

Competition in Global Industries

Chapter 13 in Porter's book

A Global Industry

- A global industry is one in which the strategic positions of competitors in major geographic or national markets are fundamentally affected by their overall global positions.
- In order to analyze a global industry, it is necessary to examine industry economics and competitors in various geographic or national markets jointly rather than individually.
- Global industries require a firm to compete on a worldwide, coordinate basis or face strategic disadvantages.
 - Some industries are international in the sense of being populated by multinational companies, but do not have the essential characteristics of a global industry.

Competing Internationally

- There are many differences in competing internationally versus nationally, and these are usually emphasized in developing international competitive strategy.
 - Factor cost differences among countries
 - Differing circumstances in foreign markets
 - Different roles of foreign governments
 - Differences in goals, resources, and ability to monitor foreign competitors

Sources of Global Competitive Advantage

- The sources of global competitive advantage stem broadly from several causes.
 - Conventional comparative advantage
 - Production economies of scale
 - Global experience
 - Logistical economies of scale
 - Marketing economies of scale
 - Economies of scale in purchasing
 - Product differentiation
 - Proprietary product technology
 - Mobility of production

Impediments to Global Competitive Advantage

- There are a variety of impediments to achieving the advantages of global competition, and they can block the industry from becoming a global industry altogether.
- Economic impediments
 - Transportation and storage costs
 - Differing product needs
 - Established distribution channels
 - Sales force
 - Local repair
 - Sensitivity to lead times
 - Complex segmentation within geographic markets
 - Lack of world demand

Impediments to Global Competitive Advantage (cont'd)

- Managerial impediments
 - Differing marketing tasks
 - Intensive local services
 - Rapidly changing technology
- Institutional impediments
 - Governmental impediments
 - For example, tariffs and duties, preferential procurement from local firms
 - Perceptual impediments
 - Lacking the vision or the desire to become a global industry
 - Resource impediments
 - The industry may lack the substantial resources that are required for world-scale facilities or to obtain the necessary managerial or technical skills.