

Maciej Cieślcki

The strategy of international business

Ekonomiczne Problemy Usług nr 104, 117-122

2013

Artykuł został opracowany do udostępnienia w internecie przez Muzeum Historii Polski w ramach prac podejmowanych na rzecz zapewnienia otwartego, powszechnego i trwałego dostępu do polskiego dorobku naukowego i kulturalnego. Artykuł jest umieszczony w kolekcji cyfrowej bazhum.muzhp.pl, gromadzącej zawartość polskich czasopism humanistycznych i społecznych.

Tekst jest udostępniony do wykorzystania w ramach dozwolonego użytku.

MACIEJ CIEŚLICKI

THE STRATEGY OF INTERNATIONAL BUSINESS

Introduction

The word strategy has military origins. From the Greek “strategos” means “waging war”. In doing business, the word has a broader meaning. It is a collection of system concepts that rely on identifying long-term goals of the business. These objectives must be set out clearly and adequately to the possession of wealth, financial and human resources of the organization. Strategy is a plan of action that leads to the long-term target company. Every entrepreneur should first focus on determining the strategy of your business. It is not an easy task, but well-articulated strategy of the company, allows you to beat the competition in key areas of activity.

Net operating strategy, especially in times of financial crisis, can survive the difficult moments of the life of the enterprise. When sales drop and costs increase awareness of the very strategy of the company by employees, motivates a more intense and effective work.

To achieve success in business is the ability to determine the precise profile of the company and make the most of market conditions. Everyone recognizes the great importance of effort put into the creation and modernization of the company, but they all add that little bit of luck always helps to intensify it. Very important from the point of view of the potential success of the company are clearly defined and obvious to the customer offer. The more it is specified, the range of success may be higher. This offer should also be focused on a single product or service or offer overall, for a group of related products (services). Consumers can also attract new quality products under the offer or greatly reduced price.

To get the market is not enough to have the product. Equally important is the size of your target market and strategy of the gain. It is therefore necessary to find

a sufficiently large and rapidly growing market for their deals. You can also start operating in a narrow specialization and to exist in niche market.

1. The main idea

The fundamental purpose of any business firm is to make a profit. A firm makes a profit if the price it can charge for its output is greater than its costs of producing that output. To do this, a firm must produce a product that is valued by consumers. Its mean that business firms engage in the activity of value creation. The price consumers are prepared to pay for a product indicates the value of the product to consumers. Firms can increase their profits in two ways: by adding value to a product so consumers are willing to pay more for it and by lowering the costs of value creation. A firm adds value to a product when it improves the product's quality, provides a service to the consumer or customizes the product to consumer need in such a way that consumers will pay more for it. That is when the firm differentiates the product from that offered by competitors. Thus there are two basic strategies for improving a firm's profitability – a differentiation strategy and a low-cost strategy.

First you must define the company. In this case the company is seen as a value chain composed of a series of distinct value-creation activities including production, marketing, materials management, R&D, human resources, information systems and the firm infrastructure (Figure 1). We can categorize value creation activities as primary activities and support activities,

The primary activities of a firm have to do with creating the product, marketing and delivering the product to buyers and providing support and aftersale service to the buyers of the product. We consider the activities involved in the physical creation of the product as production and those involved in marketing, delivery and aftersale services as marketing. Efficient production can reduce the costs of creating value (scale economies) and can add value by increasing product quality, which facilitates premium pricing.

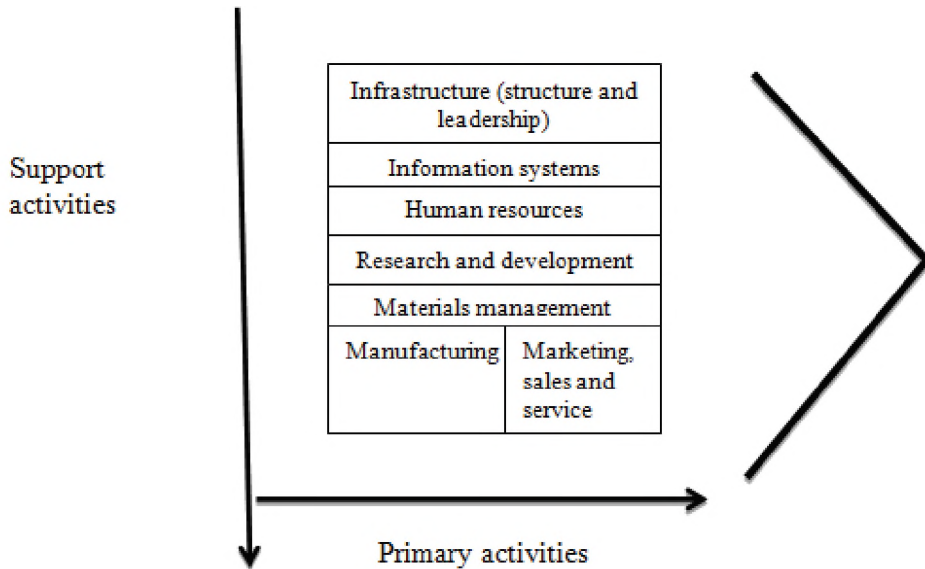


Fig. 1. The firm as a value chain

Source: M.E. Porter: *Competitive advantage*, Free Press, New York 1985, p. 79.

