*Strategic Management*, 9e: Chapter 10 study guide

Evaluating international strategy options

Strategy selection across international boundaries is more complex because additional factors such as currency, national cultures, tariff barriers and other matters need to be considered. These aspects have been explored in previous chapters.

Probably the single most important aspect from a selection perspective is to clarify the *objectives* for international expansion. The reason is that these will provide the direction for the development and selection of the relevant international activities. In practice, there are many variations. Exhibit 1 contains some examples of possible links between international objectives and strategic choice.

**Exhibit 1 Two examples of the connection between international objectives and strategy selection**

**Example 1**

 *Objective*: international expansion because the home market is mature

 *Key factors for success*: include economies of scale

 *Implication*: retain home-based production to obtain increased economies of scale

 *Strategy choice*: select low-cost strategy based on production economies of scale from home-base factory and then export production

 *Example*: BMW car production is still based largely in Germany, but sales are international

**Example 2**

 *Objective*: international expansion because trade barriers are high

 *Key factors for success*: need to obtain distribution inside the barrier, as well as economies of scale in production

 *Implication*: need to set up manufacturing operation inside trade barrier

 *Strategy choice*: select country that represents a useful entry point behind the trade barriers, but also allows good communications with the home country

 *Example*: Nissan and Toyota cars have set up operations in the UK and Spain behind the trade barriers represented by the EU

The difficulty in international strategy is that the linkage between objectives and strategy selection may be more complex than simple business logic. The presence of international subsidiaries, each with its own culture, history and resources, may make this more difficult. Such companies may have conflicting views on objectives, strategy options and the practicality of their implementation. The writer clearly remembers having an international food launch – a powdered orange drink made up with water and called Apeel in the UK and Tang in the rest of Europe – imposed on a UK subsidiary by corporate headquarters in the USA. But it was part of a ‘Europe-wide strategy’ and was therefore deemed to apply everywhere. It was only after it had generated substantial losses that the group headquarters was able to accept that the strategic choice was incorrect. There are dangers therefore in the centre imposing its strategic choice on subsidiaries outside the home country. Further discussion on strategy choice, particularly in a global context, is contained in Chapter 19.