

# Strategic management essay sample

[Business](#), [Company](#)



1. Plot the position of the following companies on figure 6. 3 and justify your answer: \* Procter & Gamble: P&G sells more than 300 brands to consumers in more than 150 countries and therefore faces strong pressures for local responsiveness as different countries and cultures prefer different cleaning materials for example. P&G also faces pressures for cost reduction due to the large number of competitors in that sphere of the market. Also the global retailers P&G uses as distributors demanded price discounts which also resulted in increasing pressure for cost reduction. This places P&G in a transnational strategy. \* IBM: IBM does not face extreme cost pressure in its computer services core business (low pressures for cost reduction), but it does have high pressure for local responsiveness so it is most likely to be positioned as a localization strategy. \* Coca-Cola: faces pressures to be locally responsive, particularly in marketing, while on the other hand faces low cost pressures as they are a big Oligopoly. Coca-Cola is most likely to be positioned in the localization strategy sphere.

\* Dow Chemicals: Produces commodity type products, where price competition is very intense meaning that there is a high pressure for cost reduction, while on the other hand local differentiation is not seen as important. Dow Chemicals is most likely to be found in the Global Standardization Strategy area. \* Pfizer: Pharmaceutical companies have low pressures for local responsiveness as their products serve universalistic needs. Cost pressures on the other hand are intense therefore the most appropriate strategy is a Global one. \* McDonalds: Faces a huge pressure to be locally responsive because different cultures and countries prefer significant tastes. People in India for example prefer vegetarian options,

which led McDonalds to open up an all-vegetarian branch. In the US on the other hand, people prefer larger meal options and therefore their needs need to be catered for. In regards to pressure for cost reduction, McDonalds has a very large market share so pressures a low. McDonalds best fits in the Localization Strategy sphere.

2. Discuss how the need for control over foreign operations varies with the strategy and distinctive competencies of a company? What are the implications of this relationship for the choice of entry mode? If a company's distinctive competency is based on control over technological know-how, licensing and joint venture agreements should be avoided in order to minimize the risk of losing control over that technology. If a high tech company is considering setting up operations in a foreign market in order to profit from a core competency in technological know-how then the best way of doing so would be through a wholly owned subsidiary. However, if a company's distinctive competency is based on management know-how (usual for service based companies), the risk of losing control over their management skills to franchisees or joint venture partners is not considered a big loss because their most valuable possession is their brand name, which is normally protected by trademarks. These companies prefer a combination of franchising and subsidiaries to control the franchisees within a country.

3. Licensing proprietary technology to foreign competitors is the best way to give up a company's competitive advantage. Discuss. Licensing is an arrangement where a foreign licensee buys the rights to produce a company's product in the licensee's country for a negotiated fee. By

licensing unique technology to foreign competitors, the company can lose out on its competitive advantage for several various reasons. The main reason is that the company can lose control over it. The licensee could use the ideas of the initial company and produce technology much more advanced and therefore gain most of the market share that initially belonged to the first company. An example of this is the case with RCA who licensed its colour screen TV technology to a number of Japanese companies who then went to assimilate RCA's technology and use it to enter the US market.