Certified in Strategy and Competitive Analysis Review

Session 5 of 7

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OUR SPEAKER

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William Kline, Ph.D., CFA, CSCA, is an Associate Professor of Management and the CSCA Program Advisor at Hock International. He received his Ph.D. in Strategic Management from the Fox School of Business at Temple University. He has earned four awards for teaching excellence, including the Beta Gamma Sigma Professor of the Year Award (PSU Harrisburg), the Dean's Award for Faculty Excellence and the Stanley Fuchs Award (Fordham University), and the Award for Excellence in Teaching by a Doctoral Candidate (Temple University).

Prior to entering academia, Mr. Kline was a manager at PricewaterhouseCoopers, where he completed valuations for mergers and acquisitions, business planning, and tax and financial reporting. He also worked as a consultant for CBIZ Valuation Group, Inc. and Curtis Financial Group, a regional investment bank.

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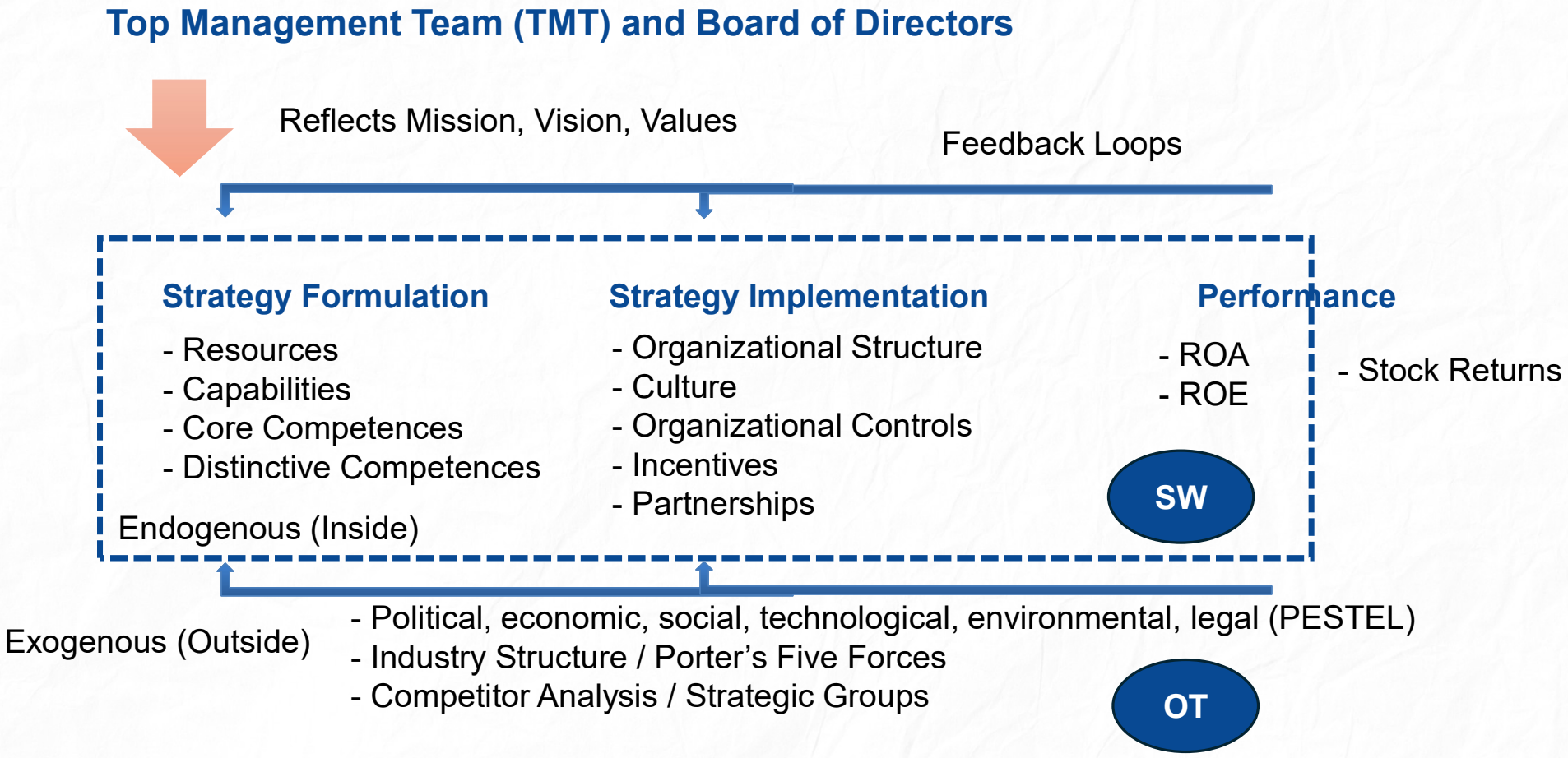
Program Agenda

