THE PLACE OF BUSINESS STRATEGIES IN INTERNATIONAL TRADE

Abdikarim Ibrahim Abdow
Jomo Kenyatta University of Agriculture and Technology


Abstract

International Companies operates in a selected few foreign countries, with modest ambitions to expand further. In the international competitive environment, the ability to develop a transnational organizational capability is the key factor that can help the firm adapt to the changes in the dynamic environment. As the fast rate of globalization renders the traditional ways of doing business irrelevant, it is vital for managers to have a global mindset to be effective. Intense competition, rapid change, and increased complexity in the global marketing environment make it more difficult, but all the more imperative that a firm acts in a socially responsible manner. Improved understanding of the impact of the environmental context on marketing practices and, in particular, how to identify similar market environments will also help in mastering when and how to transfer marketing strategies successful in one country to another. In order to exploit growing market opportunities and successfully manage the risks stemming from unstable institutional environment, most of the MNCs enter BRIC markets in the form of strategic partnerships with local companies. Content analysis has been used in coming up with the contextualization of the paper. The paper recommends flexibility in allocating and redeploying resources across world markets is a critical component of configural advantage. As market and competitive conditions fluctuate or change in different parts of the world, the firm must develop flexibility to adapt to these conditions and redeploy resources to take advantage of operating in a given location.

Keywords: International Companies, competitive environment and business strategies.
Introduction

Global strategy leads to a wide variety of business strategies, and a high level of adaptation to the local business environment. The challenge here is to develop one single strategy that can be applied throughout the world while at the same time maintaining the flexibility to adapt that strategy to the local business environment when necessary (Yip G. 2002). A global strategy involves a carefully crafted single strategy for the entire network of subsidiaries and partners, encompassing many countries simultaneously and leveraging synergies across many countries.

According to Madapusi, Derrick, and D’Souza (2005) businesses typically adopt one of the three types of international strategies: multinational, global, or transnational.

International or Multinational Strategy.

International Companies operates in a selected few foreign countries, with modest ambitions to expand further. One of the primary objectives of a multinational strategy is to build sensitivity and responsiveness to differing national environments. Firms that pursue this strategy offer differentiated products and services to satisfy the local needs of their national units. These firms derive most of their value from downstream value-chain activities such as marketing, sales, service, etc., and often clone their value chains in multiple national markets.

A Global Strategy.

Global markets are those where customer needs, wants, are similar across the globe. Under this strategy, Company markets products in many foreign countries and is expanding operations into additional country markets annually. The constant search for global efficiencies and cost considerations drives the actions of firms that choose a global strategy. These firms leverage economies gained through product standardization and global sourcing. Control and coordination of activities are typically concentrated at the firm’s headquarters (HQ).

A Transnational Strategy

Firms that adopt a transnational strategy focus on local responsiveness and global efficiency – a “best of both worlds” approach. Firms that pursue this strategy recognize that their competitive advantage accrues from location advantages and economic efficiencies.

Competing strategies in international business

Strategic Partnership
In order to exploit growing market opportunities and successfully manage the risks stemming from unstable institutional environment, most of the MNCs enter BRIC markets in the form of strategic partnerships with local companies. Through local strategic networks and partnerships MNCs collect necessary information and knowledge of the local business environment and modify their business strategies accordingly. Additionally, local strategic partnerships are often the basis for MNCs” networking, with the aim of directing the development of institutional environment towards desired goals. MNCs thus become the agent of change with the task to advance the entire business environment (Rakita, Azdejković, and Marković, 2012).

**Mergers and acquisition**

Aggressive path independent approaches such as acquisitions allow firms to take “learning leaps” and break out of the cumulative nature of path dependent learning as described by the internationalization stage model. Acquisition can help overcome legitimacy and credibility problems more effectively, and serve more convincingly as a guarantor of quality and safety standards. An acquisition of companies with strong abilities in the entire value chain helps to offset firm-specific disadvantage to gain an immediate market presence (Yeoh 2010). More recently, Japanese firms from less manufacturing intense industries have tried to grow their overseas businesses through mergers and acquisition. Among them are branded consumer product and service companies.

