

## Agenda for today

### Generic Business Strategies

- What are business-level strategies?
- How can firms differentiate, and what are its benefits?
- How can culture help a firm differentiate?
- What are the key HR policies for managing culture?

Wike  
Apparel

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## Differentiation

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## Differentiation

- Generate economic value by offering a product that customers prefer over competitors' product
- A business level strategy intended to:
  - Increase the perceived value of the focal firm's products and / or services relative to the value of competitor's products and / or services
  - create a customer preference for the focal firm's products and / or services

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## Improves competitive positioning

- Creates higher entry barriers due to customer loyalty
- Provides higher margins that enable the firm to deal with supplier power
- Establishes customer loyalty and hence less threat from substitutes

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## Differentiation

### Bases of differentiation

- 1. Product Attributes:** exploiting the actual product; select product positioning in relation to product attributes
- 2. Firm – Customer Relationships:** exploiting relationships with customers; select target customer group, ensure customer /product compatibility
- 3. Firm Linkages:** exploiting relationships within the firm and/or relationships with other firms

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## Bases of Differentiation

### Product Attributes


- **Product Features**—the shape of a golf club head
- **Product Complexity**—multiple functions on a watch
- **Timing of Introduction**—being the first to market
- **Location**—locating next to a freeway exit

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## Bases of Differentiation

### Product Attributes

- Nike offers cutting-edge product features in footwear and apparel, driven by innovation, performance, and design.
- **Nike Air Technology:** Revolutionary cushioning technology that sets Nike's shoes apart in terms of comfort and performance.
- **Flyknit Material:** Lightweight and environmentally sustainable material used in shoes to provide flexibility and support.



The diagram shows a cross-section of a Nike Air Max shoe with various components labeled:
 

- HEEL COUNTER:** A 100% carbon fiber heel counter for added stability.
- DYNAMIC AIR UNIT:** Specialized air molecules in a mesh cage cushion the foot from the heel to the forefoot.
- PERFORATED FLYKNIT FOAM:** Soft foam with perforations for breathability and support.
- MESH UPPER:** A 100% Flyknit mesh upper for a lightweight, breathable fit.
- WARPED OVERLAY:** A curved overlay for added stability.
- SHOCK ARCH CLIP:** A shock absorber that cushions and supports the midfoot.
- STREET READY OUTSOLE:** A durable, textured outsole for added grip and stability.

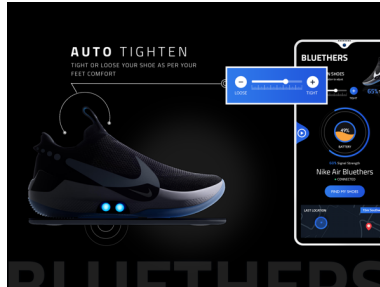
Nike Air Max shoes with an emphasis on the Air bubble technology

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## Bases of Differentiation

### Product Attributes

- **Technological Innovation:** Nike continuously introduces performance-enhancing features such as self-lacing technology (Nike Adapt) and sustainable products (Nike Space Hippy).
- **Design & Aesthetic:** Nike's iconic designs, from Air Jordans to VaporMax, combine performance and style.
- **Nike Adapt:** Self-lacing shoes that adjust fit automatically using smartphone integration.



The image shows a Nike Adapt shoe next to a smartphone displaying the 'BLUETHERS' app. The app interface includes a slider for 'AUTO TIGHTEN' (TIGHT OR LOOSE YOUR SHOE AS PER YOUR FEEL COMFORT) and a 'BLUETHERS' section with a 'NIKE ADAPT' button. The shoe has blue lights on the laces.

Nike Adapt shoes, highlighting the smartphone control feature

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## Bases of Differentiation

### Firm – Customer Relationships

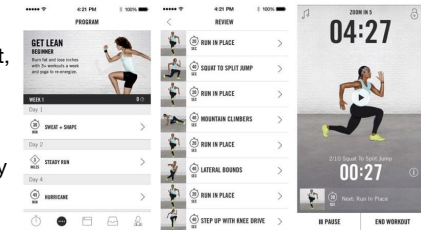
- **Customization**—creating a unique diamond bracelet for a customer
- **Consumer Marketing**—creating brand loyalty to a soap through image advertising
- **Reputation**—sponsoring the local homeless shelter to engender positive community response

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## Bases of Differentiation

### Firm – Customer Relationships

- Nike builds strong customer relationships through personalized experiences, community engagement, and innovative marketing campaigns.
- **Nike Membership Program:** Offers members exclusive product access, personalized workout plans, and early releases.
- **Nike Training Club (NTC) App:** Provides personalized training sessions and fitness content tailored to customer goals.



