Международные бизнес-стратегии в АТР

International business strategies in APR

What is Strategy?

In business, strategy and strategic management originated only in the 1950s and 1960s through management gurus as Peter Drucker, Philip Selznick, Alfred Chandler, Igor Ansoff, and Bruce Henderson.

With the aid of **strategic tools** such as:
the SWOT analysis,
Ansoff matrix,
Growth-Share matrix
and the Five Forces model,
managers became better able to understand their businesses and the environment, and make decisions on future steps to take.

What is Strategy?

Throughout the years, many more strategic tools have popped up and the word strategy itself has become a catchall term used by both academics and practicioners to mean whatever one wants it to mean.
Chandler once defined strategy as ‘the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals‘.
However, as the environment became more complex, competition less predictable, technological advancements more disruptive and preparing for the future more difficult, people seemed to disagree about the true meaning of strategy more and more.

What is Strategy?

This is also reflected in Mintzberg’s book Strategy Safari in which he identified 10(!) different general perspectives (which he defines as ‘schools’) in the literature on strategy formulation.
Although a straightforward definition of strategy doesn’t seem to work in the world of today, we could at least try to explain what strategy is NOT and what elements a true strategy should consists of.

Strategy ≠ Operational Effectiveness

Michael Porter, one of the fathers of strategy, made a clear distinction between strategy and operational effectiveness (OE).

Porter defines OE as **performing similar activities better** than rivals perform them. This could for example mean that a company manufactures products **faster, cheaper or with less defects** in between due to a more efficient production line.

Even though constant improvement in OE is necessary to remain competitive, it is not sufficient. This is because competitors can easily imitate these operational activities and achieve the same results after a while as well.

Strategy ≠ Operational Effectiveness

According to Porter, a company can only outperform rivals if it can establish a difference that it can preserve. **This is where strategy comes in.** Strategic positioning is about performing different activities from rivals and combining them in such a way that they deliver a unique mix of values. Hence, **competitive strategy is all about being different.**

So what are these activities and how should they be combined?

Strategy Diamond

5 elements that makes up a strategy:

- Arenas, answer the question: **where will we be active with our company**?
- Vehicles, **how to get there?**
- Differentiators, **how will it convince customers to come its way**?
- Staging, is all about **the speed and sequence** of the major moves to take.
- and Economic logic, which describes **how profits will be generated**.

Arenas

Arenas answer the question: **where will we be active with our company?** This is not just geographically speaking, but also includes what product categories you focus on, what market segments you serve, and what value-chain activities you will take on (e.g. design, manufacturing, selling, distributing etc.).
This should be described as specific as possible. Many companies fail to clearly define the Arena they want to play in, thereby creating the risk to loose focus and cause confusion among employees and customers.

For IKEA the Arenas are pretty well-defined: IKEA sells relatively cheap but stylish home furnishing products to primarily young, white-collar customers worldwide. This seems logical since IKEA's main target groups are likely to have limited financial capabilities. Although IKEA maintains control of product design and selling, it outsources manufacturing to keep production costs as low as possible. This in turn reinforces IKEA's choice to sell relatively cheap products.

Vehicles

Now it is clear where your company will be operating, it is important to figure out **how to get there**. How does your company get the presence and credibility in the desired product category, market segment, geographical area or value-creation stage? Often used Vehicles are internal development, joint ventures, licensing, franchising and acquisitions. However, each of these options have different pros and cons depending on the type of Arenas the company is trying to enter and the prior knowledge and expertise the company has. To choose between these entry-mode options it is recommended to use the OLI framework.

IKEA has primarily chosen for organic expansion by setting up its own wholly owned stores rather than acquisitions as existing companies didn't fit IKEA's innovative concept (see differentiators). In addition, it is in IKEA's belief that its own management should fully control its international expansion activities in order to be successful and to minimize risk for brand damage. IKEA wouldn't have this control with licensing or franchising agreements.

Differentiators

Thirdly, a good strategy needs to encompass **how the focal company wants to win in the marketplace**: **how will it convince customers to come its way?** Companies often differentiate themselves on factors such as product quality, price, service, brand image, customization etc.

