Running Header: Strategic Management

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Strategic Management

Topic 1

Utilization of porter's diamond model of international competitive advantage leads to effective success and expansion of business. Porter's diamond model consist of four main ingredients that are factor conditions, demand conditions, related and supporting industries, and firm strategy, structure and rivalry. Factor conditions such as skilled labor or infrastructure are relevant for competition in some specific industries. These factors provide initial advantages for competition by industries to compete globally. Demand conditions characterized by size and nature of buyers assist greatly towards success and expansion of business internationally. They influence greatly the direction of product development and innovation. This eventually leads to a good competitive position globally. Relating and supporting industries leads to advantages and success of other related industries. This is through reinforcing them towards innovation and internationalization. Firm strategy, structure and rivalry within a nation leads towards gaining a competitive advantage provide a stronger foundation for achieving such advantage globally. Utilization of model in many instances leads to development, expansion, and success of business as well as gain of competitive advantage globally.

Acquisition strategy is a way by which one organization buys a controlling, or even 100 percent interest in another firm. The main aim is to make the acquired firm a subsidiary business in its portfolio. Organizations utilize acquisition strategies towards achieving strategic competitiveness. This is because it increases market power of the organization. Acquisition strategy also assists firms towards overcoming entry barriers into international markets as well as overcoming international competition. Entry barriers comprises of difficulties and barriers that face new ventures entering international markets. It also allows quick access to international markets and increasing competitive advantage.

There are various problems that affect firms as they utilize acquisition strategies. Such problems are integration difficulties whereby it results to weakening of acquired firm's capability as well as reducing its value. Too much diversification is the second problem whereby managers may rely too much on financial other than strategic controls. Large or extraordinary debt is the third problem which can lead to firm's downgrading in terms of credit rating as well as increased likelihood of bankruptcy. Too large is another major problem associated with acquisition strategies whereby large size may lead to a more bureaucratic control. Inadequate evaluation of target is a fifth problem which may result to differences in culture between involved firms. Managers overly focused on acquisitions are another problem that may make executives become hesitant to make decisions with long term results until negotiations are completed. Inability to achieve synergy is the last problem that makes firms experience transaction costs when using acquisition strategies.

There are various attributes that are associated with successful acquisitions. Acquired firms have resources which are complementary towards gaining core business of the firm. This results to high probability of competitive advantage and synergy by upholding strengths. Another attribute is that acquisition is friendly; this results to a more effective and faster integration. Another attribute is a situation whereby merged firms maintain a debt position that is low to moderate. This result to lower cost of financing as well as lower risk of bankruptcy as well as avoiding trade-offs. Another attribute is that acquiring firm has financial slack which results to easier financing which is less costly to obtain. Acquiring organization has steady and persistent emphasis on innovation as well as research and development. This results to long term competitive advantages of the firms in markets. Another major attribute assists acquiring firm manage changes well as well as making it adaptable and flexible. This results to an effective and faster integration that facilitates synergy achievement.

Restructuring strategy is the ways in which an organization or a firm changes its structures of finance or sets of business. This is mainly due to internal or external environmental changes or failure by an acquisition strategy. The main forms of restructuring are down-scoping, leveraged buyouts, and downsizing. Downsizing is reduction by the firm in operating units or number of employees to improve profitability and achieve operations that are more efficient. Leveraged buyouts are a strategy in which a party buys all the assets of a firm so as to take the firm private. This assists towards facilitating strategic growth and entrepreneurial efforts. Down-scoping is a way of eliminating unrelated business to a firm's main activities.

Topic 2

They are four main factors that provide a foundation for international business-level strategies. One such factor is that International market results to potential new opportunities. Another basis for having international business-level strategies is that expansions of new markets extends life cycle of products. International strategies also ensure that required resources can be secured easily. It also makes the product demand have a greater demand.

The three international corporate-level strategies include global strategy, multi-domestic and transnational strategy. Global strategy assumes products standardization across markets within the country while transnational strategy makes firms seek local responsiveness and global efficiency. On the other hand, Multi-domestic strategy ensures that operating and strategic decisions are decentralized to business unit that is strategic in every country in order to fit products to home markets. They are some factors that lead to the development of international corporate-level strategies. They include the scope of operations that includes geographical diversification and product diversification. Other factor that led to development is increased market size that supports efficient manufacturing facilities. Return on investment is another factor that led to development of international corporate-level strategies as large investment requires global markets in order to justify the outlays of capital. Increased economies of scale also led to the development of international corporate-level strategies. A competitive advantage through location is another contributing factor due to better access to vital resources.

There are relationship between International diversifications and innovations. International diversification as a way of expanding goods and services sales across various regions results to greater returns on innovations especially of larger markets. International diversification also assists in the generation and innovation of additional resources for investment. They are also related in that international diversification provides exposure to new processes and products in international markets. This generates additional knowledge that leads to innovation. International diversification has some effects on innovation. This is when new products are exposed to the markets as it leads to further innovations or developments of the products. International diversification affects firm's returns in that they are increased resulting to achievement of most positive stock returns. International diversification may also result to achievement of scale economies and experience which assists in returns stabilization. It also leads to location advantage as well as increased size of market, this leads to an opportunity of stabilizing returns. The overall effect of diversification is increased firm's returns.

Topic 3

Strategic alliances is the Partnership between two firms whereby core competences, capabilities, and resources are combined in order to pursue mutual interests towards developing, manufacturing and distributing goods and services. There are three types of strategic alliances that include joint venture which is a strategic alliance whereby two or more firms create a company that is legally independent that shares capabilities and skills towards developing a competitive advantage. Equity strategic alliance is a second strategy whereby two partners do not own shares equally. The last one is non-equity strategic alliance whereby contract is given a contract to supply, distribute or even produce goods or services of a firm with no equity sharing.

There are four business-level cooperative strategies that include competition response strategy, competition-reducing strategy, uncertainty-reducing strategy and complementary strategic (vertical and horizontal). Competition-reducing strategy aims at avoiding excessive or even destructive competition. Uncertainty-reducing strategy is used to hedge-out against any uncertainty or risk in business. Horizontal complementary strategic alliance involves partners combining skills and even resources towards creating value in the same stage of value chain with focus on long-term product development as well as opportunities of distribution. Vertical complimentary strategic is whereby firms agree on the use of skills and capabilities at various stages of the value chain towards creating value for both firms. This involves the process of outsourcing towards building a competitive advantage. Competition response strategy is the situation whereby firms join together in responding to a strategic action from another competitor.

There are three corporate-level cooperative strategies; they include diversifying strategic alliances, franchising, and synergistic strategic alliances. Diversifying strategic alliance is used by firms towards expanding new market areas or new products that face less competition. Synergistic strategic alliances which are joint economies of scope between various firms' strengths the their capability towards strengthening their competitive advantage. Franchising as a strategy is utilized by various firms in spreading risks while using capabilities, resources and competencies in competing efficiently with competitors. This leads to a successful alliance which leads to a competitive advantage.

They are certain risks that are associated with cooperative strategies. Partners involved may act opportunistically. Competencies brought about by partnership may be misrepresented. In most occasions, partners fail to make committed capabilities and resources available to the other partners. Cooperative alliance may also lead to misunderstanding of partner's strategic intent.

Cost minimization management approach and opportunity maximization approach are used in management of cooperative strategies. Cost minimization strategy focuses on minimizing the cost while preventing opportunistic behavior by the partners. It specifies on how behaviors are to be controlled. They are formal contracts with the partners. Opportunity maximization approaches usually maximize value-creation opportunities of partners. Partners learn from each other with less formal contracts.