

Chapter 8

Strategic Challenges for the 21st Century



Learning Objectives

By the end of this chapter, students should be familiar with:

- **global expansion strategies**
- **tactics for pursuing global strategies**
- **using global strategies to enhance competitive positioning**
- **relevant issues in assessing international opportunities**
- **the challenges of the future**

Stages of International Development

- **Domestic Stage** - Possible exporting
- **International Stage** - Significant exporting
- **Multinational Stage** - Marketing and production facilities throughout the world
- **Global Stage** - Organization not associated with any one country



Creating an International Mind-Set

CEOs can create a sense of urgency about global matters by

- frequently discussing global issues with employees, the board of directors, and the media
- recruiting and promoting foreign nationals for key managerial roles
- sending some managers to special training programs to help increase their global awareness

Global Product/Market Strategy

- *Multidomestic*
Product/Market
Strategy
- *Global*
Product/Market
Strategy
- *Transnational*
Product/Market
Strategy



Global Expansion Tactics

- **Exporting**
- **Licensing**
- **Franchising**
- **Joint Ventures**
- **Greenfield Ventures**

Global Cost Leadership

- **Cost reductions through foreign assembly or manufacturing.**
- **Branding of finished products that are subcontracted to low-cost foreign manufacturers.**
- **Global sourcing of low-cost foreign components or raw materials.**
- **Expanding markets leading to economies of scale.**
- **Transfer of technological know-how through international joint venture.**

Global Differentiation

Global strategies can also lead to competitive advantages through differentiation.

- **Distribution of foreign products in the U.S.**
- **Sale of U.S. products in foreign countries.**
- **Superior quality through joint venture with international firms.**
- **Licensing of unique product technology from abroad.**

Global Environments & Opportunities

- **Mexico**
- **China/Hong Kong**
- **The Old Soviet Union**
- **The European Union**



Country Characteristics

- **Government**
- **Transportation**
- **Educational Systems**
- **Economic Health**
- **Taxes**
- **Currency/Exchange**

Conditions that Create Advantages for Nations

- **Factors of Production**--uncommon raw materials, special workers, better schools or training
- **Demand Conditions**--discriminating buyers, trend setters
- **Related and Supporting Industries**--best suppliers in world, firms in related industries global leaders
- **Firm Strategy, Structure and Rivalry**--customary practices are conducive to success, the most talented managers, strong competitors



Managerial Challenges

Trends -

- Technological advancements
- Transportation and communications
- Blended cultures
- More educated, demanding customers
- Destabilized industries

Managerial Challenges

Implications for industries -

- Lower entry barriers in many industries
- Faster imitation
- Collapsing product-life cycles
- A global retail marketplace
- A highly educated, increasingly mobile global labour market.

Managerial Challenges

Challenges for managers:

- retaining valuable employees
- creating and preserving competitive advantage
- holding back new entrants
- serving increasingly demanding customers
- choosing and timing technology investments at a time when change is so rapid.