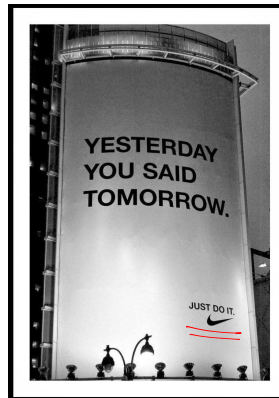
Screenshot of the Nike app showing personalized workout plans

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## Bases of Differentiation

### Firm – Customer Relationships

- **Brand Loyalty & Emotional Connection:** Nike's "Just Do It" campaign resonates emotionally with customers, encouraging them to push their limits.
- **Engagement:** Nike engages its audience through storytelling, sponsoring athletes like LeBron James and Serena Williams, and social initiatives like the "Equality" campaign.
- **"Just Do It" Campaign:** Motivational ads that inspire individuals and build a deep emotional connection with the brand.



Nike's "Just Do It" ad featuring an athlete, emphasizing empowerment

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## Bases of Differentiation

### Firm Linkages

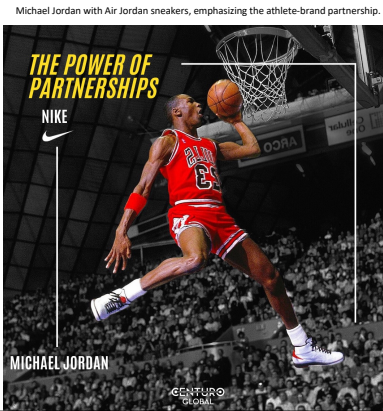
- **Linkages among Functions in the Firm**—using a circuit board designed in one division in other divisions
- **Linkages with other Firms**—a sporting goods store sponsors a benefit race by donating running shoes and receives free radio advertising in return
- **Product Mix**—a furniture store begins to sell home gym equipment, computers, and lawn mowers
- **Distribution Channels**—a doughnut shop begins to sell its doughnuts through gas stations
- **Service and Support**—an oil change shop begins to offer pick up and delivery of cars in an office building's parking garage

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## Bases of Differentiation

### Firm Linkages

- Nike has built strategic partnerships with suppliers, athletes, and other firms to enhance its brand value and ensure product innovation.
- **Athlete Endorsements:** Partnerships with high-profile athletes like Michael Jordan (Air Jordan brand) and Cristiano Ronaldo (CR7 collection).
- **Collaborations:** Nike frequently collaborates with designers (e.g., Virgil Abloh) and other brands (e.g., Supreme) to create exclusive collections.



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## Bases of Differentiation

### Firm Linkages

- **Supply Chain Innovation:** Nike's partnerships with manufacturers allow it to implement sustainable practices (e.g., recycled materials, reduced water usage).
- **Retail Linkages:** Nike's direct-to-consumer strategy, via its Nike stores and online platform, provides control over brand experience and product availability.
- **Example: Nike's Sustainability Initiative:** Partnerships with suppliers to use recycled materials and reduce environmental impact.



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## Differentiation: benefits

- Differentiation offers the prospect of charging a **premium price**
- Demand for a differentiated product will be **less elastic** than that for competitors products
- Differentiation can result in **above average profits**
- Differentiation can create additional **barriers to entry** to the market for newcomers

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## Risks of differentiation strategy

- There are difficulties of sustaining differentiation
  - Differentiation involves higher costs
- There is a risk of creating differences that customers do not value
  - Customers might become price sensitive and choose on price rather than uniqueness
  - It might involve differentiation on dimensions that become less important to customers over time
  - Customers may no longer need the differentiation factor
- Imitators may narrow the differentiation
  - Rivals pursuing a focus strategy may be able to achieve even greater differentiation in their market segments

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### Pitfalls of differentiation

