Introduction

Globalisation

Globalisation → Increasing interaction between counties, economies, companies, people and cultures.

- Economical drivers
  - Emerging economies & lowering costs through outsource
- Technological drivers
  - Decreasing concepts of distance and time through information technology.
- Political drivers
  - Supporting or creating a barrier for globalisation e.g. free trade agreements, international organisations, tariffs
- Cultural drivers

Globalisation index *Australia is behind other developed countries (#21)

- Economic integration → trade levels, foreign investment, income tax on assets abroad
- Personal contact → travel and tourism
- Technology → internet users, hosts and servers
- Political engagement → memberships in international organisations, foreign embassies.

Globalisation carries promises and threats at the national, regional, organisational and individual level. There must be the right policies in place to benefit from globalisation. There are no blanket positives - usually are outweighed on both sides.

For	**Against**
● Economical ○ More choices, lower prices. ○ Increased career choices and progression (For some - others opposite). ○ Increased global competition and growth. ● Environmental ○ Firms can assist the environment - many engage in clean up and can help struggling nations in the process and build their policies.	● Benefits have been unequally shared - there has been an increase in wealth inequality. ● Social ○ Blurred national identity for products and services.Cultural homogeneity. ○ Makes less regulated emerging economies vulnerable to volatilities. ○ Job losses have been region specific and longer lasting than expected. ● Environmental ○ Hurts the environment. Firms relocate to escape pollution rules at home.

International Business

The business activities that involve the transfer of resources, goods, services, knowledge, skills or information across national boundaries.

Think global, act local → international business differs from domestic because of:
- Environmental dynamics: currency, inflation, interest rates, accounting practices, cultures, customs, laws, political stability.
- Operational nature: communication, coordination, organisational principles and management philosophies.

Why become a multi-national corporation?
- Market motives
  - Offensive → Seize market opportunities in foreign countries through trade or investment.
  - Defensive → protect a firm's market position in the face of threats from domestic rivalry or political changes.
- Economic motives
  - Benefit from differences in: costs of labour, natural resources, capital, regulations.
- Strategic motives
  - Capitalise on distinctive resources or capabilities → e.g. can your core competencies be leveraged at home?
  - Be the first mover in a foreign market → e.g. Starbucks trying to change Chinese tea culture.
  - Benefit from vertical integration → (one company controlling all supply chain) e.g. Apple (they sell and make all parts of the phone)
  - Follow major customers abroad.

Challenges in doing business abroad
- Differences in local market e.g. economical, regulations, political.
- Presence of competitors - understand local market.
- Must have a transferable culture internally and externally.

Overcoming these challenges
- Adaptation → maximise local relevance
- Aggregation → standardise the product or service
- Arbitrage → exploit differences between national or regional markets.

<u>Strategy</u>

Strategy → A firm's theory (formulation & implementation) about how to compete successfully.
- A strategy combines tactics for specific manoeuvres into an overall plan. A strategic decision is not as easily reversible.
- Strategic contains both <u>static</u> and <u>dynamic</u> components.
  - We asses how we compete for the present (static) by analysing where we are competing and how we are competing.
  - We assess how to prepare the the future by analysing what do we want to become (vision statement), what do we want to achieve (mission, performance goals) and how we will get there (guidelines, priorities,

Successful

Strategy

alliances)

Successful strategy requires:

- Long-term, simple and agreed objectives.
- Profound understanding of competitive environment
- Effective implementation
- A successful link between the internal and external environment
  - Internal: goals & values, resources & capabilities, structure & systems
  - External: competitors, customers, suppliers.

History of Strategy

Overtime we have changed the concept of strategy, the process of strategy formulation and the tools for strategy analysis.
It is only recently that we have shifted our emphasis on the fight for competitive advantage through emphasising resources and capabilities, flexibility and innovation, collaboration (alliances and networks), succeeding in dynamic markets.

Components of Strategy

Strategy Components

1. Where are we in comparison to the industry/time/performance?
2. Where do we want to go? How do we get there? → *intended strategy* (behaviours you have to undertake to get to your destination - this strategy is planned)
3. Unrealised strategy → one that is planned but abandoned before coming into place because it doesn't work.
4. Emergent strategy → One that isn't planned ahead of time but emerges step by step.

Strategic Failure (Misfit)

Fundamental Issues/Strategic Misfit

- A strategic failure occurs with there is a misfit with the external or internal environment.
  - External → E.g. Mobile brands like Motorola and Nokia who had first-mover advantage did not keep up with the industry that quickly innovated. Nokia's strategic focus on innovation of parts did not match up with consumer preferences. Where as Apple's strategy of focusing on partners, apps and user-friendly thrived.
  - Internal → e.g. Hyundai had an ambitious plan to enter the luxury automobile segment but this doesn't match their resources and capabilities - they don't have brand loyalty with consumers as a luxury brand.
- Why do firms differ?
  - Strategy allows these differences to be exploited advantageously.
- How do firms behave?
  - Industry-based view, resources based view (resources & capabilities)
- What determines the scope of the firm?
- What determines the international success or failure of firms?