

# [Chapter 13: the strategy of international business](https://assignbuster.com/chapter-13-the-strategy-of-international-business/)

core competenceFirm skills that competitors cannot easily match or imitate. economies of scaleCost advantages associated with large-scale production. ONCHAPTER 13: THE STRATEGY OF INTERNATIONAL BUSINESS SPECIFICALLY FOR YOUFOR ONLY$13. 90/PAGEOrder Nowexperience curveSystematic production cost reductions that occur over the life of a product. global standardization strategyFocuses on increasing profitability and profit growth by reaping the cost reductions from economies of scale, learning effects, and location economiesglobal webWhen different stages of the value chain are dispersed to those locations around the globe where value added is maximized or where costs of value creation are minimized. international strategyTaking products first produced for the domestic market and sell them internationally with only minimal local customization, creates value by transferring core competencies to foreign markets where indigenous competitors lack those competencies. learning effectsCost savings from learning by doing. localization strategyFocuses on increasing profitability by customizing goods or services so that they match local tastes and preferences in different national marketslocation economiesCost advantages from performing a value creation activity at the optimal location for that activity. logisticsThe procurement and physical transmission of material through the supply chain, from suppliers to customers. One Ford strategyBusiness strategy of minimizing the number of
business platforms to those that can be used everywhere in the world. operationsThe different value creation activities a firm undertakes. processesManner in which decisions are made and work is performed. productionActivities involved in creating a product. profit growthThe percentage increase in net profits over time. profitabilitythe rate of return the firm makes on its invested capitalstrategyActions managers take to attain the firm's goals. transnational strategyAchieve low costs through location economies, economies of scale, and learning effects, transfer core competencies within the firm, pay attention to local responsivenessuniversal needsNeeds that are the same all over the world, such as steel, bulk chemicals, and industrial electronics. value creationPerforming activities that increase the value of goods or services to consumers. valuesAbstract ideas about what a society believes to be
good, right, and desirable. Ways to improve profitability and profit growth1. add value
2. lower costs
3. sell more in existing markets
4. expand internationallyAttributes of value creation1. Value creation is measured by the difference between V and C
2. Firm can create value by converting the cost C into a product on customer can put a value of V
3. Create more value either by lowering product cost, C, or making product more attractive through superior design, styling, functionality, features, reliability, after-sales services, etc. so that customers can place a greater value on (V increases) and are willing to pay a higher price ( P increases)
So, a firm has high profits when it create more value for its customers and does so at lower costStrategies for creating value1. Using a differentiation strategy (Adding value to a product so that customers are willing to pay more for it) to increase the attractiveness
2. Using a low cost strategy to lower the costValue creation activities1. Primary activities
R&D
Production
marketing and sales
customer service
2. Support activities
information systems
logistics
human resourcesWays to increase profitability and growth rate in international firms1. Expand their market by sell in international markets

2. Realize location economies by dispersing value creation activities to locations where they can be performed most efficiently and effectively

3. Realize greater cost economies from experience effects

4. Earn a greater return by leveraging skills developed in foreign operations and transferring them elsewhere in the firm

Advantage of location economiesa. Firms can lower the costs of value creation and achieve a low cost position
b. firms can differentiate their product offering from those of competitorsFactors of experience curveLearning Effects
Economies of scaleGlobal marketplace competitive pressures: 1. Pressures for cost reductions
2. Pressures to be locally responsivePressures for cost reductions are greatest1. In industries producing commodity type products that fill universal needs where price is the main competitive weapon
2. When major competitors are based in low cost locations
3. Where there is persistent excess capacity
4. Where consumers are powerful and face low switching costsPressure to be locally responsive1. Differences in distribution channels
need to be responsive to differences in distribution channels between countries
2. Host government demands
economic and political demands imposed by host country governments may require local responsiveness