Week	List of Topics
1 **25 Jul 2016**	Introduction and Course Overview What is Global Strategy?
2 **1 Aug 2016**	Strategic Challenges in Global Business What are the major challenges faced by businesses trying to globalize?
3 **8 Aug 2016**	Theories of International Investment and Trade
4 **15 Aug 2016**	Theories of International Investment and Trade
5 **22 Aug 2016**	FDI from Developed and Emerging Markets
6 **29 Aug 2016**	Workshop on Final Project
7 **5 Sep 2016**	FDI from Developed and Emerging Markets
8 **12 Sep 2016**	Entry Mode Strategy
9 **19 Sep 2016**	Factors Affecting Entry Mode Strategy
	Common week 26 Sep to 2 Oct
10 **3 Oct 2016**	Factors Affecting Entry Mode Strategy
11 **10 Oct 2016**	Strategy issues in Emerging Markets
12 **17 Oct 2016**	Role of Culture in Global Business
13	Review of the Unit

Week 1

http://blog.sina.com.cn/s/blog_74a83c4e01012etz.html what is strategy?

IBUS5003: Global Business

Tuesday: 3-4pm; H70 N4108

Mid-test: 3 out of 5 short essays questions. Follow the structure answers. Put into my own words from readings + lectures.

What is Strategy?

- Strategy is the overall plan for deploying resources to establish a favorable position. eg. Favorable positions: differs like more profitable, bigger company, building greater technology, greater sales, greater brand… it is about how best you utilize your resources and moving from A to B

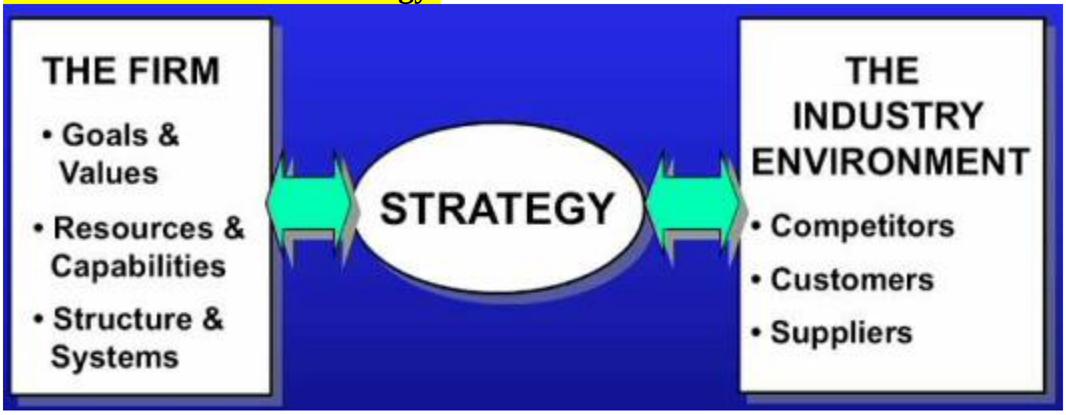
- **Characteristics of strategic decisions:**
    - Important (should be extremely important relative to the aspects of the fir)
    - Involve a significant commitment of resources
    - Not easily reversible (should not easily get out the market)

- **What is Strategy?** (Michal Porter)- article= as important as your lecture! Important for exam!
    - Operational effectiveness:
        - Means performing similar activities better than rivals perform them. Operational effectiveness includes but is not limited to efficiency. It refers to any number of practices that allow a company to better utilize its inputs by, for example, reducing defects in products or developing better products faster. When a company improves its operational effectiveness, it moves toward the productivity frontier.
        - Constant improvement in operational effectiveness is necessary to achieve superior profitability. However, it is not usually sufficient. Staying ahead of rivals get harder every day.
        - The most obvious reason for that is the rapid diffusion of best practices. Competitors can quickly imitate management techniques, new technologies, input improvements, and superior ways of meeting customer' needs.
        - The second reason that improved operational effectiveness is insufficient- competitive convergence (without differentiations in product) - is more subtle and insidious. The more benchmarking companies do, the more they look alike.
        - Under using operational effectiveness as strategy, the result is zero-sum competition, static or declining prices, and pressures on costs that compromise companies' ability to invest in the business for the long term.

