MBA (IB) IV Semester– Paper Title: International Business Strategies.

Understanding Competition in International Market

Competition is that cyclic, continuous, automated process which starts in an industry when there are at least two or more that two players in an industry. At the end of every cycle, ranking on the basis of performance of every single player is declared by the industry and market forces. Competition ends with the exit of the second last player in an industry. In completion there are cycles, in each cycle every individual player has an intension to improve the ranking before the completion of the current cycle. This becomes more important in Perfect Competition Market.

In simple words: Competition is the rivalry between companies selling similar products and services with the goal of achieving revenue, profit, and market share growth.

International Competition:

Global competition is the services or products provided by competing companies that serve international customers. International Competition is therefore that cyclic, continuous, automated process which starts in an industry when there are at least two or more that two players in an industry. At the end of every cycle, ranking on the basis of performance of every single player is declared by the industry and market forces. Competition ends with the exit of the second last player in an industry. In completion there are cycles, in each cycle every individual player has an intension to improve the ranking before the completion of the current cycle.

Competency:

Is that intent developed, acquired, gained or built over a period of time that provides the pace to a player to improve the ranking in that cyclic process.

How Global Companies Win[1]:

Citizens from most of the older industrialized countries have become obsessed with it since the first Japanese cars started selling well. Vulnerability has replaced invincibility as the word many would use to describe once firmly established international companies. But this disquiet obscures the steady achievements a number of corporations have made against competition from companies based outside their countries.

These companies rely on global strategies to succeed in today's world. That calls on a company to think of the world as one market instead of as a collection of national markets and sometimes requires decisions as unconventional as accepting projects with low ROIs because of their competitive payoff. An organization with such a global focus formulates long-term strategy for the company as a whole and then orchestrates the strategies of local subsidiaries accordingly.

[1] Thomas Hout, Micheal E. Porter & Eileen Rudden (1982)

The power of global strategies is illustrated here by the histories of three companies (one American, one European, and one Japanese) that have what the authors think it takes to win the new competitive game. These case studies should help managers decide whether a global strategy is appropriate for their companies.

The main reason is that today's international competition in many industries is very different from what it has been. To succeed, an international company may need to change from a multi domestic competitor, which allows individual subsidiaries to compete independently in different domestic markets, to a global organization, which pits its entire worldwide system of product and market position against the competition.

Management of International Competition:

Not all companies can or should forge a global strategy. While the rewards of competing globally are great, so are the risks. Major policy and operating changes are required. Competing globally demands a number of unconventional approaches to managing a multinational business to sometimes allow:

- Major investment projects with zero or even negative ROI.
- Financial performance targets that vary widely among foreign subsidiaries.
- Product lines deliberately overdesigned or underpriced in some markets.
- A view of country-by-country market positions as interdependent and not as independent elements of a worldwide portfolio to be increased or decreased depending on profitability.
- Construction of production facilities in both high and low labour-cost countries.

Not all international businesses lend themselves to global competition. Many are multi domestic in nature and are likely to remain so, competing on a domestic-market-by-domestic-market basis. Typically these businesses have products that differ greatly among country markets and have high transportation costs, or their industries lack sufficient scale economies to yield the global competitors a significant competitive edge. Before entering the global arena, you must first decide whether your company's industry has the right characteristics to favour a global competitor. A careful examination of the economies of the business will highlight its ripeness for global competition. Simply put, the potential for global competition is greatest when significant benefits are gained from worldwide volume in terms of either reduced unit costs or superior reputation or service and are greater than the additional costs of serving that volume.