

# Introduction to Strategic Management

Case duration (Min): **45-60**

Strategic Management (SM)

**Introduction to SM**

**International strategy**

**Worldwide**

## Case summary:

Introduction to Strategic Management through interviews with directors at RC2 which has been particularly successful in recent years. Turnover increased by 20 per cent in 2008 as the business introduced new product lines and expanded further into Europe. Sales growth in mainland Europe (excluding the UK) was 50 per cent.

## Learning objectives:

Explain what is meant by the term strategy.

Discuss the strategic choices and decisions according to the corporate, business and business unit or departmental level.

## Case problem:

What problems and challenges might you encounter through a growth strategy that involves internationalisation?

Company  
Toys & Games

RC2

[www.rc2.com/](http://www.rc2.com/)

RC2 is US-owned and part of the RC2 Corporation, a leading designer, producer and marketer of innovative, high-quality toys, collectibles, and infant and toddler products. The European business is led by Managing Director - Sales and Marketing, Clive Wooster and Managing Director - Finance and Operations, Damien Weight and employs 53 staff in Exeter.

Worldwide Company:

The RC2 Corporation consists of people from across the globe. The company reaches retailers and consumers worldwide through their domestic and international offices:

Corporate Headquarters - Oak Brook, Illinois

U.S. Offices: Dyersville, Iowa and Stoughton, Massachusetts

International Offices: Victoria, Australia, Dongguan, China; Koln, Germany; Kowloon Bay, Hong Kong and Exeter, United Kingdom

First, if you are taking a taught management course then consult with your tutor and ensure that the case has not been scheduled into a teaching class or tutorial. If it has not:

1. Play/ read the media associated with the case. You may need to access the Internet and enter a URL to locate any video clips.
2. Attempt the Case study questions.

Consider attempting the case study as a group exercise; you could form a study group with fellow students.

3. Check the suggested answers - remember these are suggestions only and there are often many possible answers.

Discuss questions and answers with other students.

4. If you feel your answer(s) were weak then consider reading the relevant suggested readings again (also see the case study suggested references).

## Title/ Media type

## URL/ Media description

Here's how I kept my business profitable  
by exporting my products abroad.

<http://www.nibusinessinfo.co.uk/bdotg/action/detail?type=CASESTUDIES&itemId=1082224000&site=191>

### Film

Considers the different approaches required at the strategic level when operating an INTERNATIONAL BUSINESS compared with a DOMESTIC business.

### NOTES:

## Case study questions...

Action	Pre/During/After class
<b>1 FUNDAMENTAL QUESTIONS :</b> There are a number of FUNDAMENTAL QUESTIONS every company must answer – with reference to the film clip and your wider readings, brainstorm a list.	During
<b>2 THE NATURE OF STRATEGY – KEY CONCEPTS :</b> Like others, De Wit and Meyer (2004) argue there is no common definition of strategy. Discuss what is meant by strategy.	During
<b>3 STRATEGIC MANAGEMENT :</b> What is meant by STRATEGIC MANAGEMENT?	During
<b>4 STRATEGY DIMENSIONS &amp; DEVELOPING AN INTERNATIONAL PERSPECTIVE :</b> De Wit and Meyer (2004) draw a distinction between the strategy process (how strategy comes about); strategy content (the product of that process, choices) and strategy context (the set of circumstances under which both the strategy process and the strategy content are determined (the company in its environment). Make a table with three columns, one for each of these dimensions. Next, watch the video clip again and record evidence of each dimension from the film. Finally, after the video, discuss the dimensions and suggest what other factors you would be likely to observe as evidence of the dimensions applied to the case organization. In particular focus on the international context and how it manifests in the decisions made and strategic content.	During

## STRATEGY

Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.

## STRATEGY

A strategy is the means by which an organization seeks to meet its objectives. It is a deliberate choice, a decision to take a course of action rather than reacting to circumstances. It focuses on significant, long-term goals rather than day-today operating matters.

## DELIBERATE STRATEGY

Intended strategies which are realized

## EMERGENT STRATEGY

Emergent strategy comes about through everyday routines, activities and processes in organisations.

## GLOBAL STRATEGY

one that defines product, manufacturing scale, technology, sourcing patterns, and competitive strategy on the assumption of a unified world market. It is the classic standardized product exported from a centralized global-scale plant and distributed according to a centrally managed global strategy.

## INTENDED STRATEGY

strategy as conceived by senior managers

## INTERNATIONAL STRATEGY

Trying to create value by transferring core competencies to foreign markets where indigenous competitors lack those competencies

## Question/ Answer

### 1 FUNDAMENTAL QUESTIONS :

There are a number of FUNDAMENTAL QUESTIONS every company must answer – with reference to the film clip and your wider readings, brainstorm a list.