Important here is to balance out the options you can choose from. You cannot offer the **highest** quality products in the market for the **lowest** prices. High quality equals higher costs. If you try to heavily focus on both, you might risk getting stuck somewhere in the middle offering average products for average prices.

IKEA doesn’t offer the best quality furniture but at least it offers reliable quality for very low prices. It also differentiates itself by offering a massive visually exciting store where customers can envision the possibilities of rearranging an incredible amount of furniture themselves. Finally, IKEA offers customers the possibility to take home their desired furniture immediately through an extensive inventory. These are traits many conventional furniture retailers don’t have. A good tool to help establishing meaningful differentiators is the Value Disciplines framework.

Staging

Staging is all about the **speed and sequence** of the major moves to take.

IKEA obviously started in Scandinavia with its concept, but decided to expand internationally quite rapidly in order to create economies of scale as quick as possible and decrease costs per unit. This in turn would reinforce IKEA's choice to offer low-cost products. IKEA has however done this only one region at a time in order to learn from every experience and to not get overwhelmed with potential cultural barriers. Moreover, we see that IKEA expanded by targeting foreign countries with similar cultural backgrounds to its home country first, before moving on to countries that are culturally more distant (like Spain, United Arab Emirates and China). IKEA therefore largely followed the so called Uppsala model approach. In addition, it only opened one or two stores in each country in the early stages to enthuse customers and to see how things would work out. Only later, once success was proven in a certain country, IKEA would expand with more stores.

Economic logic

At the heart of each business strategy should be described **how profits will be generated.**
After all, we are still dealing with companies. Important to note here is that we are not talking about short term profit gains that would occur due to temporary competitive advantages based on improved operational effectiveness activities as mentioned earlier.
The economic logic should deliver strong year-in/year-out profits due to a sustained competitive advantage resulting from a unique combination of different activities.
In IKEA's case, its economic logic comes from its economies of scale and the standardized products its sells worldwide. Practically no other furniture retailer is able to create similar scale economies and is therefore not able to charge lower or even similar prices for similar quality.
All aforementioned decisions on the Arenas, Vehicles, Differentiators and Staging seem to come together here to jointly reinforce IKEA's unique selling point.

Strategy In Sum

In short, **strategy is** all about making deliberate choices on **what to do** and more importantly **what to NOT do.**
A company can only create a true and sustainable competitive advantage once all elements of its strategy are aligned and reinforce each other in the way IKEA has done it. Competitors would only be able to imitate IKEA's success if they would copy every aspect of IKEA's strategy. This is, however, practically impossible due to previously made decisions (path-dependency) and the fact that IKEA's economies of scale are simply too large to just copy from scratch. Only large multinational companies or Private Equity firms with huge capital investment opportunities could possibly be able to recreate a similar business model in a short amount of time (e.g. through aggresive acquisitions). One major problem would still exist though: overcoming IKEA's incomparable brand value and the millions of customers worldwide that are loyal to a company as IKEA. Entering the worldwide furniture industry is therefore extremely unattractive for companies. This all proves the relevance of an internally aligned strategy. Hambrick and Fredrickson's Strategy Diamond is therefore a great framework to establish that.

3 Levels of Strategy: Corporate Strategy, Business Strategy and Functional Strategy

Strategy is at the foundation of every decision that has to be made within an organization. If the strategy is poorly chosen and formulated by top management, it has a major impact on the effectiveness of employees in pretty much every department within the organization.

So, we will dissect strategy in three different components or ‘Levels of Strategy‘. These three levels are: Corporate-level strategy, Business-level strategy and Functional-level strategy. Together, these three levels of strategy can be illustrated in a so-called ‘Strategy Pyramid’ (Figure 1). Corporate strategy is different from Business strategy and Functional strategy. Even though Corporate-level strategy is at the top of the pyramid, we start this article by explaining Business-level strategy first.

Общекорпоративная стратегия

1. Стратегия концентрированного роста
2. Стратегия интегрированного роста
3. Стратегия диверсифицированного роста
4. Стратегия сокращения

Бизнес-стратегия

1. Дифференциации
2. Лидерство по издержкам
3. Фокусирование

Функциональные стратегии

1. Финансовая стратегия
2. Маркетинговая стратегия
3. Производственная стратегия
4. Стратегия управления человеческими ресурсами
5. Стратегия НИОКР и пр.

