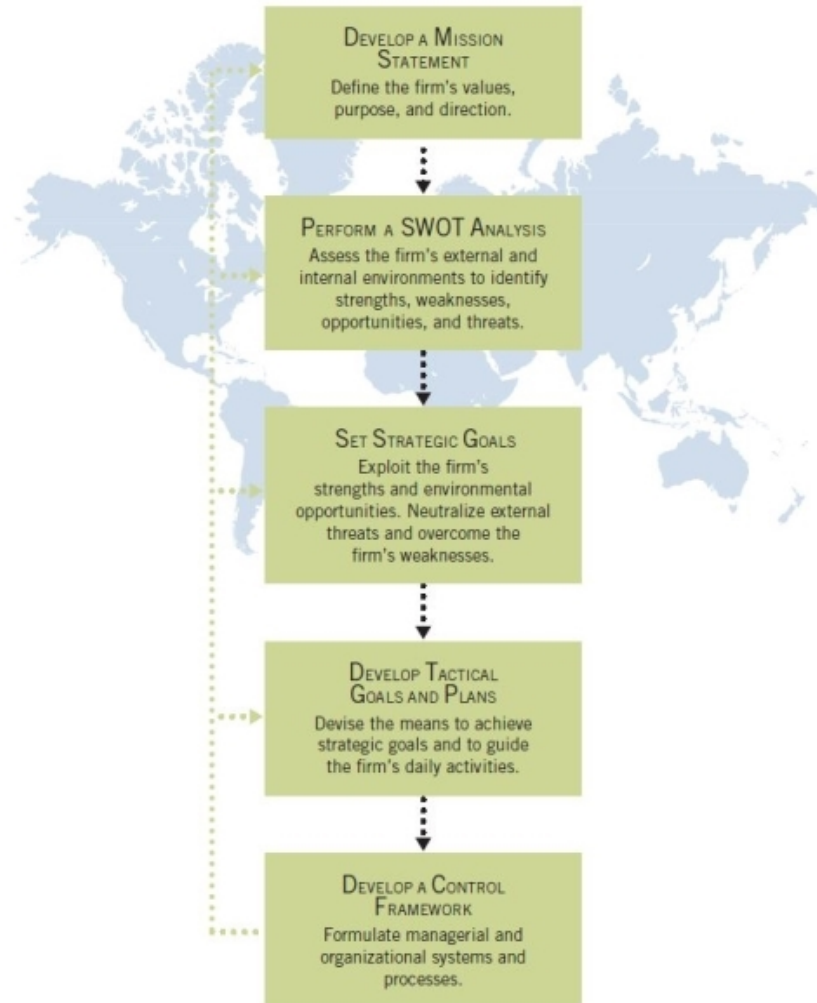
## Stages

- Strategy Formulation
- Strategy Implementation

## Steps

- Develop Mission Statement
- Perform SWOT Analysis
- Set Strategic Goals
- Develop Tactical Goals and Plans
- Develop Control Framework

# Figure 11.2 Steps in International Strategy Formulation



# Mission Statement

- Organization's Purpose, Values, and Directions
- Firm's Target Customers and Markets
- Principal Products or Services
- Geographical Domain
- Core Technologies
- Concerns for Survival
- Plans for Growth and Profitability
- Basic Philosophy
- Desired Public Image

# Environmental Scanning and the SWOT Analysis (1 of 2)

- **Environmental Scan**

- External

- Opportunities
    - Threats

- Internal

- Strengths
    - Weaknesses



# Environmental Scanning and the SWOT Analysis (2 of 2)

**Figure 11.3** The Value Chain



*Sources:* Based on *Competitive Advantage: Creating and Sustaining Superior Performance*, by Michael E. Porter, The Free Press, a Division of Simon & Schuster Copyright © 1985 by Michael E. Porter and *Strategic Management and Competitive Advantage: Concepts and Cases*, 4th edition, by Jay B. Barney and William S. Hesterly, © 2012 by Pearson Education, Inc., publishing as Prentice Hall.

# Strategic Goals

- Major objectives the firm wants to accomplish
  - Measurable
  - Feasible
  - Time-Limited

# Tactics

- Specific tactical goals and plans
- Tactics usually involve middle managers
- Focus on the details of implementing the firm's strategic goals

