

New global strategies for competitive advantage

[Life](#)



1. High intensity domestic competition breeds international success.
2. In the diamond-shaped chart, there are key elements of its success to be sustained: Company strategy (structure and rivalry), factor conditions, demand conditions, related and supporting industries.
3. The home base shapes a company's capacity to innovate rapidly in technology and methods and to do so in the proper directions.
4. A global strategy supplements and solidifies the competitive advantage created at home base.
5. The most important sources of national advantage must be actively sought and exploited.
6. Caught up in a never-ending process of seeking out new advantages and struggling with rivals to protect them.
7. Stability is valued in most companies, not change. Protecting old ideas and techniques becomes the preoccupation, not creating new ones. The long-term challenge for any firm is to put itself in a position where it is most likely to perceive, and best able to address the imperatives of competitive advantage. Expose a company to new market and technological opportunities that may be hard to perceive.

Preparing for change by upgrading and expanding the skills of employees and improving the firm's scientific and knowledge base. Overcoming complacency and inertia to act on the new opportunities and circumstances. Much attention has rightly been placed on the importance of visionary

leaders in achieving unusual organizational success. Great leaders are influenced by the environment in which they work. Innovation takes place because the home environment stimulates it. Innovation succeeds because the home environment supports and even forces it.

The right environment not only shapes a leader's own perceptions and priorities but provides the catalyst that allows the leader to overcome inertia and produce organizational change. Great leaders emerge in different industries in different nations, in part because national circumstances attract and encourage them. In many industries, the national environment provides one or two nations with a distinct advantage over their foreign competitors. Leadership often determines which particular firm or firms exploit this advantage.

The ability of any firm to innovate has much to do with the environment to which it is exposed. Seeking safe havens and comfortable customer relationships only reinforces past behavior. Innovation grows out of pressure and challenge. It also comes from finding the right challenges to meet. The main role of the firm's leader is to create the environment that meets these conditions.

8. The new rules for innovation, a company should actively seek out pressure and challenge not try to avoid them. Part of the task is to take advantage of the home nation in order to create the impetus for innovation.

Some of the ways of doing so are: seek out the most sophisticated and demanding buyers and channels seek out the buyers with the most difficult needs, establish norms of exceeding the toughest regulatory hurdles of

product standards, treat employees as permanent, and establish outstanding competitors as motivators.

9. The true costs of stability. Such a search for a quiet life, and understandable instinct, has led many companies to buy direct competitors or from alliances with them, in a closed, static world, monopoly would indeed be the most comfortable and profitable solution.

In reality competition is dynamic. Good managers always run a little scared, they respect and study competitors. Seeking out and meeting challenges is part of their organizational norm. A firm need not exclusively serve demanding buyers nor should it compete head on with any rival. The aim in seeking pressure and challenge is to create the conditions in which competitive advantage can be preserved. In global competition, the pressures of demanding local buyers, capable suppliers, and aggressive domestic rivalry are even more valuable and necessary for long-term profitability.

These drive the firm to a faster rate of progress and upgrading than international rivals, and lead to sustained competitive advantage and superior long-term profitability. A tough domestic industry structure creates advantage in the international industry. A comfortable, easy home base, in contrast, leaves a firm vulnerable to rivals who enjoy greater dynamism at home. If a firm lacks the pressures for improvement and innovation, it must create them

10. Perceiving industry change. One of the most important advantages an industry can have is early insight into important needs, environmental forces and trends that others have not noticed.

Firms gain competitive position before rivals perceive an opportunity and are able to respond. Identify and serve buyers with the most anticipatory needs. Some buyers will confront new problems or have new needs before others, because of their demographics, location, industry, or strategy. Buyer with anticipatory needs should be identified, designated as priorities and cultivated. Discover and highlight trends in factor costs. Increases in the costs of particular factor or other inputs may signal future opportunities to leapfrog competitors by innovating to deploy inputs more effectively or to avoid the need for them altogether.

