

Global Business Strategy (Chapter 1 and 2)

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Topics to be covered

- Introduction of this course (Chapter 1)
 - Why “Global” Business Strategy?
 - World is not completely flat (not same all over the world)
 - Innovations may come from the “difference”?
 - Why “Emerging Markets”, like China and India?
- Global business strategy: Theory (Chapter 2)
 - Example: China is your “market” or “factory”?
 - CAGE and AAA framework

Some features of this course

- Globalization studies for Japanese firms to invest in emerging economies, importance of partnership with government. (C and I)
- Combination of theory (international business management) and practices:
Teaching method: lecture and case studies (active class participation is encouraged!)
- International business plan: Application to the real world

“The World is Flat” by Thomas Friedman

- 1st Globalization Era: 1492: Columbus found the American continent.
- 2nd Globalization Era: Around 1800: Industrial revolution (by steam engine) drove down transportation costs significantly.
- 3rd Globalization Era: Around 2000: Internet and information technology revolution -> Globally flat business emerges (like Infosys)

What is this?



Galapagos islands



Infosys : Bangalore

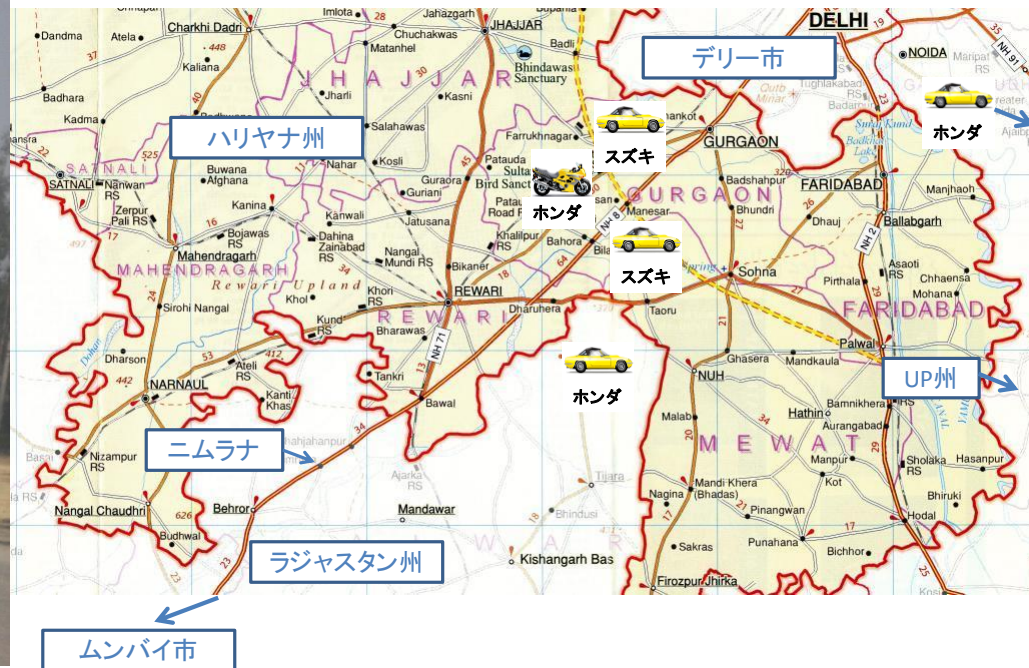
Japan as Galapagos Islands?

