SURVIVAL STRATEGIES FOR COMPANIES IN GLOBAL BUSINESS WORLD – A CASE STUDY

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ABSTRACT

In this article my purpose is to find out main strategy that helps some of companies to get them success in competitive world. Present day we face many demands from the global, unpredictable and challenging business world. For surviving we must achieve productivity while building new and responsive work providing all the workers opportunities for both high performance and high quality of work life. The very nature of the dynamic, complex and sometimes unpredictable environment in which we live demand this, people change their tastes and values change, government and laws change, unless organization also change they risk stagnation, decline and even death. With theoretical analysis also have tackled global banking industry as a case in order to understand empiric world.

Introduction

Today's organizational environment is proving to be markedly different from that of the past. As pointed out in all studies, global competition, information technology, the quality service revolution, and diversity and ethics are forcing management of all types of organization to totally rethink their approach to both operation and human resources. Because of this paradigm shift, new organizations are emerging that are more responsive to both their internal and external environments (Luthans, 1995).

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Market place 2000 is already here in many progressive work setting. It must come soon to others, or pressing forces of competition and social change will trap them in a spiral of decline and disarray. For managers at Levi Strauss, General Motors and other organizations, this means that the challenges of continued personal and professional development will have to be met in increasingly dynamic circumstances. The business world at large is embarking on an exciting and unpredictable path toward the future – a path along which both opportunities and risk will be plentiful. Among the many forces of managerial significance, workforce diversity and a changing environment – social, political, economic, and technological – have been especially important in the decade of the 1990s. Their influence will continue to grow as we move toward the year 2000 and beyond and new forces will surely emerge to join them (Schermerhorn, 1993)

New century and new paradigm of business world

In business world each decade seems to bring a new way of thinking about the business environment (a paradigm) and new ways of acting (corporate strategies) (Belohlav, 1996):

During the 1970s, business success increasingly became associated with market growth. To capitalize on the growth potential existing within many divers markets, strategy in many companies was linked to corporate structure – especially the conglomerate form. These conglomerates largely became, both in form and substance, portfolios of business or products that often had few connections to each other except as a means of financial growth. Arguably the Boston Consulting Group developed the most popular approach to corporate strategy during this time period. As described by Naylor (1980), central to the BCG design of strategy was the Growth Share Matrix, which was defined by the attractiveness of a business (described as the rate of market growth) and company strength (described as the market share relative to market share of the dominant company). The popularity of the BCG model and other similar models of strategic management resulted from their intuitively appealing and easily visualized means of achieving competitive success.

From the BCG stance, strategy largely focused on shifting resources to maximize the contribution of either growth or cash to support the advancement of the overall corporate entity. According to the Growth Share Matrix, products and businesses could be classified in one of several ways:

- Stars –leaders in rapidly growing markets.
- Cash cows- leaders in slowing or maturing markets.
- Question marks- minor players in growth markets.
- Dogs – minor players in slow growth markets.

During decade of 1980s Porter presented new rules of competition in two works, competitive strategy (1980) and competitive advantage (1985). Porter's approach begins with an analysis of an organization's competitive environment as described in Figure 1. The relevant forces are the threats of new entrants, bargaining power of suppliers, bargaining power of buyers; threats of substitute products or services and rivalry or jockeying for position among industry firm. Porter's believes these forces govern the state of industry competition, which must be properly addressed if organizational decision-makers are to formulate effective strategy.