Business-level strategy

The Business-level strategy is what most people are familiar with and is about the question “How do we compete?”, “How do we gain (a sustainable) competitive advantage over rivals?”.

In order to answer these questions it is important to first have a good understanding of a business and its external environment. At this level, we can use internal analysis frameworks like the *Value Chain Analysis* and the *VRIO Model* and external analysis frameworks like *Porter’s Five Forces* and *PESTEL Analysis*.

When good strategic analysis has been done, top management can move on to strategy formulation by using frameworks as the *Value Disciplines, Blue Ocean Strategy and Porter’s Generic Strategies.*
In the end, the business-level strategy is aimed at gaining a competitive advantage by offering true value for customers while being a unique and hard-to-imitate player within the competitive landscape.

Functional-level strategy

Functional-level strategy is concerned with the question "**How do we support the business-level strategy** within **functional departments**, such as Marketing, HR, Production and R&D?".

These strategies are often aimed at improving the effectiveness of a company's operations within departments. Within these department, workers often refer to their 'Marketing Strategy', 'Human Resource Strategy' or 'R&D Strategy'. The goal is to align these strategies as much as possible with the greater business strategy. If the business strategy is for example aimed at offering products to students and young adults, the marketing department should target these people as accurately as possible through their marketing campaigns by choosing the right (social) media channels. Technically, these decisions are very operational in nature and are therefore NOT part of strategy. As a consequence, it is better to call them tactics instead of strategies.

Corporate-level strategy

At the corporate level strategy however, management must not only consider how to gain a competitive advantage **in each of the line of businesses** the firm is operating in, **but also which businesses they should be in in the first place.**

It is about **selecting an optimal set of businesses** and determining how they should be integrated into a corporate whole: a portfolio.

Typically, major investment and divestment decisions are made at this level by top management. Mergers and Acquisitions (M&A) is also an important part of corporate strategy. This level of strategy is only necessary when the company operates in two or more business areas through different business units with different business-level strategies that need to be aligned to form an internally consistent corporate-level strategy. That is why corporate strategy is often not seen in small-medium enterprises (SME’s), but in multinational enterprises (MNE’s) or conglomerates.

Internal and External Growth Strategies

Growing a business is the process of improving some measure of a comany's success.

A business can grow in terms of employees, customer base, international coverage, profits, but growth is most often determined in terms of revenues. There are different ways of growing a business.

Igor Ansoff identfied four strategies for growth and summarized them in the so called Ansoff Matrix. The Ansoff Matrix (also known as the Product/Market Expansion Grid) allows managers to quickly summarize these potential growth strategies and compare them to the risk associated with each one. The idea is that each time you move into a new quadrant (horizontally or vertically), risk increases.

Ansoff identfied four strategies for growth and summarized them in the so called Ansoff Matrix

The four strategies are:

1. Market Penetration.
2. Market Development.
3. Product Development.
4. Diversification.

•Concentric/Horizontal diversification
•Conglomerate diversification (or unrelated diversification)
•Vertical diversification (or vertical integration)

		Описание продукта	
		существующий продукт	новый продукт
Описание рынка	существующий рынок	стратегия проникновения	стратегия развития продукта
	новый рынок	стратегия развития рынка	стратегия диферсификации

Internal and External Growth Strategies

Generally speaking, business growth can be classified into internal growth and external growth. Now we will discuss the various growth strategies and explain the differences between them.

Internal Growth

Internal growth (or organic growth) is when a business expands its own operations by relying on developing its **own internal** resources and capabilities.

This can for example be done by assessing a company’s core competencies and by determining and exploiting the strenght of its current resources with the aid of the VRIO framework.

Moreover, companies can decide to grow organically by expanding current operations and businesses or by starting new businesses from scratch (e.g. greenfield investment). Important to note here is that all growth is established without the aid of external resources or external parties.