- 1990, in “Competitive Advantage of Nations” by prof. Michael Porter, describes Japan as “a country where you can find the most sophisticated customers in the world”
- 200X, Japanese mobile phones are called as “Gala Kei”, stands for Galapagos Keitai (mobile phone)
- 2010, Sharp introduced multi media terminal called “Galapagos”
- What happened? Smart phones (iphone, android ones) squashed out such niche products

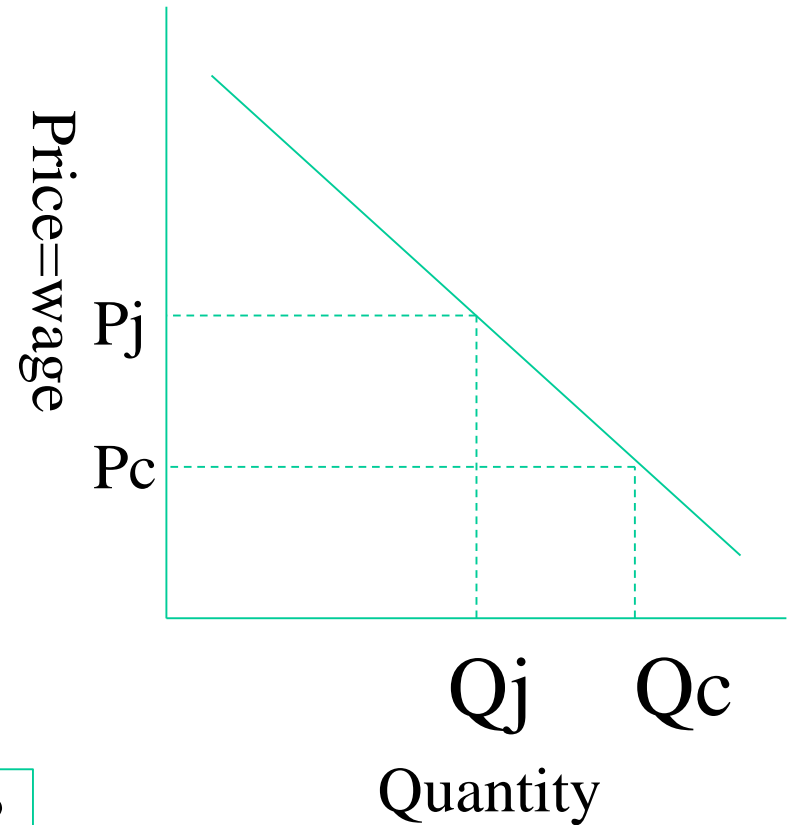
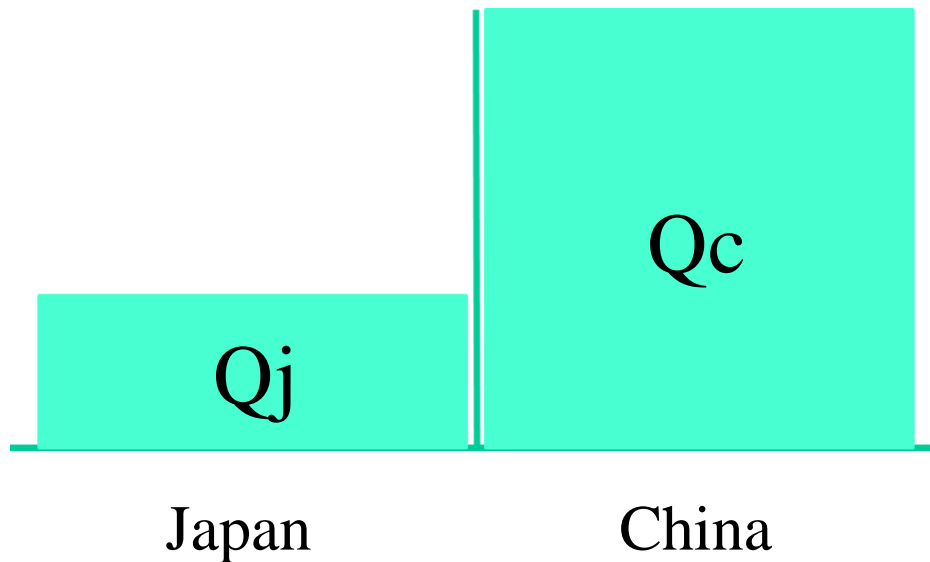


From Sharp's website

Reality in India...

