Combinations of strategic alternatives for conditions of every market

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Abstract

A strategic multilevel approach of the evolution of the companies on markets in continuous movement might lead to creation, development or entering into net of companies and international relations of production and exchange, generating also patterns of specific, strategic approach. Practically, one has to use those combinations of strategic alternatives for each level where they are accorded to the company’s interests and possibilities and to the conditions of every market. Strategic global system consists of all strategic levels will be presented in the paper.

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1. Introduction

Market, category is identified unincorporated, partially integrated, completely integrated, critical; early networks for each market primary, independent, mature, leader and specific strategies consist exportation, associated operating forms or contractual arrangements, international, strategic alliances, direct investments of capital. Policy options (Koldo & Jesus, 2011), affecting market entry and development from one level to another is subject to market the power of network effects and the presence of a dominant model.

The proposed method pattern, proposes for each market category, integrated in a strategic network, possibilities and alternatives for evolution towards a market and implicitly towards a superior strategic network (Wang W-C, Lin C-H & Chu Y-C, 2011), from an unincorporated market (small sized companies) as part of a primary network (early), towards partially integrated market (medium sized companies) in independent networks and afterwards towards totally (completely) integrated markets, characterized by the apparition of big size companies, integrated in mature networks (late), having as terminus point entering in critical markets, where activates very big companies, characterized especially by multiple contracts in global networks, considered as system leader.

2. Research method

The proposed pattern established a typology with four types of markets, network environments or otherwise indicated four types of business markets and generic strategies. Specific strategies for the four types of markets and networks as part of which are developed model. The model was developed as a result of market research (Koldo Z

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& Jesus, 2011), using qualitative or quantitative methods and techniques of investigation to identify specific market segments: market surveys, opinion polls, discussion semi-directive individual or associative, projective techniques and experimental studies carried out for analysis - diagnostic market situation.

Only from here can talk about a wide integration of markets (Kotler, 2003) and networks developed market complex, the shift to another stage (totally integrated, completely markets; great companies, networks; late, strategic associations; strategic alliances, composed companies) and next phase (critical markets; very important companies, global nets; leader, foreign investments; direct investments, fusions, corporate assumption), making it much easier to work synergistically systemic markets.

1. Strategic approach patterns on unincorporated market – exportation management

Non-integrated market is the most difficult to develop, it is an early, not only develops technology transfer resources. Thus most efforts are made in exports. Taking into account the positive impact (Wan, Mohd, Hussin & Rahim, 2009) on payment balance, national politics from numerous countries have focused on the encouragement of products and services exportation. Exportation is determined by certain factors appearing from three series of influences on the company: effects of the experience and incertitude; behavioral influences and the ones specific for the company; strategic influences. Indirect exportation is that form of exportation through which a company gives away the products to another company, which in return would export and distribute on a foreign market. This way, between producer and final consumer there appear several intermediaries. Generally, this method adopted by companies to avoid some afferent risks (delivered goods non-payment, disadvantageous evolution of the currency rates of exchange, etc). Risks assumed by that company are minimal.

Intermediaries with the headquarters in the exporter’s country – sell-out agent for abroad, state exporter agents, corporatist organizations and exportation companies – using own knowledge and services, so that le latter has less chances to fail. These can be independent companies (Wang, Lin & Chu, 2011), but of small dimensions or can be a part group of a group comprising producer companies. Political and legislative factors composing the institutional environment are incapable to ensure (Nonaka & Takeuchi, 1995). A certain stability and certitude are regarding the business development.

Direct exportation takes place when the producing company exports to an operator on the international market, without appealing to an intermediary. It would adopt this strategy when, due to increased costs, supported, it obtains advantages able to justify this intercession, namely on high market quota, high volumes of exportations or the lack of some correspondent intermediaries. Being main activities, companies tend to assign more and more own and also the capital of some strategic partners on that market. Most of times, these markets are regionally integrated as being realized products from participation of several neighbor markets.