Maintain ongoing relationship with centers of research and sources of the most talented people. Identify the places in the nation where the best new knowledge is being created that is now or might become relevant to its industry. Identify school, companies, institutions where the best specialized human resources needed in the industry are being trained. Invest time and money. Study all competitors, especially the new and unconventional ones. A firm should designate the most forward-looking or unconventional competitors for particular study, including foreign competitors who may enjoy the benefits of a very different home base.

Learn from competitors as to develop strategies to counter them. Bring some outsiders into the management team. Managers from other companies or industries or from the company's foreign subsidiaries. Benefit the innovation process.

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11. International within the national cluster. Firm gains competitive advantage from the presence in its home nation of world-class buyers, suppliers and related industries. Have a strong cluster at home unblocks the flows of information and allows deeper and more open contract than in possible when dealing with foreign firms. Buyers, channels and suppliers.

Recognizing that home-based buyers and suppliers are allies in international competition, a firm must persuade: regular senior management contact, formal and ongoing interchange between research organizations, reciprocity in serving as test sites for new products or services and cooperation in penetrating and serving international markets. Related industries. Industries those are related or potentially related in terms of technology, channels, buyers, or the way buyers obtain or use products, are potentially important to creating and sustaining competitive advantage.

Locating within the nation. A firm should locate activities and its headquarters at those locations in the nation where there are concentrations of sophisticated buyers, important suppliers, groups of competitors, or especially significant factor-creating mechanisms for its industry. Geographic proximity makes the relationship within a cluster closer and more fluid.

12. Serving home base buyers who are international and multinational. Identify and serve buyers at home that it can also serve abroad.

13. Improving the national competitive environment.

14. Diversification.

Part of company strategy in virtually every nation. Acquisitions were involved in international success stories, the acquisitions were often modest or

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focused ones that served as an initial entry point or reinforced an internal entry. Theory for diversification strategy are as follow:

1. New industries for diversification should be selected where a favorable national “ diamond” is present or can be created. Diversification proposals should be screened for the attractiveness of the home base.
 2. Diversification is most likely to succeed when it follows or extends clusters in which the firm already competes.
 3. Internal development of new businesses, supplemented by small acquisitions, is more likely to create and sustain competitive advantage than the acquisition of large, established companies.
 4. Diversification into businesses, lacking common buyers, channels, suppliers or close technological connections is not only likely to fail but will also undermine the prospects for sustaining advantage in the core businesses.
15. To sustain competitive advantage in global industries, a firm must sell to all significant country markets. Identifying such buyers in other nations will help a firm understand the most stimulate rapid progress in products and services.
16. A firm must be willing to source products or equipment from foreign firms if they are superior. Also work to upgrade local suppliers. Loyalty to domestic suppliers, for its own sake, is ultimately self-defeating. The best form for this is to confront them in no uncertain terms with the need to match their foreign competitors in quality and productivity in order to retain the business.

A firm aspiring to competitive advantage must be aware of, and ideally have some access to, all the important scientific work going on in the world that is related to its industry.

17. A firm must be the best rivals in the marketplace in order to sustain and upgrade its advantage. Must find a way to gain advantage over the best rivals in order to assure its market position. Meet rivals in all the important markets is to deny them profits in safe markets that can be used to cross-subsidize low profits in contested markets.

18. Choose a location that will expose the firm to significant needs and pressures lacking at home. The purpose is to learn as well as raise the odds that information passes credibly back to the home base.

19. Foreign acquisitions can serve for: gain access to a foreign market or to selective skills and to gain a highly favorable national diamond.

20. Alliances or coalitions are final mechanism by which firm can seek to tap national advantages in other nations. Alliances take form as joint ventures, licenses, sales agreements and supply agreements. Alliances are a tempting solution to the dilemma of a firm seeking the home-base advantages of another nation without giving up its own (are rarely a solution).

21. Real leaders believe in change. Energize their organizations to meet competitive challenges. Find ways of overcoming the filters that limit information and prevent innovation. Have a broad view of competition in which their national environment is integral to competitive success. Work hard to improve that environment and to encourage appropriate government policies.