Continuing our discussion of International Business Strategy:

Globalization:

- Businesses reflecting a global orientation accept that distinctions among national markets are fading, and for some products disappearing.
- Global businesses try to capitalize on the market, cost, environmental and competitive factors leading to success in global markets.

Market Factors in Globalization

- Developed markets are showing similarities in:
  - Educational backgrounds
  - Income levels
  - Purchasing power
  - Distribution systems
  - Communications systems

Cost Factors in Globalization

- The concept of spreading fixed costs over a large volume of output is a major force driving globalization.
- Incurring costs at the low cost location in terms of global production.

Environmental Factors behind Globalization

- Barriers to trade have fallen rapidly in recent years.
- Improvements in information technology have assisted the transfer of information across space quickly.
- Technological evolution makes new products more critical to the success of companies, and the life of new products shorter.

Competitive Factors in Globalization

- Many industries are dominated by global companies.
- Global networks (sometimes called alliances) are making the introduction of new technologies into new markets much more rapid – either by the innovator, or by copycats with better global networks.
Experience Curve Effects

- Are systematic reductions in production costs over time.
- They show the combined effects of:
  - Learning curve effects – cumulative improvements resulting from doing the same thing many times, and
  - Economies to Scale – derived within an accounting period, due to efficiencies in similar products in large quantities.

The Analysis of Global strategy

- Starts with the firm.
- You must understand the product/market you are competitive in, and
- The industry in which you compete.
- One useful tool is a SWOT analysis.

SWOT Analysis

- Within the firm:
  - Strengths
  - Weaknesses
- Within the Environment:
  - Opportunities
  - Threats

When changes in a market are only incremental (marginal) firms may adapt to new situations by marginal changes to existing programs and products.

- This is what we commonly encounter in most markets.
- Relatively stable conditions in the environment
- Relatively stable conditions in the desires of customers
- Relatively stable conditions amongst competitors

The evolution of markets

- May appear incremental
- However, change is usually more far-reaching when taken over a longer time perspective.
- It is up to the alert firm to identify these sources of competitive advantage.

Strategic Windows

- In times of non-marginal change in markets there are only limited periods of fit when:
  - Key requirements of a market, and
  - Particular competencies of a firm competing in that market are at an optimum
Typical Responses by an Organization to Change

- No response due to lack of clearly identified market trends
- Continue blindley with old familiar way in defiance of the market forces
- Financial, Market, and Image losses
- Slow response due to the inertia of an organization with its infrastructure and culture all designed to

Firms need to focus on

- How well equipped the firm is to deal with tomorrow, as well as
- How they are doing today.

Examples of non-marginal change include:
- Fax Machines  E-Mail  Voice Mail  Mobiles
- Video tapes  DVD's  Mp3's
- McDonalds

Implications

- Resource Requirements for success in a business may change radically with market evolution.
- The firm's resources and key competencies often cannot be easily adjusted. Leading to:
- Predictable Change in the fit of firm to market lead to defined periods during which Strategic Windows exist and can be exploited.

A Firm with a good Concept of Itself

Looks to the market for attractive opportunities for expansion:
- Into new markets with the same products, or
- Into the same markets with new products, or
- Into new markets with new products.

This uses what is known as the PRODUCT/MARKET EXPANSION GRID.

Product/Market Expansion Grid

<table>
<thead>
<tr>
<th>Existing Products</th>
<th>New Products</th>
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</thead>
<tbody>
<tr>
<td>1. Market penetration</td>
<td>3. Product Development</td>
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