**Flexibility in resource allocation**

Flexibility in allocating and redeploying resources across world markets is a critical component of configural advantage. As market and competitive conditions fluctuate or change in different parts of the world, the firm must develop flexibility to adapt to these conditions and redeploy resources to take advantage of operating in a given location. Establishment of linkages among operations in different parts of the world is crucial in generating this flexibility to respond to change. Sourcing or production at multiple locations reduces risk exposure and dependence on a single supply location as they can be shifted to the most cost-effective locations to counter fluctuations in exchange rates and their impact on production or supply costs, work stoppages due to strikes and labour unrest, or changes in economic and political conditions. Rapid deployment of assets and resources at different stages of the value chain is critical. The firm needs to be able to move speedily in launching new products and responding to competitor moves, whether those of local or major global competitors. Firms need to have the resources to
launch new products simultaneously in markets worldwide rather than rolling them out sequentially market-by-market in order to avoid leapfrogging by competitors.

**Pricing strategy**

Levitt (cited in Marsh 2000) believes that market share is gained through aggressive low pricing supported by standardization. Contrary to this view, Marsh (2000) observes that Japanese consumers perceive the reduction in price to be a reduction in quality and status. He argues that image of quality significantly outweigh the actual value of the product as quality is predominantly associated with high price. Marsh (2000) therefore suggests that specific country preferences require organizations to adapt their pricing.

Price setting in international marketing is influenced on two levels according to Marsh (2000)-the internal level, which takes into consideration objectives for return on investment, required sales volume and cost factors; the macro level incorporates elements such as the government restrictions; and the business cycle stage, exchange rate and cultural factors. Marsh (2000) argues that diversity must be acknowledged and integrated into international pricing strategies. If used effectively, pricing can create opportunities within markets and reduce potential threats. It is important to recognize that the pricing decision relies primarily on the companies’ ability to stringently follow, for example, the cost leadership strategy. Not only is an active pricing strategy for similar products strictly the prerogative of the large firms, the small country firms must follow these price signals to make this strategy profitable for both (Ahmad 2007).

**Innovation and differentiation**

Technological advancements are driving standardization (Marsh 2000). Organizations that are geared to this new reality benefit from enormous economies of scale in production, distribution marketing and management. In today's competitive markets, where consumers have significant options, marketing resource expenditure strategies must be guided by the answer to three fundamental questions, namely: who are the customers, what are their needs and wants and most importantly, what do they think of the organization's products, and marketing efforts? Often labelled "relationship or customer sensitivity analyses" they have become important for organizations' long-term success.

Relationship analyses focus on sources of competitive advantage that are based on a firm's offering that differentiate it from competitors in the eyes of consumers. The key, again, is that differentiation advantages come only from products and marketing practices that are meaningful
to target customers. The objective is to understand the drivers of customer satisfaction and loyalty that are related to customer propensity to buy and use specific products (Wood, Darling, Siders, June 1998). One such framework, encompassing objective strategic profile methods, and commonly referred to as “gap analysis”, provides a useful structure in this regard.

New product and process technologies are needed to develop dramatically new products which can be sold to rural consumers at affordable prices. Computers and cell phones provide examples of two product markets where efforts have already been made to develop low-cost options utilizing sophisticated and innovative technology (Wood, Darling, Siders, June 1998)

**Business orientation**

In their study of the relative effects of a market and learning orientation on organizational performance in the context of International Joint Ventures in Malaysia, Farrell, Oczkowski, and Kharabsheh (2008) established that a market orientation strategy has a more positive impact on organizational performance (customer retention, new product success, average performance and overall performance) than a learning orientation. The trios’ findings therefore suggest that in International Joint Ventures, a market orientation is the pre-eminent strategy for good performance. Market-oriented firms have highly developed competencies that enable them to outperform competitors in retaining customers, growing sales and new product success. These findings also support the concept of causal ambiguity in that market oriented firms are able to undertake competitive actions, which are not easily imitable. For firms involved in International Joint Ventures, a market orientation will enable them to achieve competitive advantage (Farrell, Oczkowski, and Kharabsheh 2008)

A market-oriented firm possesses superior resources and skills in the systematic acquisition, dissemination and use of information to guide strategy development and implementation. Such skills enable a firm to identify opportunities and create customer value more effectively than competitors. In other words, strategies geared toward improving market orientation are likely to be more effective for firms currently not pursuing market-oriented practices.

**Lobbying and influence**

Emerging Multi-National Corporations (EMNCs) become instrumental in changing the regulative pillar in emerging economies. They may use their influential status in the national economy of their home country through lobbying to secure political support for expediting the
development of coercive pressures, such as a more stringent accounting requirement for publicly traded firms. In terms of the cognitive and normative pillars (Liou, Rose, & Ellstrand 2012), due to the EMNC’s operation in the developed market, the national media may portray it as an exemplar of successful international firms. Thus, the EMNCs’ adopted practices may come to be regarded as best practices and thus as sources for mimetic isomorphism, facilitating the evolution of the institutional field in emerging economies as more and more indigenous firms and professional associations consider the EMNCs’ practices as legitimate (Liou, Rose, & Ellstrand 2012).

