

Transcription Lesson 4 (Three broad strategies)

Global strategy

A global strategy is based on the assumption that the world is interconnected and that patterns of consumption and production are fairly homogeneous (similar) worldwide. In such cases, the organisation simply extends its domestic strategy to the global arena.

Global strategies offer a potential solution to high costs. Using standardised products and processes in each of the markets, they allow an organisation to achieve economies of scale and scope. The global organisation will scan the world for opportunities and expand into areas that have potential (refer to study unit 2 for the motivations for expansion). Furthermore, it will deploy those activities worldwide depending on where the greatest value can be achieved.

Few organisations follow a truly global strategy. One of the reasons for choosing a global strategy is the nature of the industry in which the organisation operates. For instance, the automotive industry lends itself to global approaches because the use of the product and the product being sold are similar worldwide. Therefore, if it is possible to meet global customer needs, a global strategy works well. Additionally, if activities do not have to be adapted according to local needs, an organisation has the cost benefits of identical operations worldwide and the benefit of synergy.

Regional strategy

A regional strategy is adopted when an organisation organises its functional activities such as marketing and finance, according to the geographical regions that play a critical role in sales. Toyota is a good example of an organisation that has successfully implemented a regional strategy. Because Europe and North America are sufficiently large but different markets, Toyota has customised its operations according to the requirements of each region. As a result, it has several regional offices that operate independently of its Japanese headquarters.

A regional strategy is appropriate if the benefits of dispersed activities outweigh the benefits of coordination. For Toyota, independent regional units make sense because the needs of each region are best addressed by a regional approach. For instance, the price of petrol is significantly higher in Europe than in the United States. A regional approach to the design and manufacturing of more or less fuel-efficient cars makes more sense than a one-size-fits-all car for a global market.

Local strategy

A local strategy is applied when an organisation adapts its products to meet the needs of the local market. Experts argue that despite the perception that customers want global products, significant cultural and national differences make some degree of customisation necessary. Customisation is critical in some functional areas such as marketing. People across cultures have different purchasing and usage habits.

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Furthermore, they respond differently to promotional campaigns and advertising messages. Therefore, a local strategy may be necessary.

McDonald's product offering in India is a striking example of a local strategy. Given the vegetarian preferences of Indians, who consider cows sacred animals, McDonald's hamburger patties do not contain any beef or pork. Not to offend its customers' sensibilities, its patties are made of potatoes and peas (the McAloo Tikki); beans, green peas, onions, and carrots (the McVeggie); and paneer, an Indian cheese (the McSpicy Paneer). The only meat that McDonald's sells at its restaurants in India are chicken (the McChicken) and fish. Furthermore, its products accommodate Indians' preference for spicy food with offerings such as the Masala Grill Chicken and the McSpicy Chicken.

Despite its many advantages, a local strategy has some disadvantages. It is costly because it requires organisations to duplicate resources and departments around the world. Because of the differences in local activities and operations, it may be difficult for organisations to achieve learning or cost savings across subsidiaries. The nature of some markets, however, requires a local strategy.

Hybrid strategies

Organisations rarely adopt the pure form of the strategies we have just described. Many adopt hybrid structures; in other words, some functional areas are approached globally and others regionally or locally.

You can now move on to the AAA typologies.