- Uniqueness that is not valuable
- Too much differentiation
- Too high a price premium
- Differentiation that is easily imitated
- Diffusion of brand identification through product-line extensions
- Perceptions of differentiation may vary between buyers and sellers

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### Competitive Advantage Through Culture

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### Culture

**culture** – the collective programming of the mind that distinguishes the members of one group or category of people from another

Components of Culture

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### Hofstede's dimensions of culture

**Power distance**

USA ↑ India ↑ China ↓

the extent to which less powerful members within a country expect and accept that power is distributed unequally

how a society deals with the fact that people are unequal in physical and intellectual capabilities

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## Hofstede's dimensions of culture

### Power distance

In countries with high power distance, such as some Asian countries, there is a strong respect for authority and hierarchy.

Apparel companies operating in these markets may need to adopt a more hierarchical organisational structure and ensure clear lines of authority in their business operations.

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## Hofstede's dimensions of culture

### Uncertainty avoidance

the extent to which members in a culture accept or avoid ambiguous situations and uncertainty

the relationship between the individual and his or her fellows

**long-term orientation** – dimension of how much emphasis is placed on perseverance and savings for future betterment

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## Hofstede's dimensions of culture

### Uncertainty avoidance

In cultures with high uncertainty avoidance, such as Germany, there is a preference for rules, structure, and clarity. Apparel companies operating in these markets may focus on providing clear product information, reliable sizing charts, and transparent pricing policies.

In cultures with low uncertainty avoidance, such as the Netherlands, there is a greater tolerance for ambiguity and risk-taking. Apparel brands may experiment with innovative designs, unconventional marketing strategies, and flexible pricing models.

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## Hofstede's dimensions of culture

### Long-term orientation

*Previous Gen. India Next Gen.*

Cultures with a long-term orientation, like China, prioritize perseverance, thrift, and sustainability. Apparel companies may develop durable and timeless products, invest in long-term brand building, and cultivate enduring relationships with customers.

Cultures with a short-term orientation, such as the United States, emphasize immediate gratification, quick results, and rapid innovation. Apparel brands may focus on fast fashion, trend-driven collections, and agile supply chain management.

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## Hofstede's dimensions of culture

### Individualism versus collectivism

**individualism** – the idea that an individual's identity is fundamentally his or her own

**collectivism** – the idea that an individual's identity is fundamentally tied to the identity of his or her collective group

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## Hofstede's dimensions of culture

### Individualism versus collectivism

In individualistic cultures like the United States, emphasis is placed on personal achievement and independence. Apparel brands may focus on marketing campaigns that highlight individual expression and personal style preferences.

In collectivist cultures such as Japan, group harmony and consensus are prioritized. Apparel companies may develop marketing strategies that appeal to community values and emphasize belongingness and social acceptance.

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## Hofstede's dimensions of culture

### Masculinity versus femininity

the relationship between gender and work roles

**masculinity** – a relatively strong form of societal-level sex role differentiation whereby men tend to have occupations that reward assertiveness and women tend to work in caring professions

**femininity** – a relatively weak form of societal-level sex role differentiation whereby more women occupy positions that reward assertiveness and more men work in caring professions

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## Hofstede's dimensions of culture

### Masculinity versus femininity

Masculine cultures, like many Western countries, value assertiveness, competitiveness, and material success. Apparel brands may promote products that convey status and achievement.

Feminine cultures, such as Scandinavian countries, emphasize cooperation, modesty, and quality of life. Apparel companies may emphasize sustainability, ethical production practices, and comfort in their product offerings.

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## Nike's Cultural Adaptation Strategy

- Nike, a leading global sports apparel and footwear company, has demonstrated a remarkable ability to adapt its strategies to diverse cultural contexts, making it a prime example of successful cultural integration in the apparel industry.
- Nike recognizes that cultural sensitivity is crucial for success in international markets.
- The company tailors its products, marketing campaigns, and operations to resonate with the unique preferences and values of each culture it operates in.



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## Nike's Cultural Adaptation Strategy

- **Product Localization:** Nike customizes its products to meet the specific needs and preferences of different regions. This includes offering shoes with varying cushioning and support levels to suit diverse athletic activities and foot shapes.
- **Marketing Campaigns:** Nike develops culturally relevant marketing campaigns that resonate with local consumers. The company collaborates with local athletes, celebrities, and influencers to authentically connect with target audiences and convey messages that reflect local culture and values.