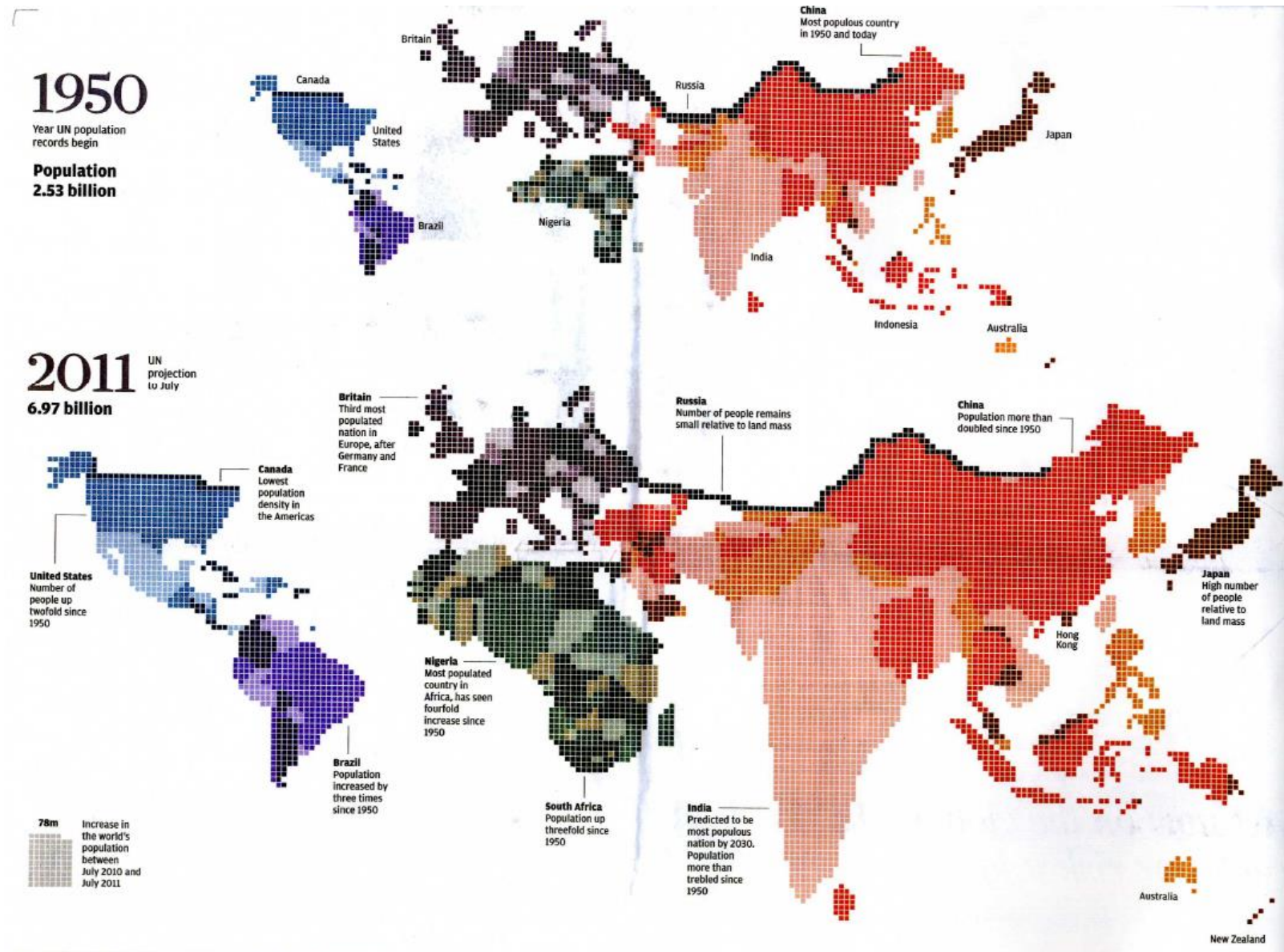


Why an average wage is different between Japan and China?