Conformance.

Intense competition, rapid change, and increased complexity in the global marketing environment make it more difficult, but all the more imperative that a firm acts in a socially responsible manner. Improved understanding of the impact of the environmental context on marketing practices and, in particular, how to identify similar market environments will also help in mastering when and how to transfer marketing strategies successful in one country to another.

Subsidiaries of Emerging Multi-National Corporations (EMNCs), lacking funds and connections with the host country government, are unlikely to be able to engage in efforts towards change, such as lobbying legislators. They will need to conform to environmental regulations in the developed market to gain legitimacy. To conform, they can adopt the environmentally friendly practices to various degrees – ranging from changing downstream activities, such as acquiring more advanced manufacturing facilities which can control pollutant emission, to integrating value chain activities that promote environmentally benign technologies (Shrivastava, 1995), including not only production equipment but also production procedures, product designs and product delivery mechanisms.

Total adoption of the aforementioned environmentally friendly practices may be costly and diminish the EMNCs’ original competitive advantages, which are typically driven by the lower cost structure of the developing market. Thus, EMNCs may not opt for the adoption of all practices, and various degrees of partial adoption of practices constitute symbolic adoption. Through such symbolic adoption, EMNCs may also gain legitimacy in the developed market while not overtly altering the advantageous organizational routines in their home country (Liou, Rose, & Ellstrand 2012).
If there exists a conflict between the regulative requirements of the developed market and the normative and/or cognitive expectations of the developing market, and the firm is unable to make changes to the developing market’s institutional field (Liou, Rose, & Ellstrand 2012), then they are likely to adopt the practice symbolically. That is, the efforts at symbolic adoption will not be directed towards the developing field, but rather towards the developed field only. Based on the above example of EMNCs’ conformity to the environmental regulations in the developed market, the symbolically adopted practice (e.g. acquiring the advanced manufacturing facilities) in the developed market is not likely to be transferred back to their home market since the symbolic adoption is only to gain legitimacy in the developed market. As such, other firms within the developing institutional field will be less likely to imitate the practice as the focal EMNCs’ symbolic adoption in the developed market would denote that it is not, in fact, a best practice.

**Trade shows and conventions**

Attending and participating in international trade shows and conventions can be a valuable way of building new relationships as well as maintaining existing relationships. Attending a trade show without the burden and management of exhibiting at the exposition often provides greater flexibility to get out into event and engage with exhibiting businesses. Often, exhibitions provide a flavor of the specific industry, and also provide a sense of the general size of the industry, complexity of the industry, and where companies tend to concentrated. Once relationships in the region are established, investing in the cost and management of exhibiting at the show makes more sense (Tan Tee Jim, 2008).

**Trade Missions**

Frequently, community trade missions involve key leaders from the local community, regions and perhaps the state. Trade missions, unlike individual business development trips often require an increased level of management and coordination, as multiple professionals on the trade mission may be meeting with multiple companies in different locations. Trade missions for that reason can be extremely valuable in generating the greatest impact for the investment (Tan Tee Jim, 2008).
Franchise

According to the International Franchise Association, franchise operation is a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obliged to maintain a continuing interest in the business of the franchisee in such areas as know-how and training; wherein the franchisee operates under a common trade name, format and/or procedure owned or controlled by the franchisor, and in which the franchisee has or will make a substantial capital investment in his business from his own resources. Often is better suited to global expansion efforts of service and retailing enterprises e.g., McDonalds, Hilton Hotels, Tricon Global Restaurants, etc.

There are three main types of franchise which includes:

1. Product distribution franchise;
2. Business format franchise; and

A product distribution franchise model is very much like a supplier-dealer relationship. Typically, the franchisee merely sells the franchisor’s products. However, this type of franchise will also include some form of integration of the business activities. In a business format franchise, the integration of the business is more complete. The franchisee not only distributes the franchisor’s products and services under the franchisor’s trade mark, but also implements the franchisor’s format and procedure of conducting the business. Management Franchise is a form of service agreement. The franchisee provides the management expertise, format and/or procedure for conducting the business (Tan Tee Jim, 2008).