- **January 4** – Strategic Planning & the Management Process
- **January 11** – Environmental Scanning & Industry Analysis
- **January 18** – Delivering Value & Business-Level Strategy
- **January 25** – Corporate-Level & Functional-Level Strategy
- **February 1** – Strategy in a Global Context
- **February 8** – Decision Making, Risk Management, & Implementation
- **February 15** – Evaluation, Control, & Ethical Governance

The Strategic Planning Process

1) Defining mission, vision, values, and goals
2a) Scanning the external competitive environment
2b) Scanning the internal operating environment
3) Establishing the strategic plan
4) Developing and implementing the plan
5) Creating the annual plan and operating budgets
6) Evaluating performance

The Strategic Management Process



Types of Strategy

- **Corporate Strategy** – A strategic plan defining the industries and national markets in which an organization intends to compete.

- **Business Strategy** – A detailed plan outlining how a division, business unit, or organization will compete effectively against rivals within an industry.

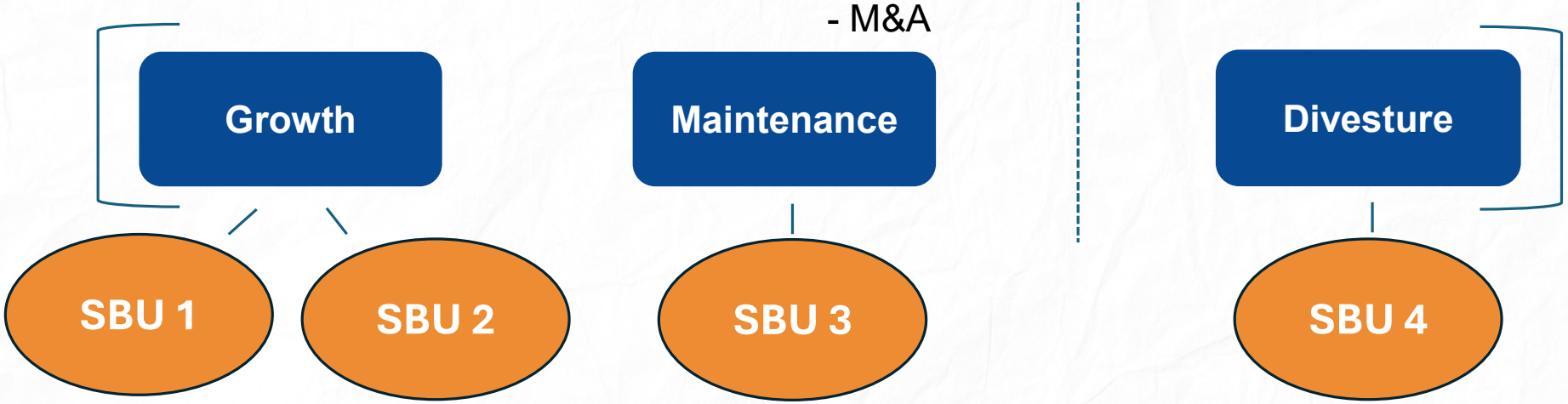
- **Functional Strategy** – A targeted action plan to enhance each organizational function's ability to perform task-specific activities that add value to the organization's goods and services.

TMT Decision-making

Corporate Strategy

Diversification	Vertical Integration	Partnerships, Acquisitions, Internal Development	Resource Distribution
- Related - Conglomerate	- Demand-side - Supply-side	- BFS - JV - Alliances - M&A	- Financial - Talent

Demand-side and Supply-side Dimensions Apply to All Decisions



Portfolio Scope

Multinationals

Multinational corporations, also known as multinational entities (MNEs), are companies that own or control operations in more than one country.

Market Expansion Overview

- Supply-side vs. Demand-side
- Revenue, costs, risk

CAGE Distance Framework

- **Cultural distance -** Language, religion, values, etc.
- **Administration distance -** Political/judicial systems, trade policy, etc.
- **Geographic distance -** Distance, climate, size, etc.
- **Economic distance -** Labor, growth, resources, etc.