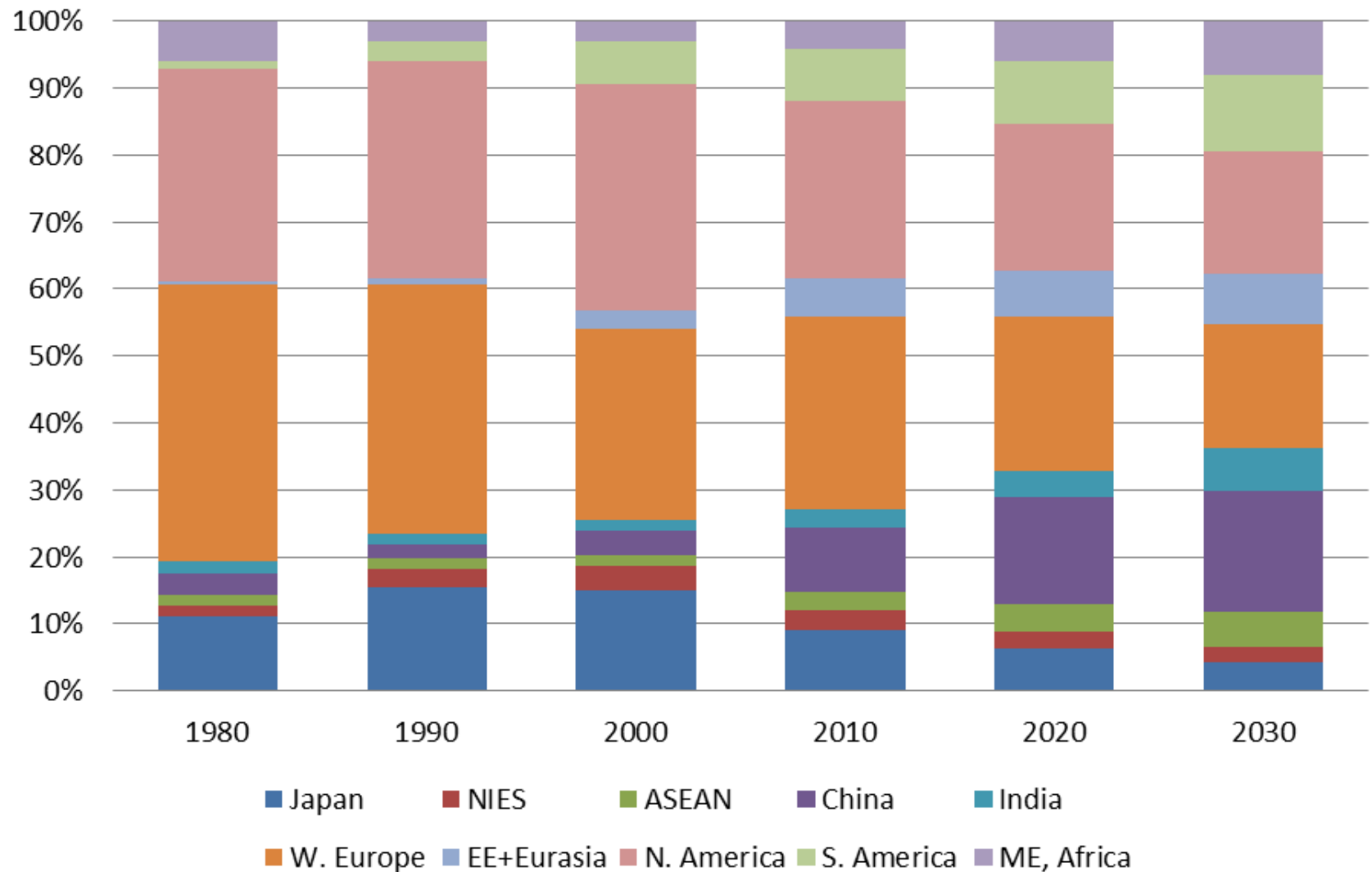


What happened if this wall is lowered?