Support activities provide the inputs that allow primary activities of production and marketing to occur. The materials management function controls the transmission of physical materials through the value chain, from procurement through production and into distribution. The R&D function develops new product and process technologies. An effective human resources function ensures that the firm has an optimal mix of people to perform its primary production and marketing activities. The information systems function makes certain that management has the information it needs to maximize the efficiency of its value chain and to exploit information based competitive advantages in the marketplace.

A firm's strategy can be defined as the actions managers take to attain the of the firm. The international business is the starting point of two strategies: differentiation and low cost. The differentiation strategy also called differentiated marketing strategy, quality leadership is finding those qualities that distinguish a particular company (products, services) from another and are important to a segment of potential customers. The company seeks to be unique (or beliefs about the uniqueness of buyers) in the industry. By this meets the needs of customers, those who instead prefer branded standard products. They are less sensitive to price¹. Different strategies offer different degrees of differentiation. Differentiation doesn't guarantee

¹ J. Alkton: *Podstawy marketingu*, Instytut Marketingu, Kraków 2003, p. 77.

competitive advantage, especially if standard products sufficiently meet customer needs or if rapid imitation by competitors is possible. Durable products protected by barriers to quick copying by competitors are best. Successful differentiation can mean greater product flexibility, greater compatibility, lower costs, improved service, less maintenance, greater convenience. A differentiation strategy should be pursued only after careful study of buyers' needs and preferences to determine the feasibility of incorporating one or more differentiating features into a unique product that features the desired attributes. A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty because consumers may become strongly attached to the differentiation features. A risk of pursuing a differentiation strategy is that the unique product may not be valued highly enough by customers to justify the higher price. Firms pursuing a differentiation strategy include The Limited, BMW, Ralph Lauren².

The low-cost strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this.

The first approach is achieving a high asset turnover. In service industries, this may mean for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. In manufacturing, it will involve production of high volumes of output. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting in a lower unit cost, i.e. the firm hopes to take advantage of economies of scale and experience curve effects. For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firms low costs and prices.

The second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture, etc. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, R&D and advertising. The associated distribution strategy is to

² F.R. David: *Strategic management. Concepts & Cases*, Prentice Hall, New Jersey 1999, p. 62.

obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

The third dimension is control over the supply/procurement chain to ensure low costs. This could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Wal-Mart is famous for squeezing its suppliers to ensure low prices for its goods. Dell Computer initially achieved market share by keeping inventories low and only building computers to order. Other procurement advantages could come from preferential access to raw materials, or backward integration.

Create strategies for companies operating at international markets is a very difficult task. Number of factors affecting the success of the task is very large. First of all, cultural factors, and reach different legal conditions. Therefore, a strategy of this kind of business is a kind of "local policies" in order to better adapt to market conditions. However, even in this case there is no full guarantee of success.

Conclusions

Any company operating in the market, regardless of its size, type of business, coverage and competitive position should be developed and effectively implemented strategy. The strategy is the concept of the organization over an extended period of time, having regard to the changes that may occur in both the external environment and the interior of the organization. Action as it relates to the company, which are crucial for competitive advantage. Using a well-developed strategy a company can not only gain a competitive advantage, but also the market leader, which seeks.

The strategy is based on the company's success, which should develop, implement and continuously improve, to its relevance to the changing environment. Being an effective strategy is to determine the identity of the company and the creation of unique, allowing both its employees and the environment clearly distinguish the company from its competitors given.

Literature

1. Alktorn J.: *Podstawy marketingu*, Instytut Marketingu, Kraków 2003.
2. David F.R.: *Strategic management. Concepts & Cases*, Prentice Hall, New Jersey 1999.
3. Porter M.E.: *Competitive advantage*, Free Press, New York 1985.

STRATEGIE BIZNESU MIĘDZYNARODOWEGO

Streszczenie

Każda firma działająca na rynku, niezależnie od wielkości, rodzaju prowadzonej działalności, struktury organizacyjno-prawnej powinna posiadać strategię działania. Strategia jest koncepcją organizacji w dłuższym okresie czasu, z uwzględnieniem zmian, które mogą występować zarówno w samym przedsiębiorstwie, jak i otoczeniu zewnętrznym. Zagadnienie nabiera szczególnego znaczenia, jeżeli bierzemy pod uwagę organizacje działające na rynkach międzynarodowych, a więc na dużo większą skalę niż firmy krajowe. Obok różnic gospodarczych, politycznych, prawnych dochodzi jeszcze problem różnic kulturowych. W tym przypadku konstrukcja strategii i jej późniejsza realizacja jest zadaniem wielce złożonym. Wymaga to bardzo często tworzenia tzw. „podstrategii lokalnych” ściśle dopasowanych do wymogów rynku lokalnego. Przykłady wielkich firm, np. Sony, Wal-Mart i wielu innych pokazują, że dalekosiężna wizja ich założycieli stanowi trwałą podwalinę pod późniejszy sukces rynkowy. Niniejszy artykuł stara się pokazać pewien pogląd na zagadnienie tworzenia strategii przez przedsiębiorstwa działające na rynkach międzynarodowych. Patrząc na złożoność rynku globalnego wydaje się, że niniejsze zagadnienie wydaje się być zawsze aktualne.

Tłumaczenie Maciej Cieśllicki