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## Nike's Cultural Adaptation Strategy

- Nike, the sportswear brand, has successfully adapted its core brand proposition of "Just Do It" to a variety of diverse cultures around the world.
- Working with its agency Wieden+Kennedy, Nike's "Just Do It" ads cleverly aligned its brand with the very different notions of what constitutes an "ideal man" in the US, China, India and the UK.
- Each culture has its own set of interlocking ideas about what an ideal man should be and that these ideas can be framed according to a set of qualitative "codes"

*- Responsibility*  
*- Commitment*

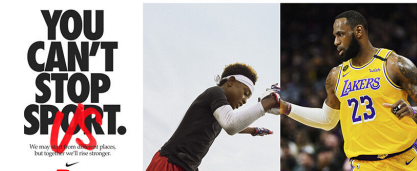


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## Nike's Cultural Adaptation Strategy

- For example, the rugged history of America has encouraged Americans to view the ideal man as one imbued with "righteous purpose" whose modus operandi is one of "honest endeavour".
- He has "can-do optimism" with the ultimate purpose of "leaving his mark on the world". When compared to women, he is "rugged" and "romantic", but among other men is seen as "supportive".



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## Nike's Cultural Adaptation Strategy

- Whereas the American ideal man is "righteous", his Chinese counterpart is "circumspect" whose modus operandi is "strategic and prudent".
- The contrast with China could not be starker because the country's vast collectivist society has asserted the primary importance of social harmony for millennia.




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## Nike's Cultural Adaptation Strategy

- There are different concepts about the ideal man in India and the UK too.
- Where the core orientation of the American ideal is "righteous purpose"
- The equivalent in India as "role-bound" and "dutiful" while in the UK it is "decent" and "appropriate".
- Similarly, if the ultimate purpose of the American ideal man is to leave his mark on the world, research suggests that the equivalent in India is "transcendence", while it is about "living a good life" in the UK. The British ideal also involves men having a sense of irony and wit.




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## Cultural Insensitivity at Zara

- How does a clothing company wind up selling kids' pajamas that resemble a concentration camp uniform? This is what happens when you have no sense of cultural context for what you do.
- The fashion chain Zara had to withdraw a handbag from its stores after a customer pointed out that the design featured swastikas.




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## Cultural Insensitivity at Zara

- The costume and cosmetics brand Zara was recently in trouble because one of its advertisements, in which a female Chinese model appeared, was blamed for "defaming the Chinese".
- The model had freckles on her face, suggesting that by selecting her as the model, Zara might mean to "defame the Chinese", because a perfect face should be without any freckles. Some also added that the model in the photo didn't appear to be in a good, energetic mood.



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## Cultural Insensitivity at Zara

- The affordable fashion brand has been accused of stealing the traditional baati style from Somali, calling it a Tie-Dye Maxi Dress, with no mention of cultural inspiration



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## Cultural Insensitivity at Zara

- Zara came under fire for its new "check mini skirt," a tan wraparound skirt with a plaid pattern and a slit down the front. The brand describes it as a "flowing skirt with draped detail in the front," but people are saying it looks suspiciously like a lungi, a garment traditionally worn in India and other parts of South and Southeast Asia.



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## HR Policies to Manage Culture

Staffing Policies

Managing Diversity

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## What Is a Staffing Policy?

- Staffing policy is concerned with the selection of employees who have the skills required to perform a particular job
  - can be a tool for developing and promoting the firm's corporate culture
    - the organization's norms and value system
  - a strong corporate culture can help the firm implement its strategy

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## What Is a Staffing Policy?

- Three main approaches to staffing policy:
  - The **ethnocentric** approach - fill key management positions with parent-country nationals *Nestle.*
  - The **polycentric** approach - recruit host-country nationals to manage subsidiaries in their own country, and parent-country nationals for positions at headquarters *Tata Steel Tata AIA ICS.*
  - The **geocentric** approach - seek the best people, regardless of nationality, for key jobs *Unilever.*

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## Why Choose an Ethnocentric Staffing Policy?

