



Plekhanov Russian University of Economics

Foreign Economic Activity

Lecture 2

International strategic management

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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

Pressures for **Global Efficiencies**

High

GLOBAL

Firm views the world as single marketplace. Goal is to create standardized products

TRANSNATIONAL

Firm combines benefits of global scale efficiencies with benefits of local responsiveness

Low

HOME REPLICATION

Firm uses core competency or firm-specific advantage

MULTIDOMESTIC

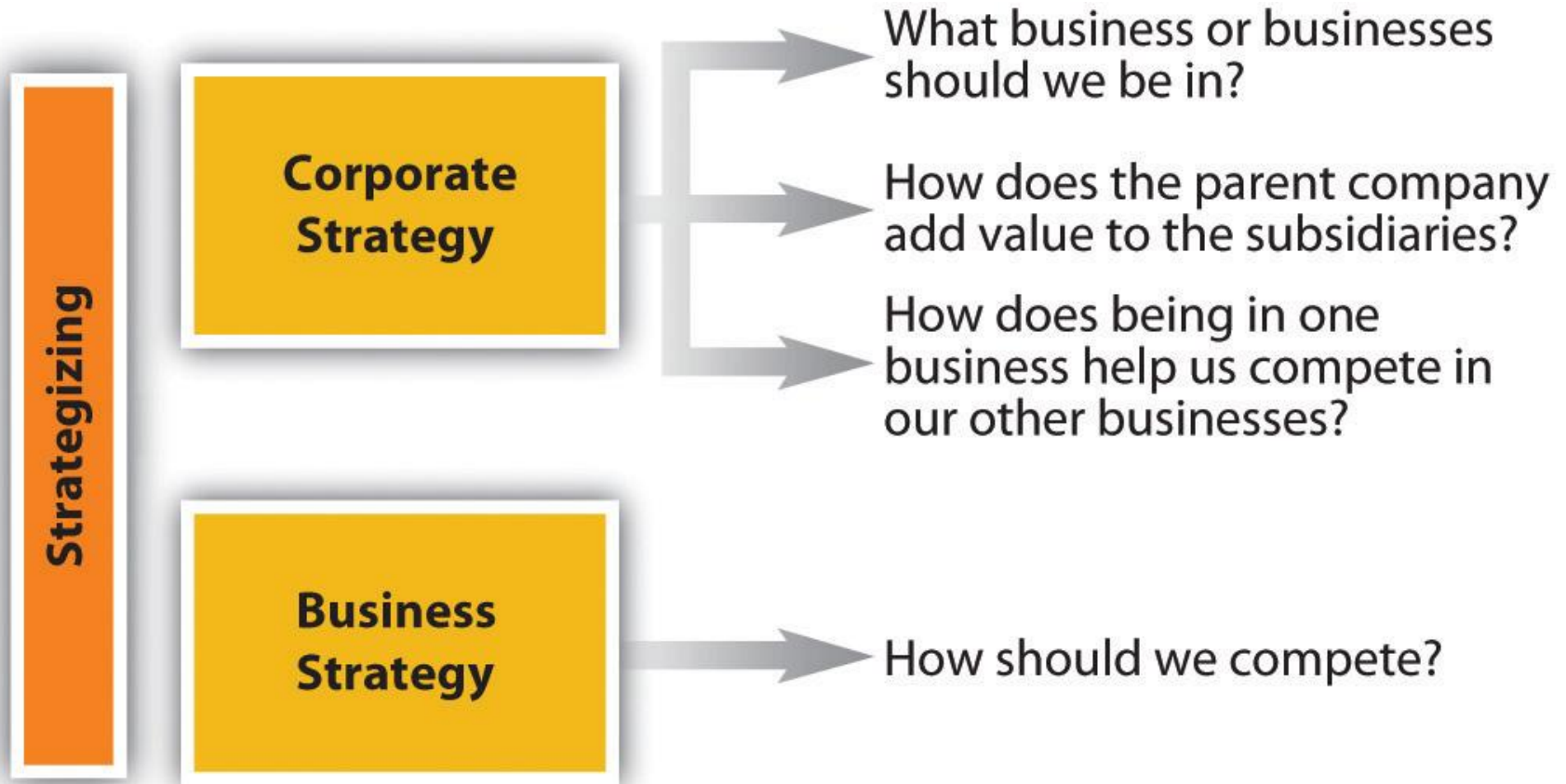
Firm operates as a collection of relatively independent subsidiaries