    - Tactic: "A scheme for a specific maneuver" → cannot sustain for longer period of time, so not a strategy

    - Planning: "Detailed program of instructions"→ it is an element for strategy not strategy itself. Useful in making strategy.

- **The Basic Framework Strategy: the link between the Firm and its Environment**



The aim of Strategy is to create a good fit between these boxes. What elements of the environment is the most important one to the firm? → Industry Environment.
There could be a good strategy of a firm with very weak resources as long as those weak resources very nicely fit with the industry. Other the other hand, there could be a bad strategy of a firm with extremely valuable resources because the fit with environment is very weak. The reason why some companies disappear with certain market is not because they do not have resource, is because they fit with the market actually not the best. → Cultural understanding. They do not know the customer, culture, supply chain.
The firm might change as well as the environment.
Readings

- All strategic action represents a dialog between the company and its environment. Every company must adopt to the changes in its environment that are inevitable.
- Two choices: you can chose whether to be a first mover or a laggard in anticipating these changes and turning them into competitive advantage. Or you often have the power to shape the direction as well as the pace of environmental changes in ways that are more favorable to your own firms.

What Makes a Successful Strategy?

1. **Long-term, simple and agreed objectives**- Simple in terms of its aim and objective and it should be agreed on by the majority of stakeholders involved. If the objective is very complicated to identify, it just very difficult to understood by the external stakeholders and the mostly importantly the internal stakeholders- employees.

2. **Profound understanding of the competitive environment-** Unless we understand and know what's the environment going to like, we are not gonna be able operate well. If we have weak understanding (we don't the competitors and consumers etc., we will be forced to come up with a certain product and right strategy.

3. **Objective appraisal of resources**- Having good estimation of our own resources for the sake of capitalizing them.

4. **Effective implementation** - we should be able to implement the strategy effectively.

Discussion Question

- To what extent does McDonald's Strategy achieve a close fit between the characteristics of its external environment, and its internal resources and capabilities?
- To answering the questions, firstly we should know what's the key resources of McDonald's and what's external environment in which it operating? What's happening to that?
- Resources: fast..
- Environment: people are busy and chase fast food and high efficiency
- *However, nothing is static, the environments consistently changing***.**

- Are changes occurring in its external environment weakening this strategic fit?
- - Eg. People like healthy food

- If so, how should McDonald's adjust its strategy?

Video on Blackboard

A good strategy provides clear answers to four key questions

1. Where do we compete? Eg. industry
2. What unique value do we bring? →Why do our customers choose our products and services instead of others?
3. What resources/capabilities do we utilize? Eg. Human capital, unique reputation, technology (resources→toolboxes), capabilities refer our ability to use our toolboxes
4. How do we sustain unique value? → what factor let us continue to win over time

Readings

- Positioning- the heart of strategy
- Operational effectiveness and strategy are both essential to **superior performance**
- A company can outperform rivals only if it can establish a difference that it can preserve: it must deliver greater value to customers or create comparable value at a lower cost, or do both.
- How to achieve superior profitability: Delivering greater value allows a company to charge higher average unit prices; greater efficiency results in lower average unit costs. (Revenue – cost = Profit)
- Cost advantages arises from performing particular activities more efficiently than competitors. Similarly, differentiation arises from both the choice of activities and how they are performed.

- Activities, are the basic units of competitive advantage. Over-all advantage or disadvantage results from all a company's activities, not only a few.
- **Operational effectiveness** means performing similar activities better than rivals perform them. For example, produce more efficiently, reduce defects in products, or develop better products faster. Difference in operational effectiveness are an important source of differences in profitability among competitors because they directly affect relative cost positions and levels of differentiation. Constant improvement in operational effectiveness is necessary to achieve superior profitability. However, it is not usually sufficient. The most obvious reason for that is the rapid diffusion of best practices. Competitors can quickly imitate management techniques, new technologies, and superior ways of meeting customers' needs. The second reason that improved operational effectiveness is insufficient- competitive convergence. For example, outsourcing activities to the efficient third parties, often the same ones, the more generic those activities become, leading to strategies converge. The competition becomes a series of identical path s and no one can win. Competition based on operational effectiveness alone is mutually destructive. The resulting major productivity gains are being captured by customers and equipment suppliers, not retained in superior profitability due to zero-sum competition, static or declining prices. EG. US commercial-printing industry.

