Strategic Global Management

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Definition of **Strategy**

Strategy is the set of goal-directed actions an organization takes to gain an sustain performance relative to competitor.

Definition of **Strategic Management**

Strategic Management consists of the analyses decisions, actions an organization undertakes in order to create and sustain competitive advantages.

Definition of **Strategic Global Management**

Strategic Global Management consists of the global blueprints of <u>direction</u>, <u>goals</u>, <u>decisions</u>, <u>actions</u> an organization undertakes in order to create and sustain the competitive edges in a global level.

Strategic Global Management

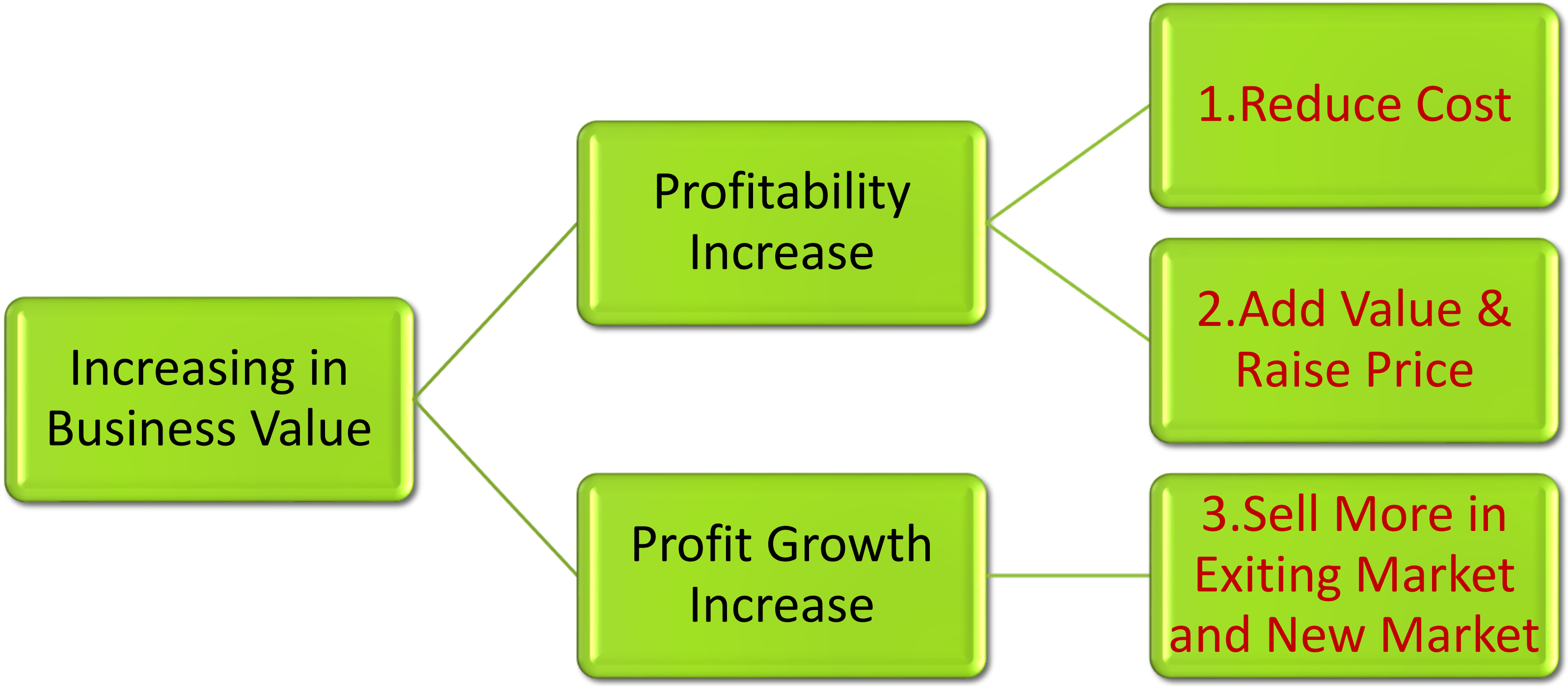
Direction – must be reached by both speed and accuracy (quality)

Goals – must corporate both short and long term goals

Decisions – must benefit multiple stakeholders

Actions – must have both efficiency and effectiveness

Basic Idea of Business Organization that leads to important generic strategies



1. Low Cost Strategy

The firm must try to gain cost advantages or having actual lowest cost in the market by using operation effectiveness such as increasing their efficiency, economies of scales, using new technology, gain higher productivity, getting raw material at low cost.

Example of global company with low cost strategy: Macdonald’s Walmart, Ryan Air, Primark, IKEA

2. Differentiation/Focus Strategy

The firm focuses on differentiation strategy by adding extra value which is unique to customers that they won't find in our competitors and charge a premium price such as new technology, superb quality, better design, and new form of services.

Example of global company with differentiation strategy: Apple, Starbuck, Tesla, Amazon.

3. Growth Strategy

The firm aims to increase market share either increase sales in the exiting market as well as increase sales by going to new untapped market in a different geography such as offer product line expansion, increase more branches, acquisition other firms.

Example of global company with growth strategy: Fast food chain companies – KFC, Pizza Hut, Burger King and many other chain such as Hotel, Retailers, so forth

What are ten causes of Corporate Decline?