- Firms that pursue an **ethnocentric** policy believe that
  - there is a lack of qualified individuals in the host country to fill senior management positions
  - it is the best way to maintain a unified corporate culture
  - value can be created by transferring core competencies to a foreign operation via parent country nationals
  - it makes sense with an international strategy
- But
  - it limits advancement opportunities for host country nationals
  - it can lead to "cultural myopia"

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**Why Choose an Ethnocentric Staffing Policy?**

Abercrombie & Fitch, an American apparel retailer, has historically employed an ethnocentric staffing policy by predominantly hiring American executives and managers to oversee its global operations.

- Even in international markets, the company often relies on expatriates from the United States to fill key leadership positions.
- The rationale behind Abercrombie & Fitch's ethnocentric approach is to ensure consistency in brand image, corporate culture, and operational standards across its global network of stores.
- By deploying expatriates with a deep understanding of the company's values and practices, Abercrombie & Fitch aims to maintain control and cohesion in its international operations.

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## Why Choose a Polycentric Staffing Policy?

- The **polycentric** approach
  - makes sense for firms pursuing a localization strategy
  - can minimize cultural myopia
  - may be less expensive to implement than an ethnocentric policy
- But
  - host-country nationals have limited opportunities to gain experience outside their own country and so cannot progress beyond senior positions in their own subsidiaries
  - a gap can form between host-country managers and parent-country managers

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### Why Choose a Polycentric Staffing Policy?

- Zara, a Spanish fast-fashion retailer, adopts a polycentric staffing policy by hiring local managers and executives to lead its subsidiaries in different countries.
- Rather than relying on expatriates from the headquarters in Spain, Zara emphasizes the importance of local knowledge and expertise in managing operations effectively.
- Zara's polycentric approach allows the company to adapt its products, marketing strategies, and store operations to meet the specific preferences and cultural nuances of each market.
- By empowering local teams to make decisions and drive innovation, Zara fosters agility and responsiveness in its global expansion efforts.

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### Why Choose a Geocentric Staffing Policy?

- The **geocentric** approach
  - is consistent with building a strong unifying culture and informal management network
  - makes sense for firms pursuing a global or transnational strategy
  - enables the firm to make the best use of its human resources
  - builds a cadre of international executives who feel at home working in a number of different cultures
- But
  - can be limited by immigration laws
  - is costly to implement

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### Why Choose a Geocentric Staffing Policy?

- Adidas**, a German multinational corporation specializing in sportswear and athletic equipment, implements a geocentric staffing policy by selecting executives and managers based on merit and competency, regardless of nationality.
- The company prioritizes talent development and diversity in its leadership ranks.
- Adidas appoints top talent from around the world to key positions in its global headquarters, regional offices, and subsidiaries.
- By embracing a geocentric approach, Adidas leverages diverse perspectives, skills, and experiences to drive innovation, collaboration, and growth in the competitive apparel industry.



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### Which Staffing Policy Is Best?

Comparison of Staffing Approaches

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Staffing Approach	Strategic Appropriateness	Advantages	Disadvantages
Ethnocentric	International	Overcomes lack of qualified managers in host nation Unifies culture Helps transfer core competencies	Produces resentment in host country Can lead to cultural myopia
Polycentric	Localization	Alleviates cultural myopia Inexpensive to implement	Limits career mobility Isolates headquarters from foreign subsidiaries
Geocentric	Global standardization and transnational	Uses human resources efficiently Helps build strong culture and informal management networks	National immigration policies may limit implementation Expensive

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## What Is Expatriate Failure?

*Axel Africa.*

- Firms using an ethnocentric or geocentric staffing strategy will have expatriate managers
- **Expatriate failure** is the premature return of an expatriate manager to the home country
  - each expatriate failure can cost between \$40,000 and \$1 million
  - between 16% and 40% of all expatriates in developed countries fail and almost 70% of assigned to developing countries fail

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## Why Do Expatriate Managers Fail?

- The main reasons for expatriate failure are
  - the inability of an expatriate's spouse to adapt
  - the manager's inability to adjust
  - other family-related reasons
  - the manager's personal or emotional maturity
  - the manager's inability to cope with larger overseas responsibilities

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## How Can Firms Reduce Expatriate Failure?