Porter's Diamond Framework

- **Company Strategy, Structure, and Rivalry** – Firm and industry dynamics
- **Factor Conditions** – Land, labor, and capital, etc.
- **Related and Supporting Industries** – Local support
- **Local Demand Conditions** – Customer expectations

Entry Modes

- Exporting
- Contract Manufacturing
- Licensing
- Franchising
- Strategic alliances
- Equity-based joint ventures
- Wholly-owned subsidiaries

Characteristics of Entry Modes

Partner Types	Degree of Control	Trade Secret Risk	Resource Commitment
Export	Low	Low	Low
Contract Manufacturing	Medium	Low to Medium	Low
Licensing	Low	High	Low
Franchising	Low to Medium	Medium	Low

Characteristics of Entry Modes

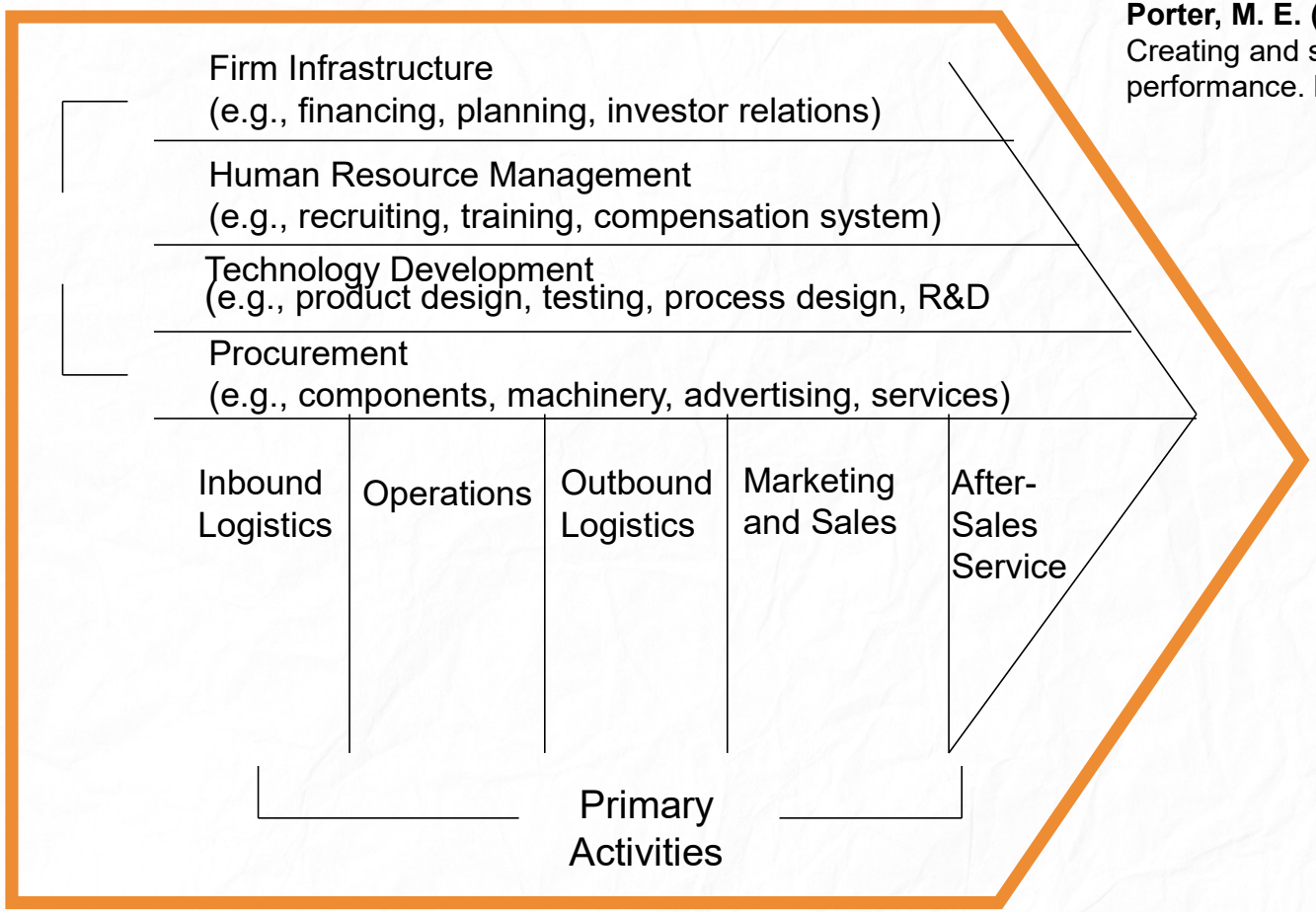
Partner Types	Degree of Control	Trade Secret Risk	Resource Commitment
Joint Venture	Medium-High	Medium-High	Medium-High
Wholly-owned Subsidiary	High	Low	High

Value Chain Optimization

Value-Added Activities

- Value-added: Activities that increase product utility or appeal
- Eliminate waste to improve performance and profitability

Firm-Level Value Chain



Porter, M. E. (1985). Competitive advantage: Creating and sustaining superior performance. Free Press.