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Ten Causes of Corporate Decline

1. **Poor Management and Poor Leadership**

- Incompetence and inexperience in global business

- Neglect of core business and move to unfamiliar business

- Did not take strategic management seriously

- One-person rule or one man show and poor teamwork.

Ten Causes of Corporate Decline

2. **Overexpansion and Expand to Quick and Aimlessly**

- Loss of control, Loss of future direction

- Purchasing unnecessary new large assets

- Taking on large amount of debt

- Less profit or no profit on new expansion and new investment

Ten Causes of Corporate Decline

3. **Inadequate Financial Controls**

- A lack of accountability, taking unnecessary risks

- Spending too much money, low return

- Employ excess staff, too much unnecessary activities

- Use resources beyond necessary

- Inside conflict of interests

Ten Causes of Corporate Decline

4. **High Costs**

- Low labor productivity

- High wage or too much benefits

- Out of date technology, slow production process but high costs

- Too many activities that do not generate profit but wasting too much time and money

Ten Causes of Corporate Decline

5. **New and Strong Competitions**

- Big foreign competitors e.g. Lotus, 7Eleven

- New product or new technology from big competitor e.g. I-phone

- Don’t have or don’t know a new way of doing business e.g. Online business, online banking

Ten Causes of Corporate Decline

6. **Unforeseen Demand Shifts**

- Political problems e.g. A daily protests in Bangkok

- U.S and China economy is in recession and low demand for Asian products and tourism

- Thai economy is in deep downturn in Export, tourism, and Manufacturing due to Covid19 Pandemic and Lockdown Impacts

Ten Causes of Corporate Decline

7. **Organization inertia**

- The organization is slow to response to new or changing environment or high resistance to change

- Too slow to response to new competitors.

- Too slow to response to changing consumer purchasing behavior

- Too slow to response to new or changing technology.

Ten Causes of Corporate Decline

8. **Poor Corporate Governance**

- Ineffective of board of members, insufficient oversight

- Corruption, negligence, fraud, and embezzlement

- Lack of accountability from top level of management

- No transparency and unable to maintain public's confidence and trust.

Ten Causes of Corporate Decline

9. Your idea & your suggestion…

10. Your idea & your suggestion

Signs of distress companies

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Signs of distressed companies

1. Problems of cash flow and no cash reserved

2. Decline in revenues

3. Losing market shares

4. Overstocks of inventory or no products to sell

5. Criticism and blames increasing from customers and stakeholders

6. Unable to pay suppliers, bank, and employees

7. Too many internal conflicts and external conflicts

8……

9……

10……

A strategy to respond to business decline is called turnaround strategy.

HOW DO YOU TURNAROUND?

What is turnaround strategy?

Turnaround strategy is a retrenchment strategy followed by an organization when it feels that the current strategies made earlier was wrong or working poorly and need to be undone before it damages more future profit of the organization or may lead to bankruptcy.

Main Steps of Turnaround

1. **Changing leadership**

- Get a new professional CEO with new vision of global business

- Get a different kind of leader with new style of global management

- Get a new management team who have strong oversea experiences

Main Steps of Turnaround

2. **Laying off unnecessary and expensive employees and activities.**

- Cut unprofitable activities and projects

- Cut unproductive employees and agents

- Cut unnecessary process that not link to profit stream

Main Steps of Turnaround

3. **Invest in labor saving and time saving equipment and technology**

- Reduce set up cost

- Reduce activity waste time

- Reduce labor waste time

- Enhance quality and speed up process

Main Steps of Turnaround

4. **Tightening financial control**

- Cut cost in every area by 5-10 percent immediately

- Buy cheaper raw materials from worldwide sources

- Hold the subunit and every office accountable for cutting cost

- Eliminate unprofitable unit and task forces

Main Steps of Turnaround

5. **Implementing the total quality management**

Why?

- High quality reduces cost
- High quality reduces waste time
- High quality reduces customer’s complaints.

Main steps of Turnaround

6. **Improving Productivity**

- Spending more on research and development (R&D) in both short term and long term

- Simplify the process of production

- Increase employee involvement

- Increase more trainings

- Enhancing quality control

- Lower accidents in workplace

Case Study: Fast food fail in Vietnam

American fast food seems to fail to win over Vietnam due to tough competition from local food options as well as the inability to adapt to local taste and local behavior.

Why did Mac, KFC, Starbuck, and many other fast food restaurants fail in Vietnam?

Why?

- the price is too high, price strategy

- Many local fast food and local street vendors are small but growing rapidly

- Local noodle “Pho” can prepare faster than fast food

- Vietnam consumers love to share their food, culture of sharing food.

- Vietnam customers prefer a lot of vegetable

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Assignment # 3

1. What are the ten causes of global business and corporate decline? Explain importance of negative impacts from Pandemic Covid-19 to at least three global companies.

2. Explain the meaning of “turnaround strategy”.

3. List and explain the six main steps of turnaround strategy. In your judgment, which is the most important strategy? Why?

4. From your observation, list 10 signs of distress companies.

5. if you were in chain hotel business in China, in your opinion, what would be five causes of business to fail? List and explain.