Competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of low prices, or by providing greater benefits and services that justifies higher prices.

Source: Porter, 1985
A global strategy – one of views

- The strategy is a combination of a planned and emergency ones.
- The competitive advantage comes from development of internal competencies and changing conditions in the business environment.
- It is important to distinguish sectors and markets.
- The competitive advantage is a result of learning process of an organization as well as its competitive and cooperation behaviours.
- The dynamics of changes, both internal and external require companies to constantly learn.

Source: Stonehouse et al. Globalization, 2000
Theoretically, it is all about COMPETITIVE ADVANTAGE

COMPETITIVE POSITIONING /1980, 1985-Porter/ - configure your core competencies within the sector to max. value added in order to obtain competitive advantage.

CORE COPETENCES OR RESOURCES /1959-Penrose, 1990-Prahald and Hamel, 1992-Stalk at all, 1993- Kay, 1997-Heene and Sanchez, etc../ - 1. be like an open system and cooperate with the environment, 2. use your core competencies

GLOBAL STRATEGY / 1986, 1990 – Porter, 1987-Bartlett, 1992-Yip, etc/ - use the scale of being global, configure and coordinate international activities

Source: Stonehouse at all, GLOBALIZATION, chapter III, 2001
International Strategies

- International Business Level Strategies
- International Corporate Level Strategies
  - Multi-domestic Strategy
  - Global Strategy
  - Transnational Strategy
International Corporate-Level Strategy

- **Multi-domestic Strategy**
  - Strategic & operating decisions are decentralized to the strategic business unit in each country to tailor products to the local market.

- **Global Strategy**
  - Assumes more standardization of products across country markets

- **Transnational Strategy**
  - The firm seeks to achieve both global efficiency and local responsiveness
**Risks in the International Environment**

- National government instability may create potential problems for internationally diversified firms.
- Potential changes in attitudes or regulations regarding foreign ownership.
- Legal authority obtained from previous administration may become invalid.
- Potential for nationalization of firms’ assets.

**Major Risks of International Diversification**

- **Political Risk**: National government instability may create potential problems for internationally diversified firms. Potential changes in attitudes or regulations regarding foreign ownership. Legal authority obtained from previous administration may become invalid. Potential for nationalization of firms’ assets.
Econ. risks are interdependent with political risks.

Differences and fluctuations in international currencies may affect value of assets & liabilities. *This affects prices & thus ability to compete.*

Differences in inflation rates may affect internationally diversified firms’ ability to compete.

Enforcing intellectual property rights on CDs, software, etc.

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**AAA Triangle**

The three A's stand for the three distinct types of global strategy.

**Adaptation** seeks to boost revenues and market share by maximizing a firm's local relevance. One extreme example is simply creating local units in each national market that do a pretty good job of carrying out all the steps in the supply chain; many companies use this strategy as they start expanding beyond their home markets.

**Aggregation** attempts to deliver economies of scale by creating regional or sometimes global operations; it involves standardizing the product or service offering and grouping together the development and production processes.

**Arbitrage** is the exploitation of differences between national or regional markets, often by locating separate parts of the supply chain in different places—for instance, call centers in India, factories in China, and retail shops in Western Europe.

The three A’s are associated with different organizational types

If a company is emphasizing adaptation, it probably has a country-centered organization. If aggregation is the primary objective, cross-border groupings of various sorts—global business units or product divisions, regional structures, global accounts, and so on—make sense. An emphasis on arbitrage is often best pursued by a vertical, or functional, organization that pays explicit attention to the balancing of supply and demand within and across organizational boundaries. Clearly, not all three modes of organizing can take precedence in one organization at the same time. And although some approaches to corporate organization (such as the matrix) can combine elements of more than one pure mode, they carry costs in terms of managerial complexity.
Assignment 2

• In the groups by 2 persons /mixt up, svp/