particular industries. This leads to MNCs looking for ways of improving efficiency, which will make them better competitors. Domestic rivalry creates pressure to innovate in order to improve quality and reduce costs, and to invest in upgrading the country's advanced factors of production. All of this helps to create world-class competitors.

INDUSTRY COMPETITIVE STRATEGIES

The transition from an MNC's home country competitive advantage(s) to global competitive strategies often reflects the structure of the country's industries. This is because a country's industry structure often reflects that country's national endowments.

It must be borne in mind that requirements for success in particular industry segments change over time. Management can use these changes associated with the different stages of industry development to isolate the competitive advantages that can shape strategic choices. These evolutionary phases in the transformation of industries are discussed in the following subsections.

THE EVOLUTIONARY DEVELOPMENT OF INDUSTRIES

The structure of a country's industries can be characterised by distinctive evolutionary phases, which yield different competitive advantages of which MNCs can avail themselves.

Emerging industries

These are regarded as newly formed or re-formed industries that are the product of technological innovation, newly emerging customer needs or other social or economic changes.[16] Good examples of emerging industries are those that have come about as a result of internet-based social networking, satellite radio, telemedicine, surgical robots and online service industries. Businesses such as Uber (ostensibly a taxi service linking potential passengers and willing drivers) and Airbnb (connecting property owners and potential tenants through an electronic platform) are examples of this type of industry.

From the point of view of strategic choices, emerging industries are characterised by uncertainties. The absence of rules presents both a risk and an opportunity for potential investors. The strategic positioning of MNCs relative to emerging industries is critical and, if carefully articulated, could serve to reduce uncertainty in emerging industries.

The following characteristics are the hallmarks of emerging industries:

- There is technological uncertainty regarding the product standardisation that will eventually unfold. MNCs with proprietary ownership of certain technologies could capitalise on this uncertainty and reap the benefits of the competitive advantage.
- The prevalence of inadequate information about competitors could lead to competitor uncertainty, and uncertainty about the strength of demand vis-à-vis

buyers in the marketplace. Such uncertainty could present opportunities which could create one or more competitive advantages. For example, competitive advantages could be created in terms of first-time customers who are confused as to the availability of non-standardised products in an uncertain market space.
- There is uncertainty as to how predictably the experience curve applies to those wishing to enter emerging industries. This is due to doubt regarding the initial costs which could be incurred by MNCs seeking to penetrate such industries, together with uncertainty as to when corresponding costs will start declining.
- The dearth of entry barriers can be a catalyst to the formation of new firms.
- Raw materials and components are inaccessible, owing to suppliers not yet being ready to respond to the industry's needs.
- There is a need for high-risk capital, due to industry uncertainty.

The abovementioned characteristics should prompt MNCs to formulate global business strategies which have the potential to:
- improve the industry's structure, so as to alleviate uncertainty in the marketplace
- improve the quality of products to be sold in such markets
- build congenial relationships with suppliers and their distribution channels
- capitalise on technological uncertainty by entrenching their own technological dominance
- galvanise a core of reliable customers in the face of future competitors encroaching on this market space.

Growing industries

This phase of industry development implies a rapid increase in new competitors, often new entrants who are large competitors with substantial resources, and who have anticipated that this market will, eventually, vindicate itself as an attractive destination for MNCs and other competitors. A market of this nature has the capacity to support product and brand differentiation, as well as the resilience to support the financial resources needed for heavy market expenditure and growing price competition, with its impact on cash flows. An example of a growing industry is the building and installation of specialised kitchen cupboards.

Increasing demand in the marketplace is compatible with economies of scale and scope as market entrants increase production and service capacity to meet growing demand. This is conducive to increased investment in plant and equipment, R&D, as well as more rigorous marketing efforts to target specific customer groups. Such efforts require strong distribution capabilities, which will place a heavy demand on the capital resources of MNCs.

Global business strategies in growing industries would incorporate features such as:
- the ability to establish strong brand recognition
- the ability to expand production capacity to meet growing demand, including capacity in the area of service capability and the training logistics associated with such capacity

- product innovation so as to adapt products and skills to scaled-up operations in emerging market niches
- the competency and capacity to effect product differentiation from other competitors entering the market space
- the accompanying resources and skills to create unique product features and advantages, including strong capabilities in sales and marketing
- the ability to ensure repeat buying on the part of existing customers.

Mature industries

A maturing industry is one that is experiencing significantly slower growth. An industry is said to be mature when nearly all the potential buyers of the products in that industry are already users of the product. An example of a mature industry is the alcoholic beer industry.

Market demand in the mature industry consists mainly of repetitive or replacement sales to existing users. Growth hinges on the industry's ability to attract a few buyers and to convince buyers to increase their usage of the product. For instance, mature consumer goods typically have a growth rate of below 5 per cent, equal to the growth rate of the economy or the growth rate of the customer base.