What do we do? Why are we here? What kind of company are we? What kind of company do we want to be? What is our current strategy? What is happening in the environment? What are our goals? In which markets and in which geographic areas will we compete? What products and services will we offer and to whom? What technologies will we employ? What capabilities and capacities will we require? What will we make by ourselves and what will we buy (outsource) from others? Finally, how will we compete? The answers to such questions may be provided through strategic problem-solving activities (Kelly 2009).

Clive Wooster [Strategic questions]: "The main difference probably of INTERNATIONAL BUSINESS is you tend to get very used to what you're doing in your local market. To a certain extent, international business does make you think outside the box. You start from the very basics. You say, 'WHY DOES THIS PERSON NEED MY PRODUCT? DOES THIS RETAILER HAVE IT ALREADY? IN WHICH CASE, COULD I DO A BETTER SERVICE? COULD I SELL IT AT A BETTER PRICE? COULD I PROVIDE ADD-ONS THAT WOULD REALLY MAKE IT WORTHWHILE?' So, it is a good exercise in just taking yourself out of your comfort zone and saying, 'WHERE IS OUR POSITION IN THIS MARKET? WHAT DO WE OFFER? We made A BIG CHANGE in the way we run the business in terms of export about four years ago, when we, previous to that, did a little bit by using distributors very much third-hand. And now, four years on, we're much more directly involved with export."

### 2 THE NATURE OF STRATEGY – KEY CONCEPTS :

Like others, De Wit and Meyer (2004) argue there is no common definition of strategy. Discuss what is meant by strategy.

Strategy is concerned with how the organization will achieve its aims and goals. Andrews defined strategy as the match between what a company can do (organizational strengths and weaknesses) within the universe of what it might do (environmental opportunities and threats). Although the power of Andrews' framework was recognized from the start, managers were given few insights into how to assess either side of the equation systematically. The first important breakthrough came in Porter's book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. Porter's work built on the structure-conduct-performance paradigm of industrial-organization economics. The essence of the model is that the structure of an industry determines the state of competition within that industry and sets the context for company conduct - that is, the strategy. Most importantly, structural forces (which Porter called the five forces) determine the average profitability of the industry and have a correspondingly strong impact on the profitability of individual corporate strategies. This analysis placed the spotlight on choosing the "right industries" and, within them, the most attractive competitive positions. Although the model did not ignore the characteristics of individual companies, the emphasis was clearly on phenomena at the industry level. With the appearance of the concepts of core competence and competing on capabilities, the pendulum swung dramatically in the other direction, moving from outside to inside the company. These approaches emphasized the importance both of the skills and collective learning embedded in an organization and of management's ability to marshal them. This view assumed that the roots of competitive advantage were inside the organization and that the adoption of new strategies was constrained by the current level of the company's resources. The external environment received little, if any, attention, and what we had learned about industries and competitive analysis seemed to disappear from our collective psyche. The emerging resource-based view of the firm helps to bridge these, seemingly, disparate approaches and to fulfil the promise of Andrews' framework. Like the capabilities approaches, the resource-based view acknowledges the importance of company-specific resources and competencies, yet it does so in the context of the competitive environment. The resource-based view shares another important characteristic with industry analysis: It too, relies on economic reasoning. It sees capabilities and resources as the heart of a company's competitive position, subject to the interplay of three fundamental market forces: demand (does it meet customers' needs, and is it competitively superior?), scarcity (is it imitable or substitutable, and is it durable?), and appropriability (who owns the profits?). More recently, Grant (2007:18) produces a similar brief history of business strategy, charting the evolution of dominant themes within strategic management. From analysis of the past decade he considers the key themes defining strategy for the new economy and millennium. Since 2000 we have observed new business models, disruptive technologies and global strategies. Not only has there been a focus on innovation but also on CSR and business ethics.

Intended Strategy - strategy formulated through a conscious process (planned).

Emergent Strategy - Realized strategies that were never intended.

### **LOCALIZATION STRATEGY**

Plan focusing on increasing profitability by customizing the goods or services to match tastes in national markets

### **MARKET ACCESS STRATEGY**

A strategy in which operations are internationalized in order to access and serve markets outside of the home country

### **MULTIDOMESTIC STRATEGY**

Emphasizing the need to be responsive to the unique conditions prevailing in different national markets

### **EXPORTING**

Sale of products produced in one country to residents of another country

### **STRATEGIC MANAGEMENT**

Strategic management includes understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action

## **3 STRATEGIC MANAGEMENT :**

What is meant by STRATEGIC MANAGEMENT?

