*Strategic Management*, 9e: Chapter 11 study guide

International considerations in strategy development

Differences around the world in cultures, social values and economic traditions mean it is possible that some strategy processes may be difficult, if not impossible, to introduce and manage in certain countries. For example, the learning process of Section 11.5 requires a relaxed and open relationship between superior and subordinate that is available in some Northern European countries but much rarer in Malaysia and India.[[1]](#endnote-1) Some writers have promoted the idea of the *borderless world* and the *global corporation*. Undoubtedly, in terms of common customer tastes and sourcing of production, there are real commonalities, but in terms of the strategy process, which is more detailed and requires more commitment, real differences still exist.[[2]](#endnote-2)

International considerations may impact on the strategy process during every stage. However, they do not influence the process in a single, consistent fashion. Thus, there is no ‘international strategy process’.

Stakeholders

As we have seen, stakeholders and their relative power vary throughout the world: shareholders, employees, managers, financial institutions, governments and other interested groups. Importantly, their ability to influence the strategy process will also vary:

In some areas of the Far East and Africa, government influence will be important in guiding strategy development.

In the UK and North America, shareholders are often given the first consideration in developing strategy.

These differences have arisen for historical, cultural and economic reasons. In each country, different sets of values, expectations and beliefs will influence the strategic process: companies may not hold the simple economic, rational views that have been used to guide strategic processes in some Western countries. The influences may be more complex and embedded in culture and social values.[[3]](#endnote-3) Explicit awareness of stakeholders’ expectations is an important part of the strategic process.

Mission and objectives

Strategic goals and processes are likely to reflect the social systems of the country in which the strategy is developed. Thus, the missions and objectives of companies need to be seen in the context of their countries of origin. However, it should be recognised that even within countries there will be major variations in ambitions, ideas and values. The importance of socio-cultural elements should, therefore, not be overemphasised. As Whittington commented: ‘Societies are too complex and people too individualistic to expect bland uniformity.’[[4]](#endnote-4)

Strategic environment

In one sense, the international environment is the same for all companies: they will all be subject to the same trends in economic growth as they compete in world markets, the same major shifts in political power and the same social changes and technological developments. However, because the *base country* of the stakeholders may differ, their responses to and expectations of environmental changes may give rise to major variations in strategy. For example, the mid-1990s saw a significant rise of the Japanese yen against the US dollar. The impact of this environmental change on the world car industry is entirely different, depending on the base country of the stakeholders: Japanese car companies have suffered and US car companies benefited.[[5]](#endnote-5)

Options and choice

The whole concept of the rational choice between options may be Western, even Anglo-American, in its cultural and social background. For example, some cultures place more emphasis on preordained fate as an important element of life, including business matters. If events are decided by fate, then this may significantly influence the options and choice process.[[6]](#endnote-6)

Options and choice also require some basic agreement on the *method* and *criteria* by which they will be discussed and judged. These are also culture-specific, as one researcher has described:[[7]](#endnote-7)

*Anglo-Saxon* style is comfortable with open debate about different perspectives and sees compromise as the best outcome from disagreement.

*Teutons and Gauls* both like to debate but prefer to undertake this with those from the same intellectual and social backgrounds. This makes for less antagonism but for a more limited exposure to different expectations. Teutons seek rigour in the debate before the elegance of the theories, whereas the Gauls take the reverse viewpoint, preferring the aesthetic nature of the argument itself rather than the conclusion.

*Japanese* do not debate, partly because they have no tradition and partly because of a desire not to upset the social relationships that have already been established.

It is perhaps not surprising that there are problems when it comes to operating strategic decision-making processes across international boundaries.

Key strategic principles

 International considerations may impact on the strategy process during every stage. The ability of stakeholders to influence the process will vary from country to country for historical, political and cultural reasons.

 The mission and objectives are likely to be rooted in the social and cultural systems of the country in which the strategy is developed. The environment may also be important to another aspect of strategy development: the *home country* of an organisation will influence the way in which its international strategy is developed and managed.

 Options and choice in the selection process will be governed by the culture and social systems of the people involved in the process.

1. See Hofstede, G (1991) Cultures and Organizations, Software of the Mind, McGraw-Hill, Maidenhead; especially his evidence on the Power/distance aspect of national cultures. [↑](#endnote-ref-1)
2. Hu, Y S (1992) ‘Global or stateless firms with international operations’, California Management Review, Winter, pp115–126. [↑](#endnote-ref-2)
3. Granovetter, M (1985) ‘Economic action and social culture: the problem of embeddedness’, American Journal of Sociology, Vol 91, No 3, pp481–510. [↑](#endnote-ref-3)
4. Whittington, R (1993) What is Strategy – and Does it Matter?, Routledge, London, p37. [↑](#endnote-ref-4)
5. Financial Times (1995) ‘Hollowing out in Japan’, 28 March, p21; Nakanoto, M (1995) ‘Knocked off the road again’, Financial Times, 20 April, p25. [↑](#endnote-ref-5)
6. Kluckhohn, C and Strodtbeck, F (1961) Variations in Value Orientations, Peterson, New York. [↑](#endnote-ref-6)
7. Furnham, A (1995) ‘The case for cultural diversity’, Financial Times, 8 December, p11. The author was Professor of Psychology at University College, London, at the time the article was written. [↑](#endnote-ref-7)