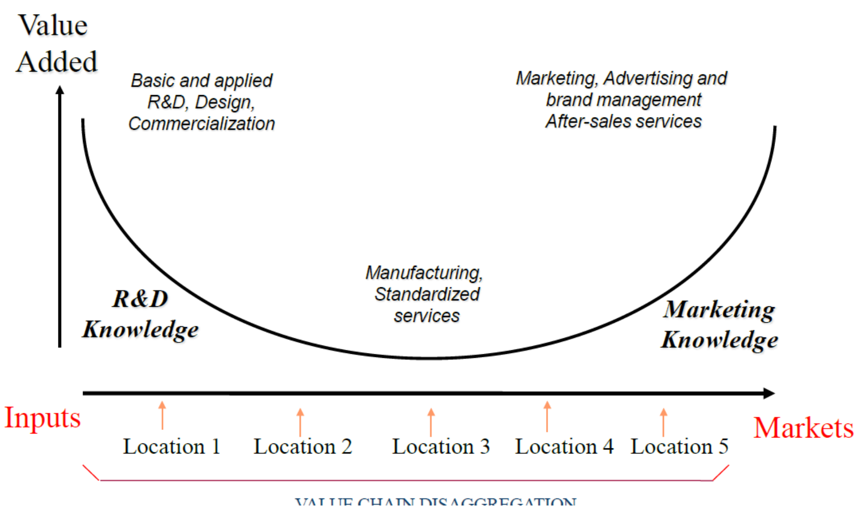
- **Strategic positioning** means performing different activities from rivals or performing similar activities in different ways. Strategic positioning is the tailored set of activities that make it work. Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. EG. Southwest Airlines Company offers short, low-cost, point-to-point service between midsize cities and secondary airports in large cities to avoid large airports. The target customers are the price sensitive customers and convenience-oriented travelers. The essence of strategy is in the activities- choosing to perform activities differently or to perform different activities than rivals. EG, IKEA's targeted customers: young furniture buyers who want style at low cost. It has chosen to perform activities differently from its rivals. Instead of having a sales associate trail customers around the store, IKEA use a self-service model based on clear, in-store displays. Additionally, traditional furniture store make customers make selections on books displaying and the order is relayed to a third-party manufacturer. With luck, the furniture will be delivered to customer's home within six to eight weeks. Customers are expected to do their own pickup and delivery. IKEA also provide extra service that aligned with the needs of its customers, like in-store child care because the young likely to have children but no nanny (not wealthy). PS: new positions open up because of change. New customers groups or purchase occasions arise, new needs emerge as societies evolve, and new distribution channels appear, and so on. When such changes happen, new entrants, unencumbered by a long history in the industry, can often more easily perceive the potential for a new way of competing. Unlike incumbents, new-comers can be more flexible because they face no trade-offs with their existing activities.
- **Strategic positions can be based on customers' needs**(groups of customers with differing needs and when a tailored set of activities can service those needs best)**, customers' accessibility**(although their needs are similar to those of other customers, the best configuration of activities to reach them is different- could be based on geography), **or the variety of a company's products or services** (based on the choice of product or service verities rather than customer segments using distinctive sets of activities)

- Whatever the basis- variety, needs, access or some combination of the three- positioning requires a tailored set of activities because it is always a function of differences on the supply side; that is, of differences in activities.
- What is Strategy? Strategy is the creation of a unique and valuable position, involving a different set of activities. If there were only one ideal position, there would be no need for strategy. The essence of strategic positioning is to choose activities that are different from rivals. If the same set of activities were best to produce all varieties, meet all needs, and access all customers, companies could easily shift among them and operational effectiveness would determine performance.

Week 2

What is Globalization?

- The shift towards a more integrated and interdependent world economy
    - Reflected in increasing cross-border flows of three types of entities:
        - Goods and services
        - Capital
        - Know-how
- Geographical dispersion of activities
    - Activity value- the smile of value creation
- Why Globalization?
    - Impact on GDP per capital growth rate
    - EG. Globalization of Production: Bollywood. Walt Disney and Viacom, are staring to enter Bollywood. 40 percent of Indian movies are now shot overseas, benefiting from tax breaks, “captive “actors and producers.