Value: What buyers are willing to pay?

Cost Economies

- **Economies of scale** – The efficiencies a firm gets from producing more output. Efficiencies come from by buying in bulk or spreading the cost over fixed assets.
- **Economies of scope** – The efficiencies a firm gets by producing similar products/services. Efficiencies come from shared know-how, resources, etc.

Market-Based Advantage Examples

- Larger customer base
- Revenue diversification
- Market research capabilities

Bartlett & Ghosal Matrix

	Low Pressure for Local Responsiveness	High Pressure for Local Responsiveness
High Pressure for Global Integration	Global Standardization (Coca-Cola)	Transnational (Caterpiller) "Glocal"
Low Pressure for Global Integration	International (Rolex)	Localization (Nestle)

Bartlett, C. A., & Ghoshal, S. (1989). *Managing Across Borders: The Transnational Solution*. Harvard Business School Press.

Global Standardization

A global strategy emphasizes standardization and efficiency. Companies using this strategy offer largely uniform products across all markets, which allows them to benefit from economies of scale and keep production costs lower.

Transnational

Transnational corporations view the entire world as their market and do not favor any single nation in their operations or identity.

Multinational Localization

The multinational localization strategy focuses on tailoring products and operations to meet the unique needs of each national market. Companies that follow this strategy often customize their product lines to fit local preferences, which results in higher production costs due to the complexity of managing diverse offerings.

International

International strategy is a mode of global expansion in which a firm extends its home-country products, services, and capabilities into foreign markets with minimal adaptation. The strategy focuses on leveraging core competencies developed in the domestic market to generate additional revenue abroad.

Global Strategic Alliances

A global strategic alliance is a cooperative agreement between companies based in different countries—often competitors—to share resources, expertise, and risks in pursuing international opportunities, such as joint product development or market expansion.

Example: The 2020 partnership between Pfizer and BioNTech to develop and distribute a COVID-19 vaccine.

Global Strategic Alliances

Advantages

- Facilitate entry into a foreign market
- Share risks and high fixed costs associated with new manufacturing operations or product and process development
- Combine complementary assets and skills
- Test relationships for future collaborations

Global Strategic Alliances

Disadvantages

- Unintended knowledge transfer
- Communication costs
- Investment resources at risk

International Business Risk

International Business Risks

- Country risk (aggregate)
- Political risk
- Financial risk
- Exchange rate risk

Diversification

- The benefits of diversification stem from the correlation between (or lack there of) two assets or projects.
- When the correlation coefficient is less than one, the portfolio standard deviation falls.

Diversification

$$\sigma_p = \sqrt{w_1^2\sigma_1^2 + w_2^2\sigma_2^2 + 2w_1w_2\sigma_1\sigma_2\rho_{12}}$$

σ_p = standard deviation of the portfolio
w_1, w_2 = weights of asset 1 and asset 2 in the portfolio
σ_1, σ_2 = standard deviations of asset 1 and asset 2
ρ_{12} = correlation coefficient between asset 1 and asset 2

Hedging

A natural hedge occurs when a company matches revenues and expenses in the same foreign currency. If a foreign subsidiary generates revenue and pays local expenses in the same currency, the impact of exchange rate fluctuations is minimized.

Hedging

Operational hedging involves balancing monetary assets and liabilities in the same currency. This strategy works best when payables and receivables are roughly equal, so that gains or losses from one side are offset by the other.

Hedging

International financing hedges involve borrowing in a foreign currency to reduce the impact of interest rate or currency risk. For instance, a company expecting foreign currency receivables might take out a loan in that currency to match expected inflows with required outflows.

Note About Hedging

Note: Foreign currency hedging strategies can be complex, but on the CSCA exam, you are unlikely to face detailed calculations due to the time constraint of roughly two minutes per question. Focus on understanding the key hedging concepts well enough to identify the correct answer. Don’t spend time trying to master the math.

Questions?

THANK YOU!

Our mission is to help you understand every topic and pass your exams.

Contact Us

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