

The Four Determinants of National Competitive Advantage

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The four determinants of national competitive advantage are proposed by the theory of Porter Diamond. This theory is designed to stimulate the understanding of a nation's competitive advantage. It provides information to the government to act as a catalyst in order to improve the position of a country in a competitive economic environment. Hence, Porter theorizes the four determinates that help nations achieve a competitive advantage. However, the four factors are:

- Firm Strategy, Structure, and Rivalry
- Related supporting Industries
- Demand conditions
- Factor conditions

The firm's strategy, structure, and rivalry refer to the fact that it provides competition to lead the business to find out new ways to the technological development and innovation to increase production. Related supporting industries determinate refer to the industries upstream and downstream to facilitate innovation in the industry by means of supporting and exchanging ideas. Diamond conditions support the customer nature and size that also drives innovation and improvement in products. At last, the most significant one is the factor conditions that enable the economy to cater to itself, such as capital, infrastructure, technological innovation and a large pool of skilled labor.

Example

Considering the case of Japan as it has gained and developed a competitive economic presence globally, which goes beyond the inherent resources of a country? Such resources have been, in part a result of having a high figure of engineers. The engineers have helped the nation to drive technological innovation in the circumstances of the industries of Japanese.

Companies can maintain their economic competitiveness in the nation by employing different strategies. These enable companies to work in the context of the international eldership that helps a nation to achieve a competitive advantage. However, a competitive advantage can be achieved by the act of innovation and technological advancement that enables a nation to achieve better economic conditions. The emergence of new technologies will support companies to work in a unique and better prospect in order to achieve economic competitiveness (Kiragu, 2014).

Multinational enterprises do not formulate worldwide strategies but rather regional strategies. Using appropriate examples, models, and theories, critically evaluate what this statement means and how it helps to better understand international business.

Multinational enterprises do not formulate worldwide strategies but rather regional strategies. It is due to the fact that it enables enterprises to think and act according to the culture of the prospective country. Therefore, the focus of the multinational enterprises is to formulate the regional strategies. The regional strategies help the organization to achieve their results in an effective and profound manner. The advantage of formulating regional strategies will lead multinational enterprises to great achievements and success because they have been working according to the needs and demands of the people in the nation. It helps multinational enterprises to fit into the climate of the nation by providing goods and services in the market as demanded. This concept is further clarified by the stated example of McDonald's:

McDonald's Perspective of Focusing Regional Strategies:

McDonald's is one the leading multinational corporations. It focuses on the implementation of the regional strategies as it helps them to think according to the perception of the consumers. The strategies of McDonald's vary from nation to nation in India, the following strategies are based on the taste and demands of the Indians as they only prefer to have veg meals. So, due to this reason emphasis of McDonald's is on regional strategies instead of formulating worldwide strategies. The regional strategies help McDonald's to achieve its results in an effective and profound manner. The advantage of formulating regional strategies will lead multinational enterprises like McDonald's to great achievements and success because they have been working according to the needs and demands of the consumers.

Hence, the multinational enterprises focus on the sourcing strategy in the host region in order to support the home region sales. It helps the multinational corporation to achieve the sales target in the prospective region. It enables multinational organizations to fit into the culture of the nation by providing goods and services in the market as demand (Verbeke, 2016).

Critically identify and explain, using case examples, the five basic steps in the international strategic management process.

A strategic management process is a set of rules to follow to complete the business activities. It is identified as the philosophical approach to business. It enables the top management to think statistically first before the implementation of any process. It is implemented best when everyone can gain the proper and full strategy understanding (Theriou, 2015). In addition to this, the five stages of the strategic management process are:

- The goal setting
- Analysis
- Strategy formation
- Strategy implementation
- Strategy monitoring

In order to have a more precise understanding of the strategic management process, let's consider the example of how Nestle focuses on the strategic management process in order to think statistically first before the implementation of any process. Hence, the strategic management process of Nestle is comprised of the following understanding.

1. The main aim of goal-setting of Nestle is to clarify the vision. Hence, this stage is completed by identifying the short and long-term objectives, identifying the process of accomplishing the objectives, and finally ending with the objective customization.
2. Then, the next focus of Nestle is on information gathering and analysis in order to identify the data relevancy to accomplish the vision.
3. Then, the strategies have been formulated by gathering the information. It is completed by determining all possible resources.
4. The focus of Nestle is the successful implementation of the strategy, as it is very critical to the business venture. Thus, it is one of the main action stages of the strategic management process.
5. At last, Nestle has adopted a proper evaluation and control system that enables them to evaluate the implemented strategy in order to monitor the performance and make the relevant changes on a timely basis.

Why do MNEs use an international division

structure? Are there any drawbacks to the organizational arrangement? Using real-life examples, critically answer these questions.

Multinational enterprises use an international division structure in order to accommodate foreign operations. The international division is done without disrupting the home market organization. This structure is being focused by the multinational corporation for the establishment of the home market and for the rapid growth of business from the international perspective. It allows the organization to stay free in order to keep the full focus on the home market, and it leaves the international division free to adapt the foreign market activities in an effective and smooth manner. The multinational ventures utilize a global division structure keeping in mind the end goal to oblige the remote tasks. The worldwide division is managed without disturbing the home market association (Cavusgil, 2014). This structure is being engaged by the multinational enterprise for the foundation of the home market and for the fast development of business from a global viewpoint. It enables the association to remain free with a specific end goal to maintain the full spotlight on the home market, and it leaves the worldwide division allowed to adjust the remote market exercises in a viable and smooth way.