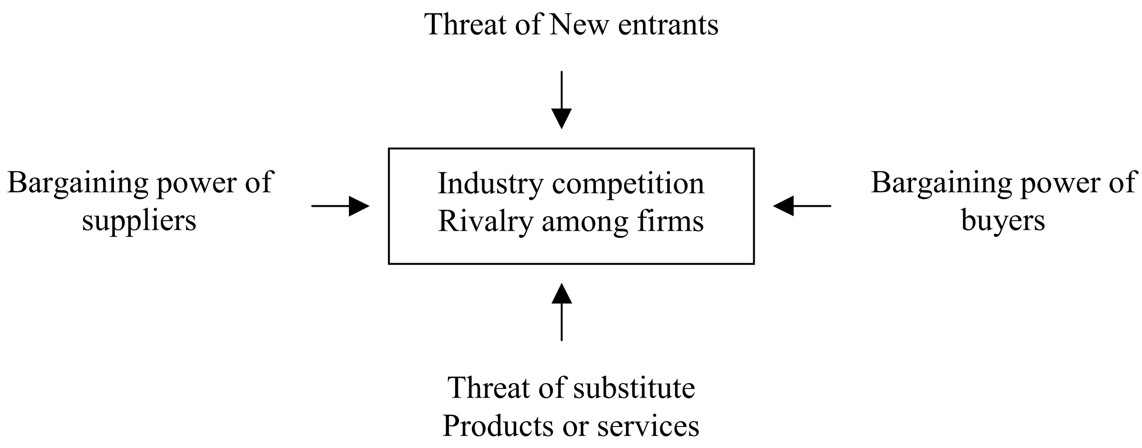

Figure 1

A good SWOT analysis, from Porter's perspective, begins by examining the competitive forces in an organization's environment. This provides a frame of reference for further assessment of organizational strengths and weakness. Then strategies can be chosen that give the organization a strategic advantage relative to its competitors. Porter identifies three generic strategies organizations may pursue to gain this strategic advantage.

- **Overall cost leadership.** Corporate decision making concentrated on developing functional policies that could exploit plant scale, the experience curve, overhead and labor costs, and other cost – related factors.
- **Differentiation.** The products and services of a company were viewed across the industry as distinctive. Differentiation could come from a variety of sources: brand image product development, customer loyalty, distribution networks and so forth.
- **Focus.** The two preceding strategies developed low-cost or differentiation advantages across an industry. In contrast, the focus strategy revolved around serving around serving specific segments more effectively than competitors. It tried to take advantage of competition that was overperforming or underperforming within market segments.

According to Porter, successfully executing each generic strategy involves different resources, strengths, organizational arrangement and managerial style… Rarely is a firm suited for all three.

The decade of the 1990 has seen the focus in some companies move toward what has been popularity referred to as **quality** (Belohlav, 1996):

Quality has been put into practice in a variety of specific ways. One of the more successful approaches to quality has been through Total Quality Management (TQM). Several elements have been identified as integral to TQM: a focus on customers, continuous improvement in operations and processes, total employee participation. TQM signifies a systematic process within a firm but the international quality study (IQS) has presented findings that show quality is more than just knowing what to do. Businesses functioning at differing levels of performance may not benefit alike even though the same quality efforts are being employed.

Within the current business setting however the new, evolving rules of business competition now emphasize (Belohlav, 1996):

- **Value.** Tough companies are often viewed in terms of the products of and services they sell, those products and services are really only purchased for the value they provide. Successful firms know both how and why their products and services are being used.
- **Continuous renewal.** Improvement of products and services, business operations, and even organizational processes has become the basis for continually creating greater value for the customer while also increasing company productivity.
- **Core competence.** In successful companies, core competence can cut across functions and division, allowing a business enterprise to compete-perhaps in vastly different competitive arenas – based on its distinct skills.
- **Time.** Using customer value as a focal point for action companies now increasingly stress swift response to customer demands. Through continuous innovation and decreasing cycle times, they are rapidly bringing new products and services to the marketplace. However, companies will also use time creatively because under some conditions simply compressing time is not necessarily an advantage – and in fact may increase or create risks.
- **Building network.** Internal networks are being formed to create new products, such as Motorola using distinctive skills from five of its seven business sectors to create a two way data transmission terminal for IBM field personnel. Companies are also creating value by forming external networks with customers and suppliers and uncommon business sense now also has companies collaborating with their competitors as a means to enhance performance. In today's business environment, collaboration better exploits time, creates process improvements, and magnifies the existing competence of the organization in creating value.