- Firms can reduce expatriate failure through improved selection procedures
- Four dimensions that predict expatriate success are
  - **Self-orientation** - the expatriate's self-esteem, self-confidence, and mental well-being
  - **Others-orientation** - the ability to interact effectively with host-country nationals
  - **Perceptual ability** - the ability to understand why people of other countries behave the way they do
  - **Cultural toughness** - the ability to adjust to the posting

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## Managing Cultural Diversity

- Should one partner's culture **dominate** the operations of the alliance versus striving for a balance from both the cultures
- Should there be an attempt to **integrate** the two cultures (to derive synergy) versus segregation within the alliance (to avoid conflict)

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## Managing Cultural Diversity

		Integration	
		YES	NO
Domination	NO	<b>Synthesis</b> is a policy aimed at cultural integration on the basis of melding of both or all partners' cultures	<b>Segmentation</b> 1. <b>Segregation</b> : no integration between the cultures 2. <b>Pluralism</b> : limited discourse between cultures
	YES	<b>Domination</b> is a policy aimed at cultural integration based on the dominance of one partners' culture <span style="color: red; font-family: cursive;">Dom + Int</span>	<del><b>Breakdown</b>: policy of domination by one partner fails to secure integration as it is rejected by the other partner</del>

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## Managing Cultural Diversity - Synthesis

**Advantages**

- Permits integration that enhances quality of cooperation
- Maximizes potential for mutual learning
- Provides new identity to JV
- Creates flexibility to adapt to local conditions

**Disadvantages**

- May face resistance to change
- Takes time and effort in implementation
- Could affect productivity negatively in short term

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### Managing Cultural Diversity - Synthesis

- H&M is known for its synthesis strategy, which involves blending elements from different cultures to create a cohesive and inclusive brand identity.
- The company incorporates diverse design inspirations, fabrics, and styles from various cultures into its collections, catering to a global customer base.
- H&M collaborates with international designers and artists to create culturally-inspired collections that celebrate diversity and promote inclusivity.
- For example, the **H&M x Kenzo** collaboration featured bold prints and vibrant colors inspired by Japanese and African cultures, appealing to fashion enthusiasts worldwide.

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## Managing Cultural Diversity - Domination

**Advantages**

- Allows rapid introduction of standardized policies and practices
- Creates unified identity
- Provides single face to external groups like customers

**Disadvantages**

- Can cause resentment from dominated culture
- Forgoes opportunities to learn from other cultures
- Reduces flexibility to adapt to local conditions

M&A

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### Managing Cultural Diversity - Domination

- **Louis Vuitton**, a luxury fashion house, employs a domination strategy by asserting its brand identity and aesthetic across diverse markets while maintaining exclusivity and prestige.
- The company's iconic monogram and signature designs serve as symbols of luxury and status, transcending cultural boundaries.
- Louis Vuitton strategically positions itself as a dominant player in the luxury fashion market, setting trends and influencing consumer behavior worldwide.
- The brand's flagship stores, with their opulent interiors and impeccable service, reinforce its image as a symbol of luxury and sophistication.

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### Managing Cultural Diversity - Segregation

#### Advantages

- Avoids offending cultural sensibilities and cultural conflicts
- Allows for strong subcultures
- Gives greater flexibility to local operations
- Maintains productivity in short run

#### Disadvantages

- Reduces synergy gain, mutual learning
- Reduces ability to standardize practices
- Leads to poorly integrated management systems
- Creates personal isolation for expatriates

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### Managing Cultural Diversity - Pluralism


#### Advantages

- Allows for comparison between cultural approaches that encourage learning

#### Disadvantages

- Requires more effort and time than segregation

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### Managing Cultural Diversity - Segmentation

- Uniqlo, a Japanese apparel retailer, adopts a segmentation strategy by targeting specific consumer segments with tailored product offerings and marketing campaigns.
- The company recognizes the diverse needs and preferences of consumers across different demographics, regions, and lifestyles.
- Uniqlo segments its product range to appeal to various customer groups, such as casual wear, activewear, and business attire.
- The company also customizes its marketing messages and promotional activities to resonate with target audiences, leveraging cultural insights and consumer behavior data.

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## **Summary**

### **Porters Generic Strategies**

- **Differentiation**
  - 1.Product Attributes
  - 2.Firm – Customer Relationships
  - 3.Firm Linkages
- **Competitive Advantage through Culture**
- **HR Policies to Manage Culture**

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