Internal growth has a few advantages compared to external growth strategies:

1. Knowledge improvement: organic growth strategies improve the company's knowledge through direct involvement in a new market or technology, thus providing deeper first-hand knowledge that is likely to be internalized in the company
2. Investment spread: gradually growing internally helps to spread investment over time, which allows a reduction of upfront costs and commitments, making it easier to reverse or adjust a strategy if conditions in the market change
3. No availability constraints: the company is not dependent on the availability of suitable acquisition targets or potential alliance partners. Organic developers also do not have to wait for a perfectly matched acquisition target to come on to the market

Internal growth has a few advantages compared to external growth strategies:

4. Strategic independence: this means that a company does not need to make the same compromises as might be necessary in an alliance, for example, which is likely to involve constraints on certain activities and may limit future strategic choices
5. Culture management: organic growth allows new activities to be created in the existing cultural environment, which reduces the risk of culture clash—a common difficulty with mergers, acquisitions, and alliances

Internal growth strategies have a few **disadvantages**. For instance, developing internal capabilities can be slow and time-consuming, expensive, and risky if not managed well.

External Growth

External growth (or inorganic growth) strategies are about increasing output or business reach with the aid of resources and capabilities that are not internally developed by the company itself.

Rather, these resources are obtained through the merger with /acquisition of/ or partnership with other companies.

External growth strategies can therefore be divided between M&A (Mergers and Acquisitions) strategies and Strategic Alliance strategies (e.g. joint ventures).

Mergers and Acquisitions

M&A offers a number of advantages as a growth strategy that improves the competitive strength of the acquirer.

They include:

1 **Business extension**: M&A can be used to extend the reach of a firm in terms of geography, products or market coverage.

2 **Consolidation**: M&A can be used to bring together two competitors to increase market power by reducing competition; to increase efficiency by reducing surplus capacity or sharing resources, for instance head-office facilities or distribution channels; and to increase production efficiency or increase bargaining power with suppliers, forcing them to reduce their prices.

3 **Building capabilities**: M&A may increase a company's capabilities. Instead of researching a new technology from scratch, for instance, acquirers may wait for entrepreneurs to prove an idea and then take them over to incorporate the technological capability within their own portfolio.

Mergers and Acquisitions

4 **Speed**: M&A allows acquirers to act fast—and this may be an advantage in itself, wrong-footing competition and changing the industry landscape faster than competitors can evolve in response.

5 **Financial efficiency**: This may allow a company with a strong balance sheet to combine with another company with a weak balance sheet, enabling the latter to save on interest payments by using the stronger company's assets to pay off its debt. The acquired firm could also access investment funds from the stronger company that were otherwise unavailable.

6 **Tax efficiency**: For example, profits or tax losses may be transferable within the combined company in order to benefit from different tax regimes between industries or countries, subject to legal restrictions.

Mergers and Acquisitions

7 **Asset stripping or unbundling**: Some companies are effective at spotting other companies whose underlying assets are worth more than the price of the company as a whole. This makes it possible to buy such companies and then rapidly sell off (unbundle) different business units to various buyers for a total price that is substantially in excess of what was originally paid for the whole. Although this is often dismissed as merely opportunistic profiteering (asset stripping), if the business units find better corporate parents through this unbundling process, there can be a real gain in economic effectiveness.

Strategic Alliances

Mergers and acquisitions bring together companies through complete changes in ownership. However, companies can also share resources and activities to pursue a common strategy without sharing in the ownership of the parent companies. There are **2 main kinds of strategic alliance**: equity and non-equity alliances.

Strategic alliances allow a company to rapidly extend its strategic advantage and generally require less commitment than other forms of expansion. A key motivator is sharing resources or activities, although there may be less obvious reasons as well. There are **4 types of alliance**: scale, access, complementary, and collusive.

Equity alliances

Equity alliances involve the creation of a new entity that is owned separately by the partners involved. The most common form of equity alliance is **the joint venture,** where two companies remain independent but set up a new company that is jointly owned by the parents. Alliances can also be formed with several partners, and these are termed a **consortium alliance.**

Non-equity alliances

Non-equity alliances are typically looser, and do not involve the commitment implied by ownership.
Non-equity alliances are often based on contracts.

One common form of contractual alliance is **franchising**, where one company (the franchisor) gives another company (the franchisee) the right to sell the franchisor's products or services in a particular location in return for a fee or royalty.

McDonald's restaurants and Subway are examples of franchising.

