

Chapter 5 Competing in Foreign Markets

Discussion questions

1. why are many strategic alliances temporary?
2. what are the tradeoffs between an internal and an external growth strategy? Which approach is best as an international strategy?
3. is stability really a strategy or just a term for no strategy?
4. in terms of strategic management, how does a new venture's situation differ from that of an ongoing small company?

Strategic practice exercises

Log on to www.caterpillar.com and search for information about caterpillar's strategy in foreign markets. Is it pursuing a global strategy or a multicountry strategy? Support your answer.

Assume you are in charge of developing the strategy for a multinational company selling products in some 50 different countries around the world. One of the issues you face is whether to employ a multinational strategy or a global strategy.

- a) If your company's product is dry soup mixes and canned soups, would a multicountry strategy seem to be more advisable than a global strategy? Why?
- b) If your company's product is mobile phones, would it seem to make more sense to pursue a multicountry strategy or a global strategy? Why?
- c) If your company's product is personal computers, do you think it would make better strategic sense to employ a multinational strategy or a global strategy? Why?

Case study

Levi Strauss Company, the blue jeans producer, had fallen on hard times by 2004 and needed a change in strategic direction. At the end of declining sales after its sales peaked in 1996 at \$7.1 billion, although the company earned \$311 million in operating profits in 2003 on \$4 billion in revenues, it posted a record \$349 million in net losses, largely due to non-cash charges for accounting purposes. The firm's work force had shrunk from 37,000 to 12,000.

Management responded to the decline by moving its manufacturing plants offshore and by introducing a new line of discount jeans. From 1990, the company hoped to cut costs and invigorate sales by shifting production to overseas. According to the company's spokesman Jeff Beckman, "we are still an American brand, but we are a brand adopted by the consumers around the world".

In July 2003 the company introduced its new line in Wal-Mart, priced \$21-\$23. The company had traditionally sold products in department stores, price from \$35 to \$44. In 2004, management was considering selling its \$1 billion Dockers casual-pants unit in order to reduce its \$2.2 billion debt and focus on jeans business.

1. what is Levi's problem?
2. should it sell its Dockers unit?
3. what do you think about its actions to completely outsource its manufacturing overseas?
4. what do you recommend to Levi's top management to boost company sales and

profits?