Portfolio views of strategy reigned during the 1970s. Generic strategies took over in the 1980s. Quality management replaced generic strategies in the 1990s. The learning organization appears to be emerging as the direction of the future. All of the different strategic perspectives have led to successful results. However, all views have also been modified to more effectively create competitive advantages.

Surviving strategies

For local companies, however, the influx often appears to be death sentence. Used to dominant position in protected markets, they suddenly face foreign rivals wielding a daunting array of advantages: substantial financial resources, advanced technology, superior products, powerful brands, and seasoned marketing and management skills. Often, the very survival of local companies in emerging markets in stake. (Dawer & Frost, 1999). According to Dawer and Frost's study successful companies have adopted in their battles with powerful multinational competitors. Vist in Russia and Shangahi Jahwa in China, for example, have managed to successfully defend their home turfs against such multinationals as Compaq and Unilever. Others, including Jollibee Foods in the Philippines and Cemex in Mexico, have built on strength at home and launched international expansion strategies of their own strategic options.

For defender the key success is to concentrate on the advantages they enjoy in their home market. In the face of aggressive and well endowed foreign competitors, they frequently need to fine tune their products and services to the particular and often unique needs of their customers. Defenders need to resist the temptation to try to reach all customers or imitate the multinationals. They'll do better by focusing on consumers who appreciate the local touch and ignore those who favor global brand. (Mezulánik, 1999).

In some cases, companies in local industries can go beyond defending their existing markets. With right transferable assets, these extenders can use their success at home as a platform for expansion elsewhere. A selective policy of international expansion carefully tied to the company's key assets, can reap added revenue and scale economies, not to mention valuable learning experiences. Extenders can leverage their assets most effectively by seeking analogous markets – those similar to their home base in terms of consumer's preferences, geographic proximity, distribution channels, or government regulations. Expatriate communities, to take simple case, are likely to receptive to products developed at home.

In industries where pressures to globalize are strong, managers will not be able to simply build on their company's local asset – they'll have to rethink their business model. If their assets are valuable only in their home country, then the best course may be enter into a joint venture with, or sell out entirely to, multinational.

Dodging may be the most difficult of the four strategies to execute because it requires a company to revamp major aspects of its strategy – and to so before it's swept under by the tide of foreign competition. But by focusing on carefully selected niches, a dodger can use its local assets to establish a viable position.

