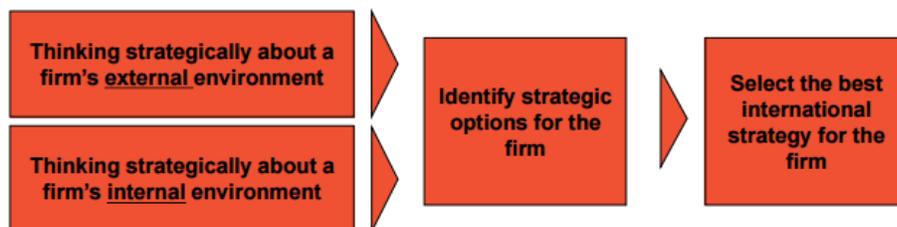


Introduction

What is strategy?

- Grecian root: Art of military leading → stratos = military, agos = leader
- Strategy is the quest to gain and sustain competitive advantage
- It is about being different from your rivals
- It is about creating value while containing cost
- It is about deciding what to do, and what not to do
- It combines a set of activities to stake out a unique position
- It requires long-term commitments that are often not easily reversible
 - General strategy is consistent and inert



Are you sure you have a strategy? Questions to ask:

Arenas	Where will we be active? (And with how much emphasis?) <ul style="list-style-type: none"> • Which product categories? • Which market segments? • Which geographic areas? • Which core technologies? • Which value creation stages?
Vehicles	How will we get there? <ul style="list-style-type: none"> • International development? • Joint ventures? Acquisitions? • Licensing/franchising
Differentiators	How will we win? <ul style="list-style-type: none"> • Image • Customisation • Price • Styling • Product reliability
Staging	What will be our speed and sequence of moves? <ul style="list-style-type: none"> • Speed of expansion • Sequence of initiatives
Economic logic	How will we obtain our returns? <ul style="list-style-type: none"> • Lowest costs through scale advantages? • Lowest costs through scope and replication advantages? • Premium prices due to unmatched service? • Premium prices due to proprietary product features?

Business model vs strategy: How is strategy different from a business model? How is it similar?

Business model

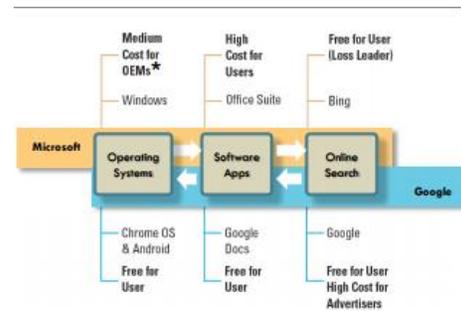
- Blueprint for delivering a valuable product or service to customer
- Storyline for how the strategy will be a money maker
- How does the firm make **money** → more **operational**

Two elements:

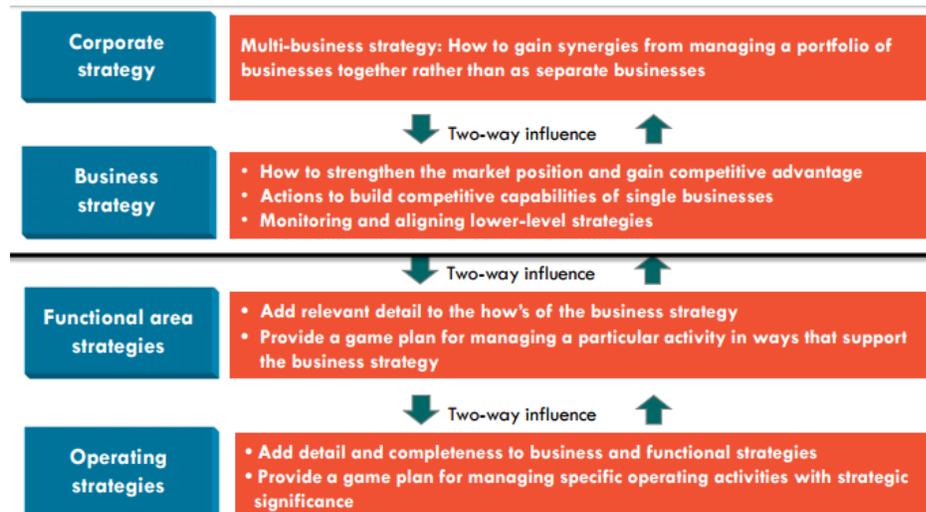
1. **Customer value proposition:** how the company satisfies consumers' preferences while offering them a reasonable price
2. **Profit formula:** how the company generates more revenues than costs, i.e. increase efficiency

Examples: Razor-blade model (blades more expensive than razor, ink in a printer), subscription model (e.g. newspaper).