The trade-off represents a group of operations where importation is conditioned by realizing exportation or reverse: compensation between companies (barter – the payment of the price would be made in nature and not money); parallel operations – represents a package traded in which two trade operations of opposite sense are connected contractually and economical one of the other, exportation being conditioned of importation; products trade-off – payment of the exportation for some goods of equipment, partially or totally realized by delivery of goods produced as a result of productive use of equipment by the importer. This way, they attempt to supply the insufficiency of resources and the competitive force, weaker, that they have (Walsh & Vincent, 2001). Exportation groups are found especially in traditional, mature, powerfully fragmented sectors like furniture, textiles, confections and footwear. Presently are more frequently also associations as part of small companies from the field technologies. The involved companies attempt as possible to avoid concurrency between members of the group (Walsh, Thurai, Mitchell & Wiedmann, 2001). The main advantages of cooperation for exportation are: reduction of exportation costs by dividing them between several partners, division of risks, obtaining some higher exportation volumes by focusing resources and realizing increased advantages in businesses abroad. Disadvantages can appear from the fact that: the members of the group depend one of another, from dividing successes and earnings, from elongation of the decisional processes and from high conflict potential.

Non-integrated market, specifically small business, developing a network up early, early, is the most difficult to resolve in terms of strategies that can help you evolve. When she is already thus becoming a part of an integrated market, already have many more opportunities, they develop independent networks and part is linked to the rest more mature and global markets and networks. Depending on the company’s objectives (Kotler, 2003) regarding its
presence on the market, it may use several strategies influenced, on one hand, by the company’s potential (competitive capacity) and, on the other side, by the market structure and evolution:

- The developing strategy of the portfolio/Global integration strategy. The company wants to expand on the market so that it could own bigger market share. In this purpose, it extends the product range, the distributing network and the promotional activity on as many markets by subsidiaries and branches subordinated to the “centre”.

- The strategy of reinforcing the portfolio/The international niche strategy. It is the step after the strategy of developing the portfolio. Such a strategy is followed when the company developed up to a point that is sufficient to its purposes (Atkin, 2011). This is why, if there are no new developed markets, a company should reinforce its position on the existent markets by extending new consumption segments and it does this by using the entire arsenal of business activities and tools.

- The strategy of keeping the consumption segments/The local adaption strategy. The companies that, as a consequence of the market stagnation, are required to extend the market, seeking for the wanted consumption segment and keeping a solid position on the market, use this strategy.

- The strategy of restraining the portfolio/The global segment strategy. This strategy is necessary when the company cannot face the market requirements anymore and it loses clients, and its market rate decreases.

2. Strategic associations (strategic alliances, composed companies)

The total market (fully) integrated (large firms), networks characterized by mature (late). These strategic associations (strategic alliances, joint ventures) are on the agenda, market behavior is one that differentiates competitors:

- The strategy of the reduced cost that wants to identify a product or a group of selected products, among the ones with big demand on the market, and that can be standardized until the level where we could obtain the lowest costs of production, promotion and distribution;

- The differentiated strategy that wants to accomplish a unique and different approach in the plan of the product and of the brand that it should offer for all the outside market without considering a certain specific of the national markets. This business behavior represents an approach for one of the following situations: in the beginning phases of the activities on the international market; when they own a competitive monopolist advantage on the market; when there is no balance between the demand and the offer in the sense of outmatching the offer from the demand in a high proportion allowing the imposing of the seller’s conditions in the international transaction;

- The positioned strategy establishing variables and marketing programs specific to every product or group of products addressed to a segment of the company’s international market (either a country, or a segment of buyers). It is the strategy corresponding very well to the vision of some companies and corporations that, by the organizational capacity, may administrate a big number of segments of international market.