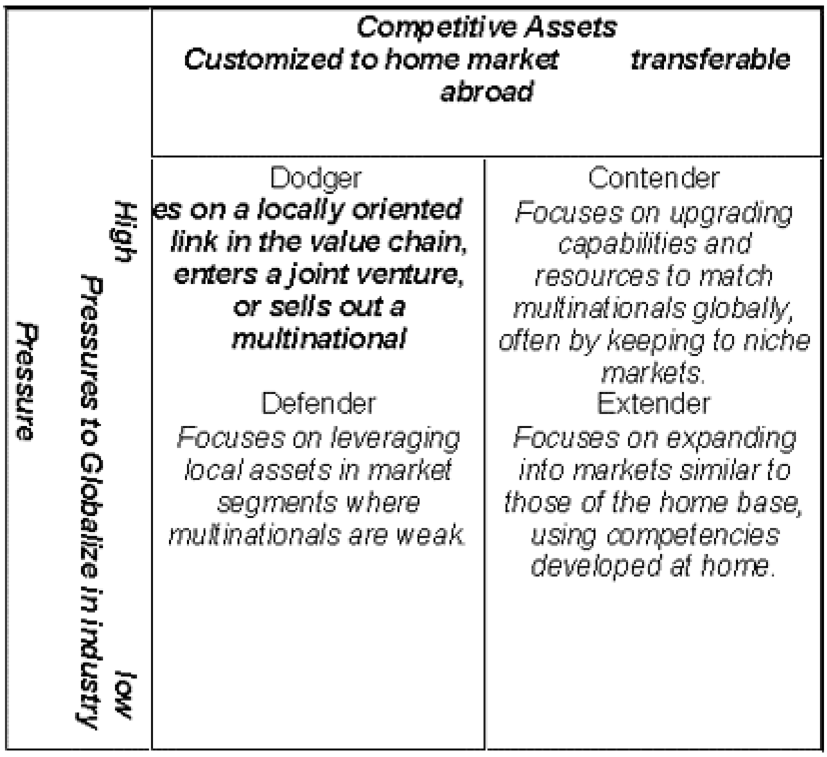

Figure 2

Despite the many advantages of their multinational rivals, companies from emerging markets should not always rule out a strategy of selling at the global level. If their assets are transferable, they may be able to full – fledged multinationals themselves. The number of these contenders is steadily increasing, and a few such as Acer of Taiwan and Samsung of

Korea, have become household names. The reasons for their success are similar to those of any thriving company that competes in a global industry. However, contenders often have to take into consideration a different set of opportunities and constraints.

Liberalization is now making the structure of many industries much more fluid, and managers exposed to new kinds of competitors need to realize that they can respond by positioning their companies in a variety of ways.

By better understanding the relationship between their company's assets and the particular characteristics of their industry, managers can also anticipate how their strategies may evolve over time. As more and more companies learn to compete in global markets, we are bound to see a growing number of aggressive contenders.

But few are likely to make the jump soon, in part because globalization pressures in many industries will continue to be weak. We suspect that many of the most successful companies will remain focused on their local markets, strengthening their main sources of competitive advantage. Others will build on a successful defense of their home base and for opportunities abroad, but they may never make the final step up to global competition. Managers will need to revisit their assumption and conclusion as the capabilities of their companies to develop.

Not only will managers find their strategies likely to evolve over time, but the nature of their industry may change as well. A Company in a predominantly local business may prosper because of its superior service and distribution. But a competitor may make a move that changes the industry fundamentally, giving advantages to global players.

In many emerging markets around the world today, we've found a fundamental dynamic. Multinationals are seeking to exploit global scale economies while local enterprises are trying to fragment the market and serve the needs of distinct niches. The former brings an array of powerful resources that can intimidate even the most self –assured local managers.

"The nineties will be a decade in a hurry, a nanosecond culture", said Northern Telecom's David Vice. "There'll be only two kinds of managers – the quick and the dead". So what have we done for getting success in harsh business world? Let hears Peters advise to Peters we've built a model. A rational model of tomorrow's (today's) business organization (Peters, 1994):

Its cornerstone is coldly logical, the market – driven case for craziness: Crazy times call for crazy organization. The design concept for model, the idea that would influence its eventual shape, was the inexorable fact that most / all value in a business, regardless of its size or industry, is generated by the energy from two sources – the intellect and the imagination.

Next, we deconstructed the old corporation and turned, as the new engine of progress, to the immoderately independent, modest – size sub-unit. Why? Simple. How else are you going to bring that intellect and imagination to bear whenever an unexpected opportunity pops up.

Most of company can participate in global arena on variety of levels, and the process of globalization typically through different stage now there is not any doubt that we live in global stage of business world.

This development transcends any single home country. These corporations operate in true global fashion, making sales and acquiring resources in whatever country offers the best opportunities and lowest cost. Particularly at this stage, ownership, control, and top management tend to be dispersed among several nationalities.

The world of global business is changing rapidly. One of the primary reasons is that increased foreign investment and trade are bringing managers from one country into ongoing contact with those in other countries. Over the past three decades, industrialized countries have made major investments throughout the world. Much of this money has been placed in other developed nations. For example, U.S. companies have invested approximately 400 billion dollars, of which 60 percent in Canada, the EU or Japan. Similarly, foreign investment in the U.S. now stands at about 410 billion of which 84 percent comes from Canada the EU, and Japan. At the same time, newly industrialized nations and less developed countries are becoming focal points for investment by economically advanced nation, and many of them, in turn are investing in industrialized countries. Simply stated, all nations are becoming more financially interdependent. For example, it is very common for, say, a Japanese investor to buy shares in a Canadian company on the Hong Kong stock exchange.