Competing business models: Google vs Microsoft –



Level of strategy formulation: Crafting of strategy



What is international business strategy?

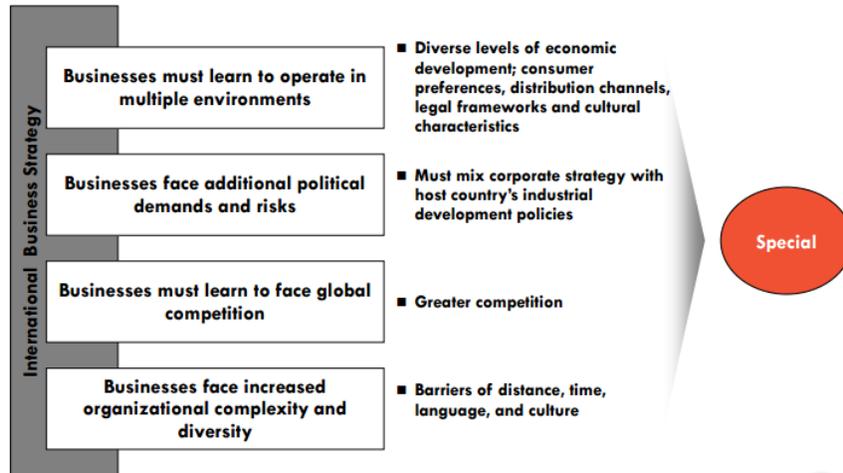
International business strategy means “effectively and efficiently matching an MNE’s internal strengths (relative to competitors) with the opportunities and challenges found in geographically dispersed environments that cross internal borders.”

International Business Strategy

It is about:

- How and where to compete?
- How to enter a foreign country?
- How to organise and control a global operation?

What makes IBS so different?



Why is IBS important?

- Most competition is international
- Additional complexity due to foreign markets
- Need for knowledgeable managers overseas and at home
- IBS is driven by a shift towards globalisation
- International business is a challenging task
- Many examples of direct transfers that failed:
 - Philips could not sell coffee machines in Japan because they were too big for Japanese kitchens
 - In Spain, Coca Cola had to take the 2L bottles out of the market because they were too big for the local fridges
- IBS is an imperative for sustained competitive advantage

Globalisation

What do you associate with globalisation?

- Countries become more interrelated
- Increased competition
- From local to global
- Convergence of cultures/isomorphism
- More firms
- Freedom to travel
- Access to new markets
- Increase in diversity

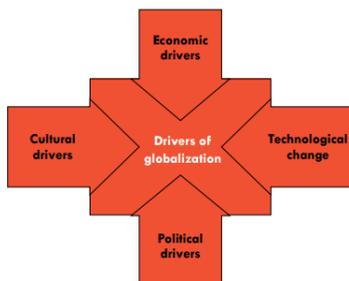
What is globalisation?

- “The shift toward a more integrated and interdependent world economy”
- “The integration of world economies through the reduction of barriers to the movement of trade, capital, technology and people”

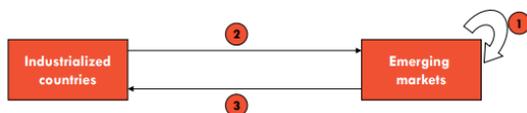
In academic terms, there are two forms of globalisation:

Globalisation of markets	Globalisation of production
<ul style="list-style-type: none"> • Refers to convergence in buyer preferences in markets around the world • Falling trade barriers • Facilitated by offering standardized products and converging tastes and preferences • E.g. Coca Cola, Pepsi; McDonalds, KFC; IKEA, Starbucks 	<ul style="list-style-type: none"> • Refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost or quality of factors of production (e.g. labour, land, capital) • Historically: primarily manufacturing firms • Increasingly: outsourcing of service activities • Companies are taking advantage of modern communication technologies

Drivers of globalisation



Economic drivers



Three areas where competition increases:

1.	<ul style="list-style-type: none"> • Free market reforms in emerging countries (i.e. Russia and China) • Industrialisation, economic development and modernization • Many young and well-educated people in emerging markets
2.	<ul style="list-style-type: none"> • Foreign direct investment (FDI) by industrialised countries to benefit from low-cost labour • Transfer of technology to emerging markets (joint ventures are very popular) • Companies from emerging market improve their competitiveness
3.	<ul style="list-style-type: none"> • Emerging markets are moving from being low value-adding commodity producers, dependent on low cost labour to sophisticated competitive producers of quality products • Companies from emerging markets are also expanding beyond their own borders