Some of the catalysts in the transition to maturity relate to new technological advances or product innovations. Industry maturity has two implications for competitive advantage and the building of global business strategies:

1. It reduces the number of opportunities to establish a competitive advantage.
2. Opportunities for competitive advantage move from differentiation-based to cost-based factors.

MNCs therefore need to focus on low costs as a means of achieving competitive advantage in mature industries. To exploit low costs, consideration should be given to three cost drivers which can play a role in this regard, namely economies of scale, low-cost inputs and low overheads.

Maturing industries exhibit the following characteristics:

- Buyer demand and market share decline due to price cutting and increased advertising.
- The number of sophisticated buyers increases due to consumers' experience with the product. As they become familiar with competing brands, they are able to evaluate different brands.
- The abovementioned constraints put pressure on industry profitability.
- Increased competition encourages mergers and acquisitions from competitors, which drives the weakest competitors out of the industry.

In response to the abovementioned constraints, global business strategies for mature markets should be designed to:

- prune product lines and drop unprofitable lines

- place an appropriate emphasis on process innovation that allows for low-cost product design and manufacturing methods
- allow the MNC to pursue cost reductions wherever possible
- facilitate careful buyer selection, thereby focusing on less aggressive buyers
- pursue possible horizontal integration to acquire rival firms whose weaknesses can be exploited
- consider international expansion to markets where there is still growth.

Declining industries

MNCs operating in industries where demand is growing more slowly than the economy-wide average growth rate, or where it is even declining below the average GDP growth rate, find themselves stuck in what is known as declining or stagnant industries. Examples of declining industries include traditional, established retailers whose product offerings are dated.

MNCs in this predicament can consider diversifying into other related product-market segments so as to improve their cash flow. In more extreme cases, they could try and diversify into other industries which are not necessarily related, but this could be very costly.

Moreover, there may be strong competitors who are still able to achieve good performance in a stagnant market environment. These participants may prove to be a surprisingly formidable force, despite the stagnancy in the industry.

An MNC can pursue competitive strategies crafted with the purpose of allowing it to compete in declining or stagnant industries. However, the following constraints must be taken into consideration:

- The MNC's focus must be on industry segments that offer higher growth or a higher return.
- The MNC must concentrate on product innovation and quality improvement, on the condition that this can be achieved in a cost-effective way to differentiate the firm from competitors.
- Production and distribution efficiency must be emphasised by streamlining the production process and closing cost-ineffective production facilities.
- Cost-cutting measures implemented must be sufficiently drastic so as to generate a strong and sustainable cash flow.

These strategic initiatives have the potential to be successful, particularly where the industry's decline is slow and smooth, with some profitable niches remaining.

Fragmented industries

A unique characteristic of some industries is that they are populated by a myriad of small to medium-sized enterprises (SMEs), none of which have a substantial share of total industry sales. This is known as a fragmented industry. The most important competitive feature of a fragmented industry is therefore the absence of market leaders with substantial market share or widespread buyer recognition. Examples of this type of industry include landscaping, plant nurseries, real estate development, health and medical care and funeral services.

Fragmentation of the supply side of an industry takes place due to the absence of market leaders, the existence of low-entry barriers that allow MNCs to enter quickly and cheaply, and customers who require relatively small quantities of customised products (such as kitchen cabinets).

As fragmented industries consolidate over time due to slow growth and market maturity, stronger competition leads to weaker, inefficient firms being forced out of the industry. This trend is exacerbated by the formation of a greater concentration of larger, visible sellers.

However, it is the ease of entry to these types of markets that accounts for the fierce competition that SMEs face. This competition often comes from powerful suppliers and buyers who try to capitalise on the ease of entry.

Given this unique set of circumstances, global competitive initiatives designed for fragmented markets should enable MNCs to:

- pursue low-cost or differentiation strategies
- run tightly managed, decentralised firms through locally co-ordinated control, ensuring a high level of product service and local responsiveness
- manage standardised, efficient, low-cost facilities at multiple locations, which is conducive to building a low-cost advantage relative to local competitors
- increase added value by providing more after-sales service and product innovation
- concentrate on specialisation by focusing on product type, customer type, different types of orders and geographical areas.

CONSTRAINTS SHAPING INDUSTRY COMPETITIVE STRATEGIES

MNCs seeking to compete in the global marketplace typically face two types of competitive pressures – cost reductions and local responsiveness – that affect their ability to realise location economies and experience curve effects. Cost reductions often lead to the call for global integration, while local responsiveness urges MNCs to adapt locally.[17] In both national and international competition, pressures for cost reduction are pervasive. However, in international competition the pressure for local responsiveness – a reflection of different consumer preferences and host country demands – is unique. This in turn has an impact on industry competitive strategies, depending on the measure of industry evolution.

This dichotomy can exacerbate the tension that arises between the call for cost reductions on the one hand, and the pressures for local responsiveness on the other hand. Moreover, these constraints can actually impede the implementation of competitive strategies.