Readings:

- What do we mean when we say that we live an increasingly global world? Eg. If you are the CEO of Ford Motor Company, it means that, as you enter and expand into emerging markets such as China or India, you do not need to design new cars entirely from scratch and that you can enter these markets faster and more economically by leveraging on existing global platforms.
- The twin forces of **ideological change** and **technology revolution** are making globalization one of the most important
- Today, globalization is no longer an option but a strategic critical for all but the smallest corporations.
- Is your company a leader or a laggard in engineering and exploiting the ongoing

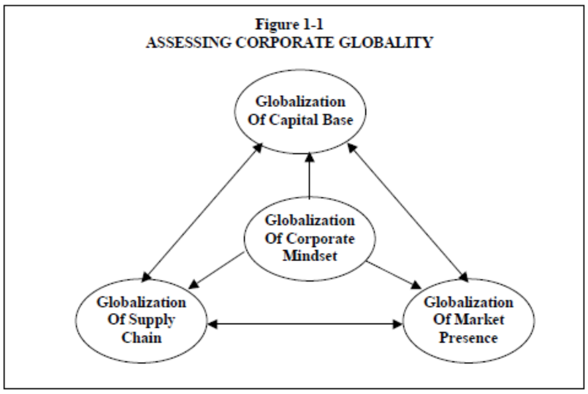
globalization of your industry? No matter what industry, only those companies that successfully lead the global revolution within their industry arenas will emerge as the winners in the battles for global dominance.

- Four tasks essential for any company to emerge and stay as the globally dominant player within its industry.
    1) People must ensure that their company leads the industry in identifying market opportunities worldwide and in pursuing these opportunities by establishing the necessary presence in all key markets. Eg. Yahoo pioneered the internet portal market in Asia and Europe
    2) People must work persistently to convert global presence into global competitive advantage. → Requires identifying and exploiting the opportunities for value creation that global presence offers.
    3) People must cultivate a global mindset- they must view cultural and geographic diversity as opportunities to exploit and be prepared to adopt successful practices and good ideas wherever they come from.
    4) People must consistently strive to reinvent the rules of the global game as captured in answers to three questions: who are our target customer, what value do we want to deliver to these customers, and how will we create this value?

- What is Globalization?
    - Globalization refers to growing economic interdependence among countries as reflected in increasing cross-border flows of three types of entities: goods and services, capital, and know how.
    - The term "globalization" can relate to any of several levels of aggregation: the entire world, specific country/industry/company, or even a specific line of business or functional activity within the company
        - At a worldwide level, globalization refers to the aggregate level of economic interdependence among the various countries.
        - At the level of specific country, globalization refers to the extent of the interlinkages between that particular country's economy and the rest of the world. Some of the key outcome indicators that can be used to measure the globalization of any country's economy are: exports and imports as a ratio of GDP, inward and outward flows of both foreign direct investment and portfolio investment. Eg. China's economy globalized at a much faster rate during 1980-1997 than the economic isolation in 1980
        - At the level of a specific industry, globalization refers to the degree to which, within that industry, a company's competitive position within one country is interdependent with it competitive position in another country. Alternatively states, the more global an industry, the greater is the competitive advantage that a player within that industry can derive from leveraging technology, brand names, or capital across countries. The greater the degree of such interdependence, the greater will be the extent to which the industry is dominated by the same set of global players who face each other in almost every market and coordinate their strategic actions across countries. Eg. Soft drinks industry→ dominated globally by Coca-Cola, Pepsi-Cola.

- What is a Global company?
    - An enterprise can be more or less global along each of four major characteristics: globalization of market presence/supply chain/capital

base/corporate mindset.



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  1) Globalization of market presence, refers to the extent to which the company is targeting customers in all major markets within its industry throughout the world. Eg. IBM, Canon
  2) Globalization of supply chain, refers to the extent to which the company is accessing the most optimal locations for the performance of various activities in its supply chain. Eg. Toyota, 2/3 of its cars be produced in Japan, the remaining 1/3 were produced in 25 foreign countries.
  3) Globalization of capital base, refers to the extent to which the company is tapping into the most optimal sources of capital on a worldwide basis.
  4) Globalization of corporate mindset, refers to the extent to which the corporation as a collectivity reflects an understanding of diversity across cultures, depending on the mindsets of the individuals who lead the enterprise as well as the organization that determines how these individuals interact. Eg. General Electric Company has a strong worldwide corporate culture, the composition of the leadership itself is becoming increasingly diverse in terms of nationalities.