Low

High

Pressures for **Local Responsiveness/Flexibility**

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

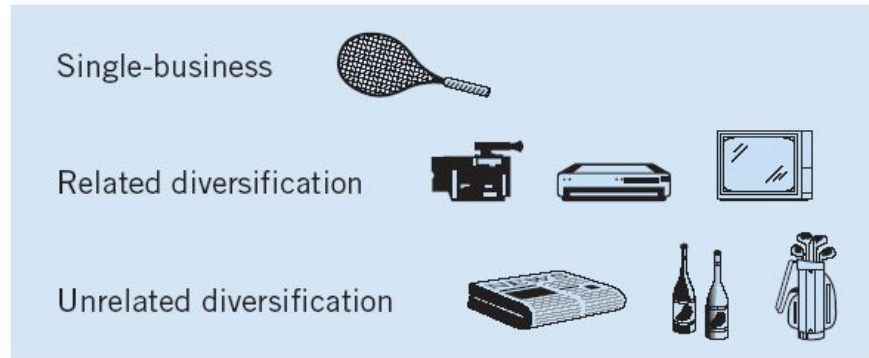
set of managerial and organizational processes that keep the firm moving toward its strategic goals

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



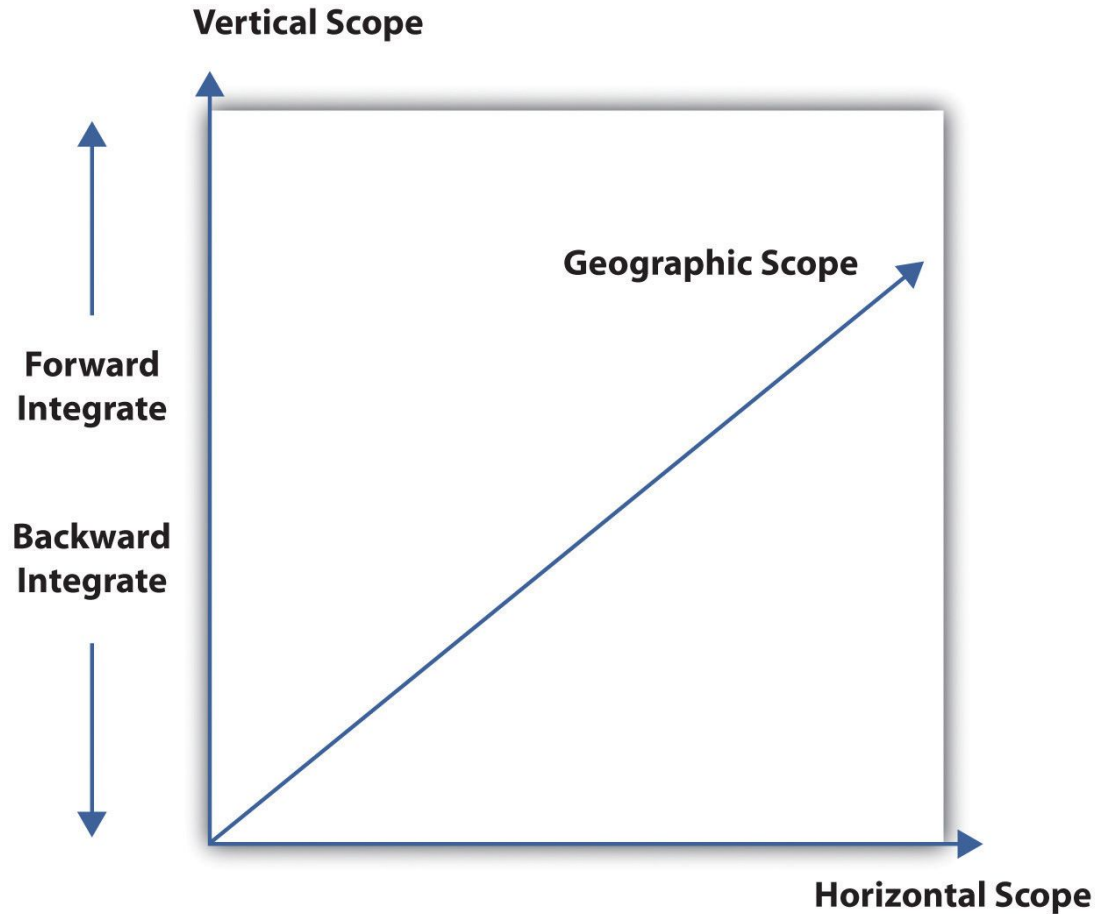
BUSINESS STRATEGY



FUNCTIONAL STRATEGIES

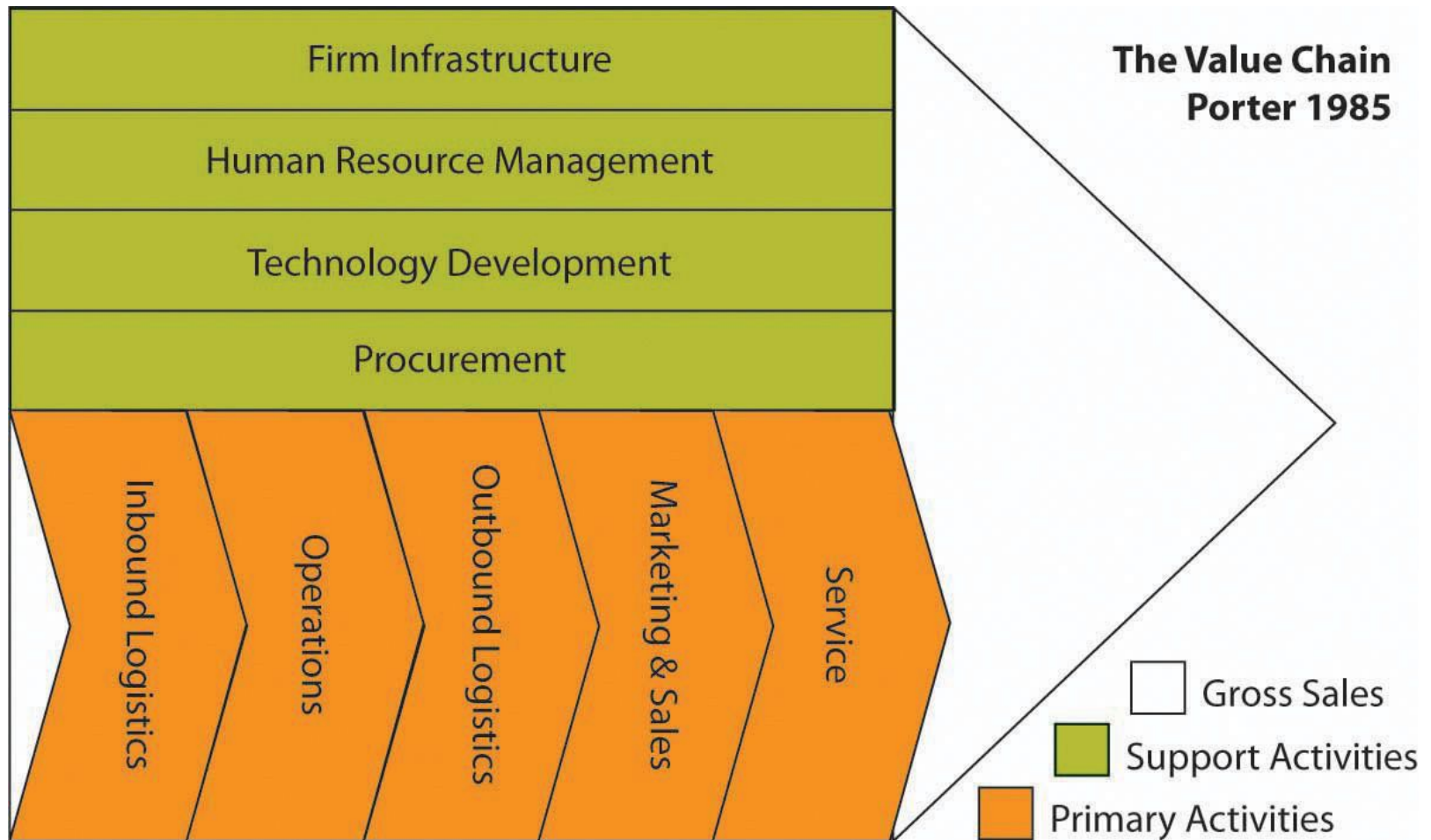


Types of Corporate Strategy



Types of Business-Level Strategies:

The Value Chain



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Thank You for Your Attention!