According to Tan Tee Jim, (2008), franchises offer important pre-opening support (site selection, design and construction, financing (in some cases), training, grand-opening program) in international business. They also offer on-going support programmes such as training, national and regional advertising, operating procedures and operational assistance, supervision and management support, increased spending power, and access to bulk purchasing and economies of scale. The duration of a franchise is usually limited and the franchisee may have little or no say concerning termination (Tan Tee Jim, 2008).
Marketing strategies

International marketing involves the firm in making one or more marketing mix decisions across national boundaries. It involves in establishing manufacturing/processing facilities around the world and coordinating marketing strategies across the globe (Doole & Lowe 2008).

How international marketing is defined and interpreted depends on the level of involvement of the Company in the international market place. International marketing could therefore be:

a. **International Marketing**, where the marketing activities of an organization include activities, interests, or operations in more than one country and where there is some influence or control of marketing activities from outside the country in which the goods or services will actually be sold. Sometimes markets are perceived to be independent and a profit centre in their own right, in which case the term multinational or multi-domestic marketing is often used.

b. **Global marketing**, in which the whole organization focuses on the selection and exploitation of global marketing opportunities and marshals resources around the globe with the objective of achieving a global competitive advantage.

Theoretically, through the lens of organizational learning and the development of marketing capabilities, Zhou, Wu, and Barnes (2012) demonstrated that marketing capabilities serve as enabling factors that help young international ventures mitigate their liabilities of foreignness to achieve international performance outcomes. In their study of the role of early international market entry on marketing capability development and performance outcomes in young and small entrepreneurial firms, Zhou, Wu, and Barnes (2012) identified marketing capabilities as an enabling factor in driving international growth for young firms. The findings also reveal that young ventures tend to be in a better position to improve their marketing capabilities when their senior management demonstrates a high level of commitment to foreign markets. As a result, to influence performance, a venture's post entry learning and knowledge base must be converted into appropriate marketing capabilities that enable a venture to successfully adapt to its new market environment.
Characteristics of best practices in international marketing.

❖ The challenge, then, of international marketing is to ensure that any international strategy has the discipline of thorough research and an understanding and accurate evaluation of what is required to achieve a competitive advantage. Doole (2000) identified three major components to the strategies of firms successfully competing in international markets:

❖ A clear international competitive focus achieved through a thorough knowledge of the international markets, a strong competitive positioning and a strategic perspective which was truly international.

❖ An effective relationship strategy achieved through strong customer relations, a commitment to quality products and service and a dedication to customer service throughout international markets.

❖ Firm and organizations planning to compete effectively in world markets need a clear and well-focused international marketing strategy that is based on a thorough understanding of the markets which the company is targeting or operating in. International markets are dynamic entities that require constant monitoring and evaluation. Innovation is an important competitive variable, not only in terms of the product or service but throughout the marketing process.

❖ Well managed organization with a culture of learning. Firms that were innovative and willing to learn showed high levels of energy and commitment to international markets and had effective monitoring and control procedures for all their international markets.

The following are the specific marketing strategies widely used in international business.

Niche marketing and market segmentation strategy

The rising level of cultural diversity presents global marketers with unique challenges, particularly in relation to goods such as food, clothing and entertainment. The dramatically changed market place is a product of cultural interpenetration as immigrants bring with them the products, customs and lifestyles of their parent culture into the host country and these are absorbed into the mainstream culture. Increasing cultural diversity both among markets served and within these markets, results in increasing market segmentation and fragmentation.

Instead of leveraging mass-market strategies from one country to another, with some adaptation to specific customer needs and local market infrastructures, marketers now have to develop and adapt products and strategies to target an increasingly diverse array of cross-national and
national market segments. This situation results in increasingly complex and fine-tuned market segmentation strategies, where firms break markets up into a myriad of smaller segments both within and across national markets on a regional, multi-regional or global basis. Consequently, managing the diversity of products, brands and marketing strategies on a regional and global basis so as to achieve potential synergies becomes increasingly challenging. On the one hand, firms need to respond to competition from local firms who cherry pick and target local market niches and, at the same time, look for opportunities to leverage strategies tailored to specific cultural segments across national markets. Instead of developing strategy on a country-by-country basis, emphasis needs to be placed on identifying and targeting similar segments on a transnational basis (Ahmad 2007).

According to Zucchella & Palamara (2007) in their study of niche strategy and export performance found that there is a positive relation between niche strategy and high international performance, in terms of export intensity, precocity, speed, and scope. Among the niche firms, most revealed what they considered the „typical” expected traits of successful niche firms: high export intensity, early and fast internationalization, and broad geographic scope. The niche strategy is strictly linked with a serial approach to internationalization: the international expansion is based on a horizontal micro segmentation of the global market, and firms move quickly following global customers, independent of the country and the psychic/geo graphical distance, and compete mostly on a non-price basis. In this strategy, customer orientation is very strong; the strategic approach is more customer than country oriented: the product can vary according to the demands of the clients.

