*Strategic Management*, 9e: Chapter 3 study guide

Six political and economic trends that have affected strategic management

1. *The decline of the centrally directed command economies of Eastern Europe and the move towards democracy and freer markets.* Even the great nation of China is now moving towards a larger element of laissez-faire, market-driven efficiency. This has provided major strategic opportunities for many companies, including those in China itself.

2. *The absence of world wars and the end of the Cold War.* This absence of global conflict has started to shift the balance away from defence industries and towards civilian activities – a development counterbalanced by the concentration of military forces and strongly held religious beliefs in the Middle East.

3. *The relative weakness of African and South/Central American economies.* This has resulted from their struggle with high inflation, weak currencies, low value-added industries and political instability. The recent changes in countries such as South Africa and Argentina hold out hope for stronger corporate strategic development opportunities in the future.

4. *The rise of international trade, global companies and new trading nations,* such as the ‘Tiger’ economies of South-East Asia.

5. *The emergence of supportive international finance and economic institutions,* such as the International Monetary Fund (IMF), the World Bank and European Bank for Reconstruction and Development (EBRD). Their research, guidance and influence have had a positive effect on international development.

6. *The partial collapse of the world’s banking systems in 2008 and 2009.* Arguably, this is both an economic as well as political trend. But one of the fundamental factors was the poor control by governments over the banking system, especially in the USA and Europe. In addition, the main commercial banks acted in a wholly irresponsible fashion. They were only rescued with funds from national governments that would have been more usefully employed elsewhere. The outcome of the banks’ reckless activities had a profound impact on many other companies and their business strategies