Critical markets, which generally act very large companies, which develop global networks (leader) that attract foreign investment (direct investment, mergers, corporate takeovers in the system), will focus on development strategies, of course, precisely these investments, regardless of whatever form of expression and involvement, the aggressiveness of the approach.

These financing alternatives of the evolution on the market feature the company’s attitude to the often unexpected requirement evolution of the international market, fact that faces the decisional factors and the problems of dynamic adaption to the new conditions. The possibilities of every company in this respect are different, determining the adoption of certain different variants called alternative of financial administration of the market:

- The aggressive strategy, the extreme variant of financial administration of the market used by certain companies, having real market “wars” in order to be imposed;

- The active strategy based on permanent knowledge and prevision and materialized in finding the favorable situations and influencing them in a process of permanent renewal;

- The adaptive/proactive strategy when the company wants to be integrated in the changes of the outside markets, anticipating them, accomplishing in time technological changes in the products meant to the international market, in the types of accomplishing the commercial exchanges abroad, in its entire activity;
The defensive strategy that, unlike the previous one, has the feature of a late adaptation, after producing changes in the international market.

The operating alternatives feature the company’s attitude to the development of the operations at the level of each inside function participating to the general efficiency of the activity. The company should choose between: a high or dynamical technological strategy; a low or stable technological strategy; a strategy of the advanced managerial competences; or a reasoning strategy of production and marketing.

3. Conclusions

Expanding markets is imminent but the solutions for new market entrants to be integrated between consecrate markets are extremely difficult to find during their debut, the export seems to be the only viable alternative. Unfortunately for these young markets (Tham & Pareja, 2004), just the export of resources, poorly managed and poorly commercialized. Only after the markets move to a higher level of integration, at least in part, they begin to operate by the rules of market economy and increase the scope of strategic opportunities.

The enlargement of the company outside local or national market and approaches concerning the networks of international exchanges, are studied in a large number of specialty works and approaches, based on the network theory. The proposed pattern, proposes for each market category, integrated in a strategic network, possibilities and alternatives for evolution towards a market and implicitly towards a superior strategic network, from an unincorporated market (small sized companies) as part of a primary network (early), towards partially integrated market (medium sized companies) in independent networks and afterwards towards totally (completely) integrated markets, characterised by the apparition of big size companies, integrated in mature networks (late), having as terminus point entering in critical markets, where activates very big companies, characterised especially by multiple contracts in global networks, considered as system leader. This passage from one market to another and from one net to another can be realised by adequate strategic approaches: exportation (direct, indirect, trade-off, exportation groups), associated operation (technological transfer, management contracts, granting licences, franchise, subcontracting), strategic associations (strategic alliances, mix companies), foreign investments (direct investments, fusions, assumption in corporative system).

Global strategic system is formed of the ensemble of all these strategic levels that have previously presented. Practically, one has to use those combinations of strategic alternatives for each level where they are accorded to the company’s interests and possibilities and to the conditions of every market. For this, we cross a process consisting of delimiting the objectives, specifying the options and constituting the implementation measures. For reaching the objectives followed on the outside markets, we adopt different decisions in the main activity sectors of the company (Neamtu & Neamtu, 2009). This should compose variants corresponding to every market and time period by judiciously combining and developing the elements specific to the four essential fields of its activity, respectively production, distribution, research-development and finances. Each exportation type presents advantages and disadvantages, the election of some alternative depending on the concrete situation and of the case of each company, of own activity objective, of the strategic vision and of their managerial capacity.

This paper has taken into consideration the first market category, unincorporated, early, developed on the support of some companied with reduced activity volume, for which exportation strategy, with its variants: classical exportation, direct, indirect, trade-off or the development of some exportation group make possible the passage to a superior market, partially integrated, as a second evolution stage, characterised by independent strategic networks.

The following step would be approach through associated operations, as a possibility to further evaluate towards a completely integrated, mature, late market network, preceding critical markets and leader networks, facilitating economy functioning of exchange with real performances.

References