Methods

The problems of management are often unstructured. It is clear that something is wrong in all organization around the world. But defining the problem is as much of challenge as is finding a solution. In actual business or agency, strategists are constantly receiving information, trying to discern patterns in information, and taking action based on their perception of these patterns. A case provides to us with a similar situation. There is a mass of information, which must be digested and sorted, into problems to be solved. During preparation of information we will find that while irrelevant information is included in the case, some key facts are not available and the time and/or cost involved in obtaining those facts is prohibitive.

The purpose of these case methods guide is to provide some guidance for those unfamiliar with the analysis of cases (Rue & Holland, 1989).

Case study is one of the best ways to understand and the remember, the management process of organizations. By applying the concepts and techniques we have learned to cases, it is possible to remember them long past the time when we have forgotten other memorized bits of information. The use of cases to examine actual situations brings alive the management and helps build our analytic and decision – making skills. These are just some of the reasons why the use of cases in various disciplines from agribusiness to health care is increasing throughout the world.

Banking Globally

“We are an era of aggressively intensified competition, rapidly shifting definition of what financial products are, a general slowdown in world economic growth and much, much tougher risk management demands” says a chief economist for American Bankers Association. The competition is so fierce, in fact, that of 40 to 45 banks now aiming to be global powerhouse in the year 2000, only a dozen or so will succeed (Boone & Kurtz, 1993, 699)

Worldwide, banking is changing “from being a protected industry to a deregulated one”, says George Volt, “everybody can invade your market: you can invade everybody else’s market”. Your survival will be based on your ability to take on all comers and succeed often enough to make sufficient profit to pay shareholders and build capital. In 2000, a multinational bank will have to serve the financing needs of both large and small corporations anywhere in the world. It will be also have to capture a leading share of the capital that flows between countries, while remaining flexible enough to shift resources as needed to fast – growing areas and profitable businesses (Boone & Kurz, 1993).

Possibly the best placed to win global status by 2000 are European banks. "The European banking system is in the good shape it is in because it didn't have the same determination to dominate the world that U.S. and Japan did". Conservative management at European institutions has left them with solid capital base and a good rate of return on loans. Furthermore, as borders dissolve to create the European Economic Community, European banks that already command handsome market shares in their home countries will have an edge in harvesting new European customers. However, Europe's banks are unaccustomed to stiff competition. Many have been protected from price cutting in their local markets by either law or tradition, and these comfortable sanctuaries will vanish when the borders do.

Evaluation of international banking system

The modern history of international banking can conveniently be divided into three periods (Thygerson, 1993: 238-246): The first, the 1950s to early 1970s, is the period in which U.S. banks took the lead in establishing worldwide banking operations. During this period, international banking was needed primarily to facilitate trade expansion. In this period U.S. banks and companies dominated international markets.

The second period, from the mid-1970s to the early 1980s, was a period in which U.S. international banks took on the role of recycling the petrodollars of Organizations of Petroleum Exporting Countries. These huge dollar surpluses were created when the OPEC oil cartel successfully increased the worldwide price of oil. The billions of dollars earned by oil exporting countries were invested in U.S. international bank offices and other foreign banks and reloaned to oil importing countries around the world. Many of these loans were made to developing countries that could not afford to pay higher oil importing countries, such as Mexico, seeking to speed up their internal development by borrowing money and using their future oil revenues as the source of repayment. Since U.S. banks were in many instances international leaders, they were heavily involved in the petrodollar-recycling program.

The third period began in mid – 1980s. Banks in Japan and Western Europe caught up and surpassed the United States in international banking. There are three main reasons why this occurred:

1. Strong foreign economies: the economies in these countries performed very well during this period, and they greatly expanded international banking services.
2. Large trade surpluses: most of these countries, especially Japan and Germany, developed large foreign trade surpluses, which stimulated the development of foreign investment programs and facilitated the growth of their banks' international activities.
3. Weakened domestic bank earnings: U.S. bank earning and capital positions began to weaken, and the shortage of capital inhibited international expansion. Many U.S. banks actually reduced their foreign presence during this period.