# Control Framework

Managerial Processes + Organizational Processes =  
Strategic Goals

# Levels of International Strategy

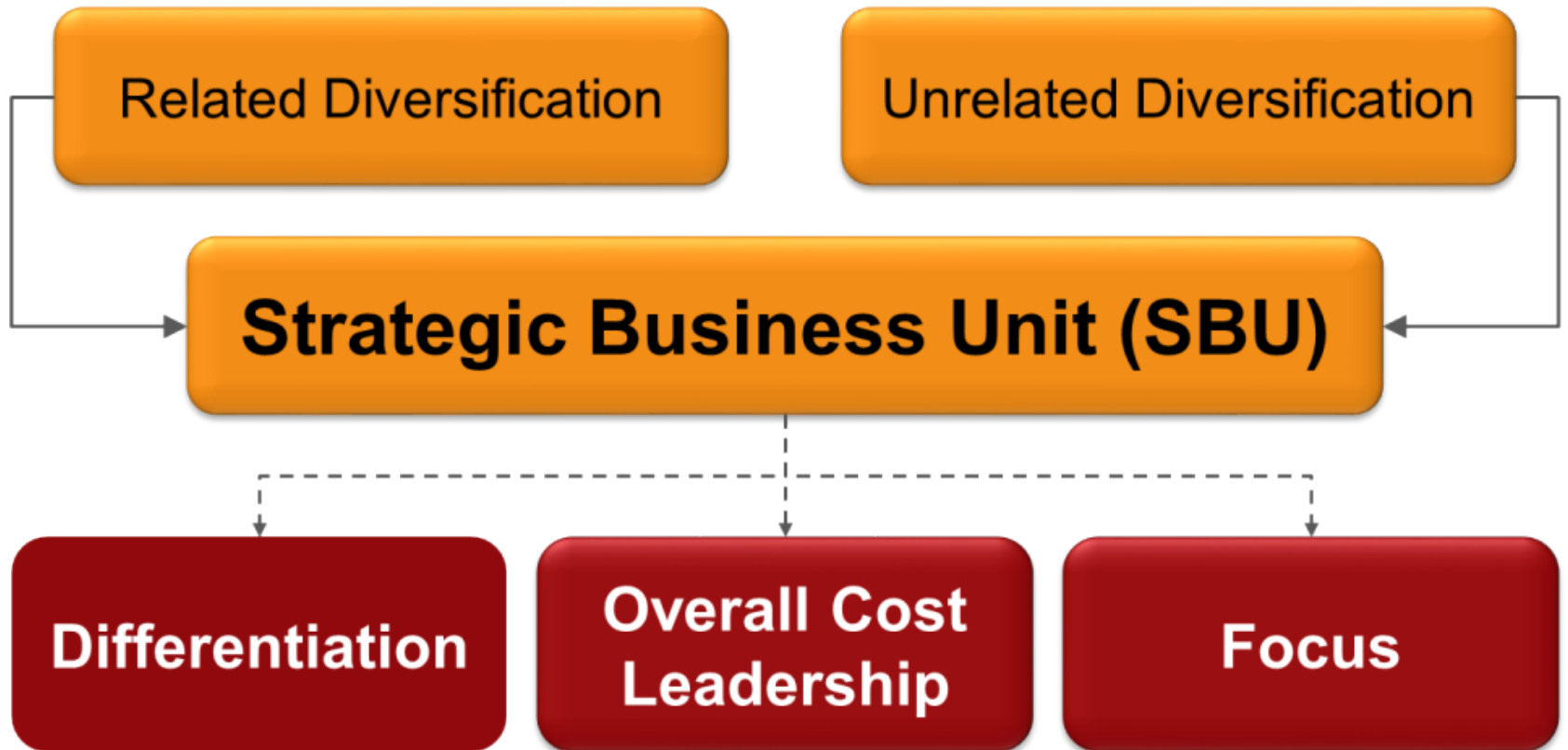
**Figure 11.4** Three Levels of Strategy for MNCs



# Corporate Strategy

1. Single-Business Strategy
2. Related Diversification Strategy
3. Unrelated Diversification Strategy

# Business Strategy



# Three Strategies

- Business Strategy
  - Differentiation
  - Cost Leadership
  - Focus Strategy



# Functional Strategies

- International Financial Strategy (capital structure, investment policy, debt policies, risk reduction techniques)
- International Marketing Strategy (product mix, advertising, promotion, pricing, and distribution)
- International Operations Strategy (sourcing, plant location, plant layout, design, technology, inventory management)
- International Human Resource Strategy (recruit, train, evaluate performance, labor relations, salaries)
- International R&D Strategy

# Review Questions (1 of 2)

- What is international strategic management?
- What are the four basic philosophies that guide strategic management in most MNCs?
- How do international strategy formulation and international strategy implementation differ?
- What are the steps in international strategy formulation?  
Are these likely to vary among firms?
- Identify the four components of an international strategy.

# Review Questions (2 of 2)

- Describe the role and importance of distinctive competence in international strategy formulation
- What are the three levels of international strategy?
- Why is it important to distinguish among the levels?
- Identify and distinguish among three common approaches to corporate strategy.
- Identify and distinguish among three common approaches to business strategy.
- What are the basic types of functional strategies most firms use? Is it likely that some firms have different functional strategies?

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