Example

Let consider the case of MacDonald, they keep its keen emphasize on the international division structure in order to accommodate the foreign operations. They focus on the international division for the establishment of the home market and for the rapid growth of business from the international perspective. This structure is being engaged by the multinational enterprise for the foundation of the home market and for the fast development of business on the global prospect.

Drawbacks

However, the disadvantages of the international division structure are that there have been a number of redundant efforts required for the completion of the international division, and it also increases the rate of competition between the divisions.

Consider the cultural difficulties that may face a British or American company that has acquired an existing company in Asia.

The cultural difficulties that have been faced by Nike in acquiring its position in Asia are defined in this section. Any type of organization acquiring its position in the new market, especially in the new

region, faces a lot of issues. Thus, one such issue is based on the cultural dimension. It is due to the reason that the culture of the organization varies from nation to nation because of having its own norms, values and beliefs. So, considering this in mind, an analysis of the cultural aspect of Nike is being discussed to know about the cultural difficulties they face. By operating in Asian countries like Pakistan and India, Nike has faced the serious cultural issue of child labor as the rate of child labor is very high in these countries. In addition to this, another cultural issue they face is the poor working condition. However, the main cultural issue being faced by Nike is the issue of child labor, as a number of soccer balls have been produced by child labor in Asia (Coombs, 2018). The cultural difficulties that have been faced by Nike in getting its position in Asia are characterized in this area. Any sort of association obtaining its situation into the new market, particularly in the new area, faces a considerable measure of issues. In this manner, one such issue depends on social measurement. It is for this reason that the way of life of the association shifts from country to country as a result of having its own standards, qualities and convictions.

Investing in emerging market economies can involve greater risks than making a similar investment in a developed economy.

Investing in emerging market economies can involve greater risks than making a similar investment in a developed economy. It is due to the fact that there has been a number of potential risk associated with investment in the emerging market, however, the emergence in new market offers the new and unique opportunities of investment because the high expected return as elevated by the economic growth rate. However, there have been a number of risks associated with such emergence which the investor must be aware of in order to plant the capital seeds in an effective and appropriate manner (Athukorala, 2017). This is because putting resources into developing business sector economies can include more serious dangers than making a comparative interest in a created economy. It is because of the way that there has been various potential hazard related with interest in the developing business sector, in any case, the rise in new market offers the new and novel chances of speculation in light of the fact that the high expected return as hoisted by the financial development rate. However, there have been various dangers related to such a rise which the financial specialist must be mindful of so as to plant capital seeds in a compelling and fitting way. Hence, some of the major potential risks faced by Adidas at the time of investing in emerging markets have been stated as follows:

- The increased chance of bankruptcy is the main issue Adidas faces because of the weaker accounting procedures. This is the reason that bankruptcy is a common thing to be considered in the economy, but the chance of such risks increases if the investment is done outside the developed world,
- The weaker corporate governance is another main issue Adidas faces because of the highly significant role the government plays in the market that is greater than the firm shareholders.

- Moreover, the greater risk Adidas faces in the emergence market is the risk of the foreign exchange rate risk. This is because foreign stocks and bonds will typically provide the return in the local currency.

Expatriate managers can play a key role in a MNE's international growth.

The expatriate manager is one who lives in another country for the sake of work and having citizenship in that country. An expatriate works temporarily in a new country by occupying the citizenship. The role of the expatriate manager is to perform their duties in other countries in order to signify the potential growth of the business (Cecchi, 2016). The role of the expatriate manager is to live in another area for work having citizenship of that nation. An ostracize works incidentally in another nation by involving citizenship. Hence, some of the advantages and disadvantages Nestle faces as a result of adopting such a strategy of expatriate managers in Asia have been stated as follows:

Advantages

- The hiring of the expatriate manager in the international market helps Nestle in terms of delivering quality over quantity, as hiring locally can become extremely difficult.
- The business operation in the international market has confirmed the same standard as the same home market in the target country.

Disadvantages

- One of the major disadvantages is that hiring an expatriate manager is identified as problematic and expensive in some nations as the employees are demanding full expenses for their families.

Policies can a company adopt to maximize the performance of its expatriate managers.

Some of such policies are stated as follows.

- To develop a policy to check the understanding level and expatriate remuneration value internally
- To perform the proper cost calculation
- To examine the competitive environment
- To properly review the terms and conditions of the assignments

Why would a company choose to enter into an international joint venture? Given the high 'failure' rate of international joint ventures, what can be done to increase the likelihood of a successful outcome?

The company should choose to enter into an international joint venture as it helps organizations to know about the market values and customer perception. It happened because the other company is already working in a market. The international joint venture basically minimizes the risk that can be higher in the business acquisition (Tong, 2015). However, there have been no high 'failure' rates of international joint ventures identified. Instead of this, the international joint venture will deliver a thousand benefits to the organization. By the emergence of the international joint venture the Oman Arab Bank has obtained a new expertise and capacity that allows banks to enter into the new geographic market. One of the other benefits of having an international joint venture is that it allows the organization to make short-term objectives and commitments in order to achieve high business profit and growth. Therefore, it is essential for the organization to go into the worldwide joint venture as it causes associations to think about the market esteem and client observation. It happened on the grounds that the other organization is, as of now, working in a market. The global joint ventures essentially limit the danger that can be higher in the business obtaining. It helps organizations to work in the most effective and efficient manner.

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