Licensing is a similar kind of contractual alliance, allowing partners to use intellectual property, such as patents or brands, in return for a fee. Long-term subcontracting agreements are another form of loose non-equity alliance, common in automobile supply.

Types of Strategic Alliances

Scale alliances involve companies combining to achieve necessary scale. The capabilities of each partner may be quite similar, but together they can achieve advantages that they could not easily achieve on their own. Thus, combining together can provide economies of scale in the production of outputs (products or services). Combining might also provide economies of scale in terms of inputs—for example by reducing purchasing costs of raw materials or services.

Types of Strategic Alliances

Access alliances involve a company allying in order to access the capabilities of another company that are required to produce or sell its own products and services. For example, in countries such as Mexico a Western company might need to partner with a local distributor to access effectively the national market for its products and services. The local company is critical to the international company's ability to sell. Access alliances can also work in the opposite direction, with a local company seeking a licensing alliance to access inputs from an international company—for example technologies or brands.

Types of Strategic Alliances

Complementary alliances involve companies at similar points in the value network combining their distinctive but complementary resources so that each partner is bolstered where it has particular gaps or weaknesses. The Renault-Nissan Alliance is a great example of two companies combining their strenghts to overcome their individual weaknesses.

Types of Strategic Alliances

Collusive alliances involve companies colluding secretly to increase their market power. By combining into cartels, they reduce competition in the marketplace, enabling them to extract higher prices from customers or lower prices from suppliers. Such collusive cartels among for-profit businesses are discouraged by regulators. For instance, mobile phone and energy companies are often accused of collusive behavior.

Internal and External Growth Strategies

Advantages of external growth through acquisitions and alliances:

1. Faster speed of access to new product or market areas
2. Instant market share / increased market power
3. Economies of scale (perhaps by combining production capacity)
4. Secure better distribution channels
5. Increased control of supplies
6. Decreased competition (by taking them over or partnering with them)
7. Acquire intangible assets (brands, patents, trademarks)
8. Overcome barriers to entry to target new markets
9. To take advantage of deregulation in an industry / market

There are many ways in which companies can do business abroad.

When a firm has economic operations located in at least two countries, they are often referred to as multinational enterprises or companies (MNE’s or MNC’s).
But the way in which they do business abroad determines whether we can call it multinationals, an international, global or transnational company for instance.
By being aware of these different types of multinationals, you will be better able to structure your own strategic options when going global.

Four types of strategies that internationally operating businesses can pursue

	Low Integration	High Integration
Low Responsiveness	INTERNATIONAL	GLOBAL
High Responsiveness	MULTIDOMESTIC	TRANSNATIONAL

Options for Competing in International Markets

When the executives in charge of a firm decide to enter a new country, they must decide how best to do it. There are five basic options available:
(1) exporting,
(2) creating a wholly owned subsidiary,
(3) franchising,
(4) licensing, and
(5) creating a joint venture or strategic alliance.
These options vary in terms of how much control a firm has over its operation, initial cost of entry, how much risk is involved, and what share of the operation's profits the firm gets to keep.

Core components for creating an international market strategy

1. Define and Separate Global and Local Activities
2. Resonate with the Needs of Local Markets
3. Build a Proactive Marketing Strategy
4. Energize Your Local Marketing Campaigns
5. Keep Track of All Marketing Processes
6. Examine the Overall Impact of Marketing Actions
7. Elaborate Consistent In-Between Interactions

4P marketing analysis

The four Ps are product, price, place, and promotion. They are an example of a "marketing mix," or the combined tools and methodologies used by marketers to achieve their marketing objectives.

All of the 4 Ps—product, price, place, and promotion—are important components of your marketing strategy. They work most effectively when marketers use them in conjunction with one another. You may find yourself focusing on one or another at different phases of business development. For example, you might focus on product and price at earlier stages, while place and promotion might become priorities at a later stage when you're preparing to introduce the product to the market.

Although the 4 Ps of marketing has been around since the 1960s, the concept is still considered useful, even as marketing rapidly evolves and becomes increasingly digitized.

Types of Divestiture

Sell-off spin-off split-up equity carve-out

Identification of promising sales niches

In the theory of strategic management, there are a number of tools for determining sales niches (segmentation, the matrix of the Boston Consulting Group, etc.).