Bank mortality

In today business world mortality is fate if organization can not be managed with rules of the global market. Bank mortality occurred infrequently in the world since the end of the Great Depression. Commercial banks, protected by price controls on deposits and legal impediments to competition from other depositories, were able to earn steadily growing profits. In the period from the 1950s through the 1970s, bank stocks were considered comparable to those of public utilities, meaning steady earnings and relatively high dividend payments. This favorable connotation ended for many banks in the 1980s as profits fell and bank failures rose to record high levels. The large number of bank failures continued in the early 1990s (Thygerson, 1993)

In this new paradigm each bank has got its own strategy. Citybank is one of them. CityBank opened its door on April 15, 1974 with approximately 300 investors contributing $899,000 in capital to form a state chartered bank. The first temporary banking office, a 20 x 50 foot trailer, housed CityBank's six employees until construction of the existing office at 196th and 58th in Lynnwood was completed in the fall of that year. Linda Nolan, who now manages this office where she began as a teller in 1974, remembers "The make-up of Lynnwood was much different in those days. There was less traffic, more trees and fewer businesses. The shops around the branch at that time were owned by local citizens as opposed to national franchises." According to Linda "You knew everyone that came in the door and they knew you." When it came to lending, "...less emphasis was placed on financial statements and more on a person's reputation in the community."

Banks generally shy away from the potential cultural problems and uncertainty of Asian markets, Citibank has openly courted these booming economies and generation of Asian yuppies. Citi's modern bank and high –tech approach appeal to the region's newly affluent entrepreneurs. Services such as consumer credit, 24 –hour banking –by –phone, automated tellers, and credit cards are redefining the region's retail banking.

While Citibank has struggled at home to overcome losses, annual growth within its Asian division is averaging 25 percent to 30 percent, with 3 – year growth in Taiwan, India, and Thailand soaring 56 percent, 57 percent, and 75 percent, respectively. In reaction to fears regarding the average Asian's lack of experience with personal debt, several Asian government have raised minimal income qualification levels for credit cards and credit lines. Citi officials are confident, however, pointing to Asian customers' stellar credit records thus far. As it pioneers a new path across Asia, Citibank is pleased with its intercultural experience (Daft, 1993).

In the by far the most competitive marketplace companies die because their managers focus on the economic activity of producing goods and services, and they forget that their organization' true nature is that their of a community humans. The study found that the ability to return investment to shareholders seemed to have nothing to do with longevity. Profits were not a predictor or determinant of corporate health, but a symptom of it.

According to Geues companies have immune systems that may be threatened by infections. Corporate hosts, for example, can develop either symbiotic or inimical relationship with trade unions. Particularly economic companies – which are run as profit machines – and "living companies whose primary purpose is to survive and perpetuate themselves as ongoing communities". Living companies improve their chances of survival by learning and adapting to their environments more quickly than do economic companies.

Conclusion

Banks are our largest and most diversified intermediaries. Commercial banks hold a special place in our financial system because of the key roles they play in the world economics payment system, their large business financing role and their global activities.

Generally the financial performance of commercial bank in the world over the last decade has been very poor. Commercial bank profit has been very low.

Recently banking has become a global industry, and it is important to consider the world financial system in its global context. International banks play an important role in the foreign – exchange market. Banks help transfer-purchasing power from buyers to sellers and from lenders to borrowers. They also provide credit to importers, and reduce the risks associated with exchange rates. World financial system is currently going through a period of great change. Worldwide, the banking industry is also experiencing changes resulting from deregulation, mergers, and increasing competition for global business (Boone & Kurtz, 1993)

Some of worldwide giants resulted from mergers. And some of the apparent growth in foreign banks is misleading because it reflects conversions of foreign bank assets into U.S. dollars for comparison. The depreciation of the U.S. dollar relative to some other currencies, such as the Japanese yen and British pound, raised the dollar value of foreign banks' assets

For global operation there are some Turk ones, some Mexican ones, some Greek ones, some Japanese ones. But one certain factor is quality.

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