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Strategic Management in the Process of Globalization

Philip Kisham Kitasho

MBA Students -LIGS University, Hawaii

(Corresponding author: philipkitasho@gmail.com)

Abstract

This study focused on establishing the strategic management effect in the process of globalization among companies in Tanzania. This study adopted a case study where primary data was collected using interview guide. The data obtained from the interview guide was analyzed using content analysis a technique used to make inferences.

The study found out that globalization had brought about many changes in strategic management, this has push to remain competitive and meet market demand, hence led to a move towards integration and standardization of global business operations. Also, the study found that globalization affected level of completion, adoption of technology, sensitivity in economic factors like inflation.

The study concludes that globalization affected strategic management of the firms. Because of globalization, the companies had to open offices in different parts of the world in order to meet the needs of their customers who were expanding to other parts of the world other than their home

country. The study further concludes that globalization affected strategic management as it determined the expansion strategy that was to be adopted by the firm as it extended its services to other regions. This study recommends that a thorough environmental scanning should always be conducted whenever the firm plans to enter into a new territory. Additionally, the study recommends that the firm invests in innovations and inventions so as to come up with new innovative ways of serving their customers.

Key words: *Globalization, International Business, Strategic Management, Strategic Process.*

1. Introduction

The concept of the strategic management practices covers organization-wide issues in the context of a whole range of its operational influences. According to Pearce and Robinson (2003) strategic management is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans. In practicing strategic management practices, organizations seek to reposition themselves in order to create new competences and capacities to exploit and deal with new situations of globalization. As argued by Thompson and Strickland (1993) that globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services. This means that globalization, by itself, is not enough as such companies need globally coherent strategies, global networks, global processes and ability to maximize profit on a global basis.

Companies across the world face a continuously shifting and increasingly exposed competitive environment. In the 1980s, many companies focused on their national markets, but served a variety of different industry segments. In the new era, such domestic focus has become rare

as continental integration and globalization have changed the nature of competition. On the global stage, competitive advantages are gained by creating, transferring and exploiting competences across operations and locations internationally. Businesses thus face enhanced opportunities for international growth, while the benefits of expanding into other industries domestically have diminished.

In result, corporations are redesigning their strategies to focus on narrowly defined core industries with a global scope. Thus, they simultaneously accelerate their internationalization while reducing their product diversification. DE diversification and internationalization thus complement each other in a process of global focusing (Meyer, 2006). This process is driven by shifts in the relative transferability of resources and capabilities across industries and countries due to the globalization of markets, resources, supply chains and business models.

These changes in corporate strategies create new challenges for business leaders and policy makers. Business leaders not only have to manage international competition, but to pursue strategies that create and exploit complementarities and linkages in the global net of their operations. This requires changes of corporate strategies that involve new capabilities and may be risky to implement. Policy makers face businesses that are operating at supra-national levels, and thus less likely to react to national policies. Yet, national resource endowments, especially human capital, continue to attract business operations and thus national competitiveness. This study filled the gap by establishing the effects of globalization on strategic management for Tanzanian firms.

2. Literature Review

2.1 Concept of Globalization

Globalization, in its literal sense, is the process of transformation of local or regional phenomena into global ones. It can be described as a process by which the people of the world are unified into a single society and

function together. This process is a combination of economic, technological, socio-cultural and political forces (Sheila, 2004). *Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology* (Bhagwati, 2004).

The process of globalization creates new challenges and opportunities for firms. The opportunities include access to new markets that were previously closed due to cost, regulation, or indirect barriers, the ability to tap resources such as labor, capital, and knowledge on a worldwide basis, and the opportunity to participate in global production networks that are becoming prevalent in many industries such as automotive, electronics, toys and textiles. Challenges come from foreign competitors entering firms' domestic markets, and from domestic competitors reducing their costs through global sourcing, moving production offshore or gaining economies of scale by expanding into new markets. Globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations.

Globalization involves a strategy of viewing international markets holistically and fusing operations into a single worldwide strategic entity. Globalization concerns developing linkages between geographically dispersed units of a function and regulating business activities to align them with the expectations set in targets. This assures centralized control over key resources and operations that are strategic in the value chain and that all major decisions are made from a global perspective.

2.2 Strategic Management

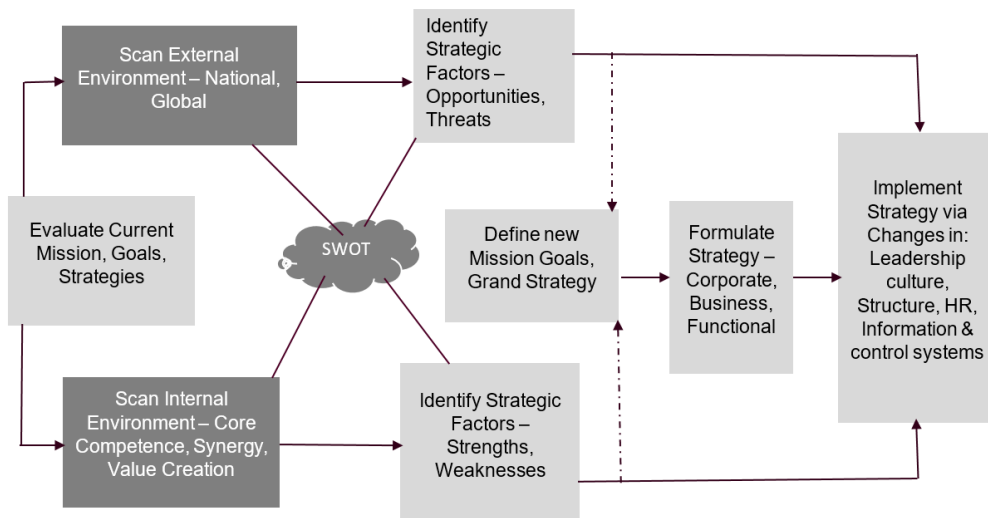
Ansoff and McDonnell (1999) define strategic management as a systematic approach of managing strategic change which consists of positioning of the firm through strategy and capability planning, real-time strategic response through issue management and systematic management of resistance during strategic implementation. Johnson and Scholes (2003) look at strategic management as to include strategic analysis, strategic choice and strategy implementation.

The strategic management framework is based on the firm's vision and mission. Vision and mission also help in the formulation of long-term organizational goals (Aaltonen and Ikavaltto, 2001). Strategic management articulates the aspirations of the organization and the reason for its success. However, there is no consensus on the 'one' right way of strategic management. It depends to a great degree on the size of the firm, management style and complexity of the environment (Pearce and Robinson, 2000). This has led to a distinction between what is planned or intended by an organization and what is actually realized.

2.3 Strategic Management Process

Strategic management is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans. It is the highest level of managerial activity, usually performed by the company's Chief Executive Officer (CEO) and executive team. It provides overall direction to the whole enterprise. An organization's strategy must be appropriate for its resources, circumstances, and objectives. The process involves matching the companies' strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently.

Strategic management process



2.4 Effects of Globalization on Strategic Management

Globalization is creating numerous opportunities for sharing knowledge, technology, social values, and behavioral norms and promoting development at different levels including individuals, organizations, communities, and societies across different countries and cultures. Survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy. Responses to globalization require organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises.

Firms in dynamic industries respond to environmental changes and competitive forces in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure

operational effectiveness. In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage (Porter, 1985). Changes in environmental conditions shape a firm's opportunities and challenges.

A new environment necessitates the formulation of new strategy best suited to cope with change. According to Ansoff, (1988) turbulent environments are characterized by unfamiliar rapid and unpredictable events. Globalization has brought with it effects that have made companies to devise means of staying competitive not only in the global market but also in the local market. Companies have been forced to diversify their product portfolio to cope with competition, maintain market share, enter into new markets and seal off any unexplored market segments that foreign competitors may come to exploit. Globalization is creating numerous opportunities for sharing knowledge, technology, social values, and behavioral norms and promoting development at different levels including individuals, organizations, communities, and societies across different countries and cultures.

Globalization requires companies not only to be multinational and multilingual, but also to be multicultural corporations. Hence, many multinationals must accept, adopt and blend multicultural aspects in their business processes. The delayering of cultural strata must be a prerequisite before a multinational signs any memorandum of understanding with a host country. There is an emerging global culture that is changing human expectations and understanding.

3. Research Methodology

3.1 Research Design Strategy

A case study research design strategy was with the aim of creating a profile about a phenomenon. As argued by Yin (1994) that case study design should be considered when you want to cover contextual

conditions because you believe they are relevant to the phenomenon under study or when the boundaries are not clear between the phenomenon and context. As in this study the researcher wanted to capture contextual conditions to explain the effect of globalization among firms in Tanzania.

3.2 Data Collection

The study made use of primary and secondary data. Primary data was collected through face to face interviews conducted by the researcher while secondary data was collected through review of the contents of various relevant publications and reports. An interview guide was modeled on the effects of globalization on strategic management at the firms.

3.3 Population

The target population of this study comprised of six senior managers who were selected based on the role they play in strategy implementation in their companies. The study targeted a total of 6 senior managers from 6 companies in Arusha town out of which, 5 managers responded by scheduling an interview with me thus giving a response rate of 83%. This helped to obtain data required to capture the issue of strategic management and globalization.

3.4 Data Analysis

The data obtained from the interview guide was analyzed using content analysis, a technique used to make inferences through systematic and objective identification of specified characteristics of messages. Kothari (2004) explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of messages of the existing documents and measure pervasiveness. The researcher analyzed the information provided by the interviewees against known globalization effects on strategy implementation in organizations to describe and

determine how globalization has affected strategy implementation in their organization.

4. Findings

Finding from the interview on effects of globalization on strategic management system respondents indicated that globalization had brought about a number of changes in strategic management at their companies. The findings from interview further indicated that this had been necessitated by the need to remain competitive and to meet market demand. This has therefore seen a move towards integration and standardization of global business operations.

The managers indicated that following increased globalization, many of the customers served by their firm were expanding their businesses across country borders. For example, one of the respondents indicated that majority of their customers were expanding across the East African Community Countries like Kenya, Southern Sudan, Rwanda, and Uganda and that in order for them to service them adequately and satisfactorily, they needed to re-strategize. One of the strategies that they adopted was exporting strategy.

In order to satisfy customers in these diversified markets, the firm saw the need for integration and standardization of global business operations. This ensured that the services offered were uniform across all its branch networks and subsidiaries. By doing this, the firm improved its financial performance and customer satisfaction.

Furthermore, the respondents from interview indicated that globalization had also affected the level of competition. The competition ranged from scramble for human resources to business. As more and more firms globalize their operations, they require more human capital to oversee the smooth running of their operations. The interviewees indicated that this led to high competition for better qualified staff to deliver quality services to the customers.

5. Discussion of findings

On the effects of globalization on strategic management system, the study established that globalization had brought about a number of changes in strategic management at firm. Many of the customers served by this companies were expanding their businesses across country borders. According to Reich (1998) the process of globalization creates new challenges and opportunities for firms. The opportunities include access to new markets that were previously closed due to cost, regulation, or indirect barriers, the ability to tap resources such as labor, capital, and knowledge on a worldwide basis, and the opportunity to participate in global production networks.

The study established that strategic management team had to work in anticipation of changes in the operating environment. The environment in which they were operating had become very volatile warranting for high levels of intelligence to ensure that they kept pace with the changes in their operating environment. The study further established that globalization had also affected the level of competition. According to Porter, (1985) competition ranged from scramble for human resources to scramble for customers. In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage.

The study further established that strategic management process was affected by several factors including: government policies, economic factors like inflation; adoption of technology, regulatory environment, market which involved types of clients, their needs, competition, and internal operations. Governments created the rules and frameworks within which businesses are required to operate.

6. Conclusion

The study has established that globalization had gr effects on the strategic performance of firms. From the study findings above, the study concludes that globalization affected strategic management to a great extent at the firm. Because of globalization, the firms had to open offices in different parts of the world in order to meet the need of their customers who were expanding to other parts of the world other than their home country. This necessitated the need to develop strategies that would see the firms expand to different regions.

The study further concluded that globalization affected strategic management as it determined the expansion strategy that was to be adopted by the firms in expanding its services to other regions. Through globalization, the study established that the firm used several strategies including export strategy to reach into other countries.

The study further concluded that, in order for the strategic management team to overcome the challenges of globalization, they had to consider changes in the operating environment and develop scenario plans which helped in countering the effects of globalization. Additionally, following globalization, customer expectations had increased as the levels of competition intensified. This forced companies to standardize its operations with strict observation of their corporate values so as to ensure delivery of standardized services to its clientele.

However, companies faced several challenges following increased globalization, whereby, the firm experienced poor internet connections in some countries, in which case the firm resorted to sourcing of own/alternative internet services via satellite VSATs to make sure that its online operating system was available at all times in their operational centres. There was also financial inadequacy which threatened to crumble some of the firms operations. Country specific policies also posed a major challenge in which cash, firm had to comply with specific regulations which then made it difficult to comply with global policies on some issues.

Lastly the management should be competent so as to ensure good strategy objective setting, achieve strategic awareness, manage resistance to strategy implementation; early involvement of firm members in the strategy process helped employees understand super-ordinate goals, style, and cultural norms and thus become essential for the continued success of a firm strategy implementation, puts all members at the same platform, and helps the employees to own the process thus ensuring better results.

7. Recommendations

The study found out that globalization affected the expansion strategies adopted by companies. Depending on the location targeted for expansion as warranted by growing customers' demands, the firm had to weigh the various strategies to employ in order to be successful in that market. This study therefore recommends that a thorough environmental scanning is necessary whenever a company plans to enter into a new territory. This allows for smooth operations of the company and standardized service delivery.

The study established that globalization affected the level of competition as customer expectations also increased. To help improve customer service, the study recommends that the company maintains its quality service delivery and corporate values which guide its operations so as to protect its integrity and credibility of its work. This would be one way of maintaining and / or even expanding the market share of a given company as the current customers remain content and willing to pay more for added value and may even refer more customers to the firm.

The study also established that the firms faced several challenges in its operations as a result of globalization. These ranged from increased competition, inadequate finances for strategic management to changing customer needs. In this case, a company needs to invest in innovations and inventions so as to come up with new innovative ways of serving their customers. This may in turn lower the operational costs due to effectiveness and efficiency with which a company's resources are employed.

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