Strategic management involves decisions concerning what a company might do, given the opportunities in its environment; what it can do, given the resources at its disposal; what it wants to do, given the personal values and desires of key decision makers; and what it should do, given the ethical and legal context in which it is operating. Strategic management is more than managing the process of strategic decision-making and includes understanding the strategic position of an organisation, strategic choices (process whereby power-holders within organizations decide upon courses of strategic action, Child 1997) and the means to turn strategy into action. The strategic position is determined by the external environment, organisational capabilities (resources and competencies) and the expectations and influence of stakeholders. The environment, gives rise to opportunities and threats on the organisation and capabilities reflect strengths and weaknesses, and therefore constraints on strategic choices for the future. There are strategic choices concerning how the organisation may compete at the business level, requiring the organisation to identify sources of competitive advantage. At the corporate level, there are choices about the portfolio and the business scope.

Strategic management - Strategic management includes understanding the strategic position of an organisation, strategic choices for the future and turning strategy into action.

#### 4 STRATEGY DIMENSIONS & DEVELOPING AN INTERNATIONAL PERSPECTIVE :

De Wit and Meyer (2004) draw a distinction between the strategy process (how strategy comes about); strategy content (the product of that process, choices) and strategy context (the set of circumstances under which both the strategy process and the strategy content are determined (the company in its environment)). Make a table with three columns, one for each of these dimensions. Next, watch the video clip again and record evidence of each dimension from the film. Finally, after the video, discuss the dimensions and suggest what other factors you would be likely to observe as evidence of the dimensions applied to the case organization. In particular focus on the international context and how it manifests in the decisions made and strategic content.

**Context:** toy manufacturer in a European/ global market necessitating some compliance with local laws (safety, product design, human resource management) and culture based practices (payment methods, credit arrangements) – need to meet local requirements. Clive Wooster [globalisation]: "Certainly, the last 15 or 10 years, things have got a lot better. The internet has helped of course a lot, but I do feel that countries have broken down a lot of the CULTURAL BARRIERS for international business... apart from one or two exceptions - Germany, Spain and so on - are very welcome to international business and accepting it as the norm these days."

**Process:** the video reveals change and the choices RC2 (UK) has made to strategic problems; the need to set targets/ goals, make choices and implement to a time line (plan) are evident. Clive Wooster [Strategy Process]: "The way to get intelligence really is to speak to people in industries at seminars. Try and find out where they started. I think, do a lot of research, be very clear what the targets you're aiming at - where you want to go. Be very clear about the timelines, as we said earlier, it's not work of a moment. I think recruit really good people at a local level. At back-office level, make sure the people here understand what you're trying to achieve cos they can get disorientated as well. They just think, 'Why the hell am I speaking to somebody from Croatia? I don't understand this.' But if they understand where we're trying to go... And I think perseverance, keep going... If you've got the right elements in place, they eventually do come right, even though at times it feels like you're pushing water uphill."

**Content:** the company has changed from indirect export through distributors to direct export through a local office (new structure: sales, marketing localised to the sale/ country with production and back office activities in the UK centre); the company now sees a global/ European market and focus on competing, responsiveness and synergy. Damien Weight [Structure]: "We have four branch offices that sell directly into those countries that have sales and marketing presence in each of them with very strong general management. But all of the back-office and logistic services are carried out here in Exeter. The major barriers in setting up these branch offices in Europe has been the bureaucratic requirements they have for things like employment law, tax filing and the creation of the branches in the first place. The benefit of setting up branch offices in the local countries we deal with is that we are portrayed to our customers as BEING LOCAL to their market. So for example, our French customers believe we're a French supplier which is key to them. It's meant we have had listings that otherwise we wouldn't have obtained." Damien Weight [business model]: "To show we're profitable, we've got a kind of pricing model that we apply our brands and we ensure that we're PRICING TO MARKET IN EACH LOCAL COUNTRY. But we'll only put forward brands that will become profitable. So it means that some brands just don't work in some of the countries we're selling to, whereas other ones work very well. So the PRODUCT RANGE MIGHT BE DIFFERENT FROM COUNTRY TO COUNTRY. The main difference in operating in Europe to the UK is things like payment processes, credit terms and the kind of information that customers require on documents. So we've had to THINK GLOBALLY, but ACT LOCALLY to fit those requirements. One of the problems we faced was the way the different countries approach toy safety regulations which we have to adhere to. And even though we're in the European Union (EU), different members of the EU have different applications of those regulations. So we've had to aim at the highest standard to fill each country's requirement. We found that typically, the European countries expect far more credit than we would allow our UK customers so some of them might want 120 days credit before paying and they have specific payment methods they would use in their country other than payment by cheque or BACS. We've had to work with local banks to understand the type of payment method our customers would expect."

#### Case study references

Cole, G A. and Kelly, P P. (2011) 'Management Theory and Practice', Ed. 7. Cengage EMEA.

de Wit, B. and Meyer, R. (2004) 'Strategy: Process, Content, Context--An International Perspective', Ed. 3. Cengage Learning Business Press.

Kelly, P P. (2009) 'International Business and Management', Cengage Learning EMEA.