The implications of strategic behaviour on the part of small-state firms come into sharper focus in the context of intra-industry trade in differentiated products, where Chamberlin-type monopolistic competition is the relevant market structure. A possible strategic behaviour for the small-state firm in this type of market structure would be to find a „niche” in the diversified, multi-product international market for manufactured goods. The niche market strategy would seem to be within the grasp of even the smallest firm, since such specialization is not tied to the existence of a „primary” factor. The niche strategy can clearly be acquired and promoted by appropriate policies, such as technology transfer, minor technical adaptation, and superior service (Ahmad 2007).
Tailored products

The growing significance of emerging markets in the world economy suggests the importance of understanding the nature of customer demand and the challenges involved in marketing in these economies as well as the similarities and differences among and within markets. Developing marketing strategies to tap mass markets in these countries, requires a radically new orientation. Firms need to start from scratch designing new products and building new strategies based on use of local resources, know-how and skills. Basic functional products are needed, tailor-made to meet consumer demand and offer a product or service to those who would otherwise be unable to afford it and are happy to have a simple rudimentary version of products available to high-end consumers. Often collaboration with non-traditional local partners such as NGOs and other social organizations help provide information and insights into the social structure and social dynamics in rural areas as well as in educating consumers on the benefits of products not currently in use. Equally, products developed in response to a specific cultural or ethnic group in one country may be marketed to similar markets in other countries (Wood, Darling, Siders, June 1998)

Wood, Darling, Siders, June (1998) established that if firms are to be successful in the new, emerging, global/pan-European markets, they must possess a thorough understanding of the consumer segments that constitute such markets. They must also understand how these consumers perceive their segment, as well as their rivals' product and marketing efforts. Ultimately, they must understand how their perceptions relate to consumer buying and use preferences, and then use this information to develop competitive marketing resource expenditure strategies that focus on meaningful and impactful "gaps". These are important because they provide significant insight into what global managers must focus on to be successful in capturing and sustaining consumer desire to buy and use their products

Brand

The strength of a firm’s position in key markets is reflected in the market share of its top brands. Building an effective brand architecture consisting of global, regional and local brands establishes a firm’s identity in the market place, helps develop a customer and distributor franchise, and provides the base for brand extensions which further strengthens the firm’s position (Douglas, Craig, & Nijssen, 2001). Strong brands also provide important weapons to counteract the growing power of retailers as they too expand across international boundaries.
Communication Strategy and Tactics

According to Klohs (2012), effective marketing communication tools and tactics are critical to the success of any international business development effort, yet they are often overlooked. In today’s world of instant access to information, businesses often engage organizations and communities through indirect marketing efforts before meeting anyone in person. Promotional strategies can be designed using appeals, execution methods and media which are particularly effective in targeting this segment, as for example, viral marketing using mobile phones, creative campaigns based on video clips of consumers or celebrities using the product, clips and blogs uploaded on internet sites, product placement in films targeted to this segment and other approaches.

Language can also be used as a strategic tool to integrate operations and align strategy across diverse market environments. Use of a common language throughout the company facilitates communication across boundaries, and stimulates a more external focus towards operations and practices in other countries and environments. In addition to facilitating horizontal communication among managers of different linguistic backgrounds, this approach also enhances manager mobility within the company. Siemens, for example, has recently introduced English as the common language to be used in its operations throughout the world in order to encourage greater orientation to world affairs.

Conclusions

In the international competitive environment, the ability to develop a transnational organizational capability is the key factor that can help the firm adapt to the changes in the dynamic environment. As the fast rate of globalization renders the traditional ways of doing business irrelevant, it is vital for managers to have a global mindset to be effective. Globalization of business has led to the emergence of global strategic management.

A combination of strategic management and international business will result in strategies for global cooperation. However, there are obstacles to progress along the way. The problems caused by these obstacles can be solved by cooperative ventures based on mutual advantages of the parties involved. Proper effective communication will be a key element for global strategies because what is proper and effective in one culture may be ineffective and improper in another. Marketing products globally is complex and difficult because of several factors including: International Strategic Alliances, coordination and control of international marketing,
communication, regional trade blocks, and choice of global strategy. The firm with the choice of an effective global strategy that takes into consideration its strengths and weaknesses in the face of the opportunities and threats in the environment, will survive.

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