

## Scenario Planning

**Scenario planning** – an analysis of the likely impact on the organisation of potential future external environmental events

- It is important to ensure that good research, logical analysis and creativity are utilised in a scenario analysis to ensure genuinely testing and diverse scenarios are identified
- Requires involvement from a broad base of org'l members
- Requires industry knowledge

### Advantages of scenario planning:

- Generates more creative and plausible perspectives of complex and external environments than the consideration of trends as simply an extrapolation of past behaviours into the future
- Assists with the exploration of ideas, building consensus around various possibilities rather than focusing on only one future
- Creates evocative picture of potential future events that are more easily understood by those not involved in the developing of the external environmental analysis

## Ansoff's Product-Market Matrix

		Products or service	
		Existing	New
Markets	Existing	Market penetration 1	Product development 4
	New	Market development 2	Diversification 3

## Root's Structured Entry Approach

**Structured entry** – a systematic approach to planning and implementing foreign market entry

### When considering entering global markets, organisations should:

- Assess the products in relation to the markets – then follow a rationally considered choice of the right product for the right market
- Set up objectives and goals – typically these can be expressed quantitatively, such as sales targets and growth expected
- Choose the entry mode – whether export, contractual (eg: licensing), investment in establishing local branch of the business, or investment in a separate business – placing emphasis on the balance of advantages and disadvantages of each mode

- Design the marketing plan – including issues of price, promotion and distribution

The nature of market will determine the best type of entry approach

### Analysing international market

- International market analysis is very important
- It should incorporate knowledge of the market and sensitivity analysis to determine the impact of inaccuracies in the analysis, and determine whether the market is sufficiently large to support a subsidiary that would be attractive to the organisation
- The analysis usually should be conducted by a third party due to the lack of knowledge about foreign market
- The market analysis should also consider the demand levels for products or services that require the type of capabilities the organisation wishes to develop/transfer to this environment
- It is important to consider how many other foreign businesses are competing in a particular market

### Emerging market analysis

**Emerging market** – a new or developing market

- It is difficult to develop a suitable strategy for the market because of lack of info
- Many companies “take a best guess”

**More vigorous analysis includes** consideration of political and social systems, degree of openness displayed by the culture, current markets for similar products, labour available and local capital sources that are available

### Assessing the organisation’s readiness

It is necessary to assess:

- Financial preparedness
- Organisational readiness (people resources)
- Stakeholder support

Being the first organisation of a significant size into a market offers both advantages and disadvantages

**Advantage:** first-mover has the opportunity to shape industry behaviours and customer expectations to suit its operation

**Disadvantage:** it is necessary to ‘educate’ a market that a new product or service is desirable

## Dunning’s Electric Theory

- Also known as OLI model
- A useful approach for selecting the best market entry mode

**Dunning’s theory suggests that for a successful entry:**

1. The organisation must possess a competitive advantage you can use in that market (special features: patents or advanced design skills – for foreign firms; greater experience, better contracts and possible government support – for domestic firms)
2. The best (highest return) use of the organisation’s capabilities is through market entry, rather than exporting

3. The location selected must provide at least one desirable characteristics that can be combined with these capabilities advantageously

International market entry requires financing