

International Business Strategy Assignment

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Abstract: This paper analyzes the theory of external uncertainty of the “4-level framework” faced by enterprises, and discusses the relationship between this theory and the opposite strategic views of strategic stability and strategic change. At the same time, for enterprises facing different levels of uncertainty and adopting different strategic views, this paper gives corresponding suggestions on the choice of strategic posture and portfolio of actions.

Keywords: Strategic stability; Strategic change; External environment uncertainty; Strategy postures and actions

Introduction

This assignment reviews the journal paper (‘paper’ in short from here) ‘Strategy Under Uncertainty’ by Courtney, Kirkland and Viguerie (1997). First, the debate within the paper will be introduced, and then the paper’s position relating to that debate will be discussed. Next, strengths and weaknesses of the paper will be evaluated.

1. How the Paper Fits into Wider Debate

For all the time, developing appropriate strategies to gain competitive advantage by analyzing the internal and external environment is regarded as one of the core topics strategic management of enterprises (Amoako-Gyampah, 2003)^[1]. Relating to this topic, two strategic positions: ‘strategic stability’ and ‘strategic change’ represent an inspiring and comprehensive debate. Specifically, ‘strategic stability’ refers to a series of decision-making measures taken by enterprises to maintain their existing market position or competitive advantage, so as to reduce the uncertainties they face. While ‘Strategic change’ means the relevant strategic combination formulated by enterprises to cope with the rapidly changing external environment and improve their adaptability (Xu and Li, 2018)^[2]. When facing different levels of uncertainty, enterprises often choose the more appropriate one to make corresponding strategic decisions. Sometimes, a strategy may even include both seeking ‘change’ and maintaining ‘stability’ (Mintzberg, Ghoshal and Quinn, 1998)^[3]. In other words, the choice of strategic position is not absolutely static. On the contrary, enterprises need to select a more appropriate position in combination with the uncertainties of the external environment and competitive advantages, and then make corresponding decisions on this basis (García-Pérez, Yanes-Estévez and Oreja-Rodríguez, 2014)^[4]. The paper ‘strategy under uncertainty’ also reflects well on this debate.

In the paper, four levels of external uncertainty are creatively used to study the external environment faced by enterprises. Next, according to different levels, appropriate strategic postures and portfolio of actions are given, which respectively respond to the debate of ‘strategic stability’ or ‘strategic change’. First, in the strategic postures, ‘shapers’ are regarded as the representative of ‘strategic change’. They usually focus on developing unique technological advantages and strong competitiveness to cope with or even reshape the external environment (Violina and Hugh, 2020)^[5]. While, ‘adapters’ and ‘reserve the right to play’ represent the viewpoint of ‘strategic stability’. They focus on exploiting and utilizing opportunities under current conditions, aiming to maintain their position rather than reshaping the industry (Violina and Hugh, 2020)^[6]. Second, in the portfolio of actions, ‘big bets’, which means high-risk and high-return investments, can be seen as typical ‘strategic change’. It can be used by ‘shapers’ to gain leadership position and even reshape the whole industry. However, ‘options’ are more suitable for ‘strategic stability’ enterprises. It can adjust the follow-up investment according to the actual profit and loss, which is relatively more flexible and lower risk. Therefore, the existing market position of enterprises can be maintained. Finally, as a universal method, ‘no-regrets moves’ can be adopted by enterprises taking either ‘stability’ or ‘change’ strategy to improve the overall benefits (José and José, 2006)^[7]. In other words, ‘strategic stability’ and ‘strategic change’, as a debate, is covered in the paper.

2. Strengths and Weaknesses of the Paper

External environment uncertainty faced by enterprises has always been regarded as one of the key factors affecting strategic behaviors and achievements of enterprises (Amoako-Gyampah, 2003)^[8]. Most of the existing documents focus on analyzing a certain point of external environment, such as consumer preference and competitive product analysis, lacking macro-level suggestions and guidance. One of the main advantages of this paper is that it uniquely adopts a macro analytical perspective, emphasizing that enterprises should give full and objective cognition of the external uncertainties. First, the paper combines various charts and enterprise cases, creatively divides external environment uncertainties into four levels. Also, typical characteristics of different levels and key hierarchical standards are clarified. In addition, three different strategic postures and corresponding portfolio of actions are analyzed by quoting many enterprise cases. Through combination of the two, the strategic behavior of the enterprises themselves can be determined. Therefore, strategic position of enterprises can be determined by identifying the level of uncertainty, and then adopting the appropriate combination of strategic postures and portfolio of actions (Violina and Hugh, 2020)^[9]. This method has clear logic and strong practicality. It not only makes up for the shortcomings of traditional analysis tools, but also plays a guiding role in analyzing the external environment and making strategic decisions for different types of enterprises. (David, Margaret and Sohvi, 2008)^[10].

However, meanwhile, despite the above strengths, this paper has several shortcomings. One of the main weaknesses is that differences caused by enterprise scale are ignored. Relatively speaking, large enterprises tend to have stronger risk resistance (Podobnik et al, 2009). However, the paper fails to make a comparison between large, medium-sized and small enterprises when it gives suggestions based on different levels of uncertainties. Therefore, it is worth discussing whether the ‘four-level framework’ and the relevant suggestions are meaningful to small and medium-sized enterprises. Besides, the paper emphasizes that enterprises should decide which strategic posture and action to take according to the level of uncertainty. Nevertheless, whether the scale of enterprises will affect their choice under the premise of constant level of uncertainty has not been mentioned (Grinyer and Yasai-Ardekani, 2013). For example, supposing a startup faces a low level of external uncertainty, it will not be able to adopt ‘big bets’ investment activities with ‘shaper’ strategic posture due to its limited scale. However, if a leading enterprise which has experienced long-term development faces similar uncertainty level, it can set up standards for an industry by choosing ‘shaper’ strategic posture based on its own competitive advantages (Podobnik et al, 2009). Unfortunately, relationship between the enterprise scale and the choice of strategic postures and portfolio of actions is not analyzed by the paper.

Conclusion:

This paper puts forward strategic suggestions for companies facing different levels of uncertainty, taking either ‘stability’ or ‘change’ position. Moreover, it also creates a four-level uncertainty framework and practical ‘strategic postures’ and ‘portfolio of actions’ selection methods. However, when using the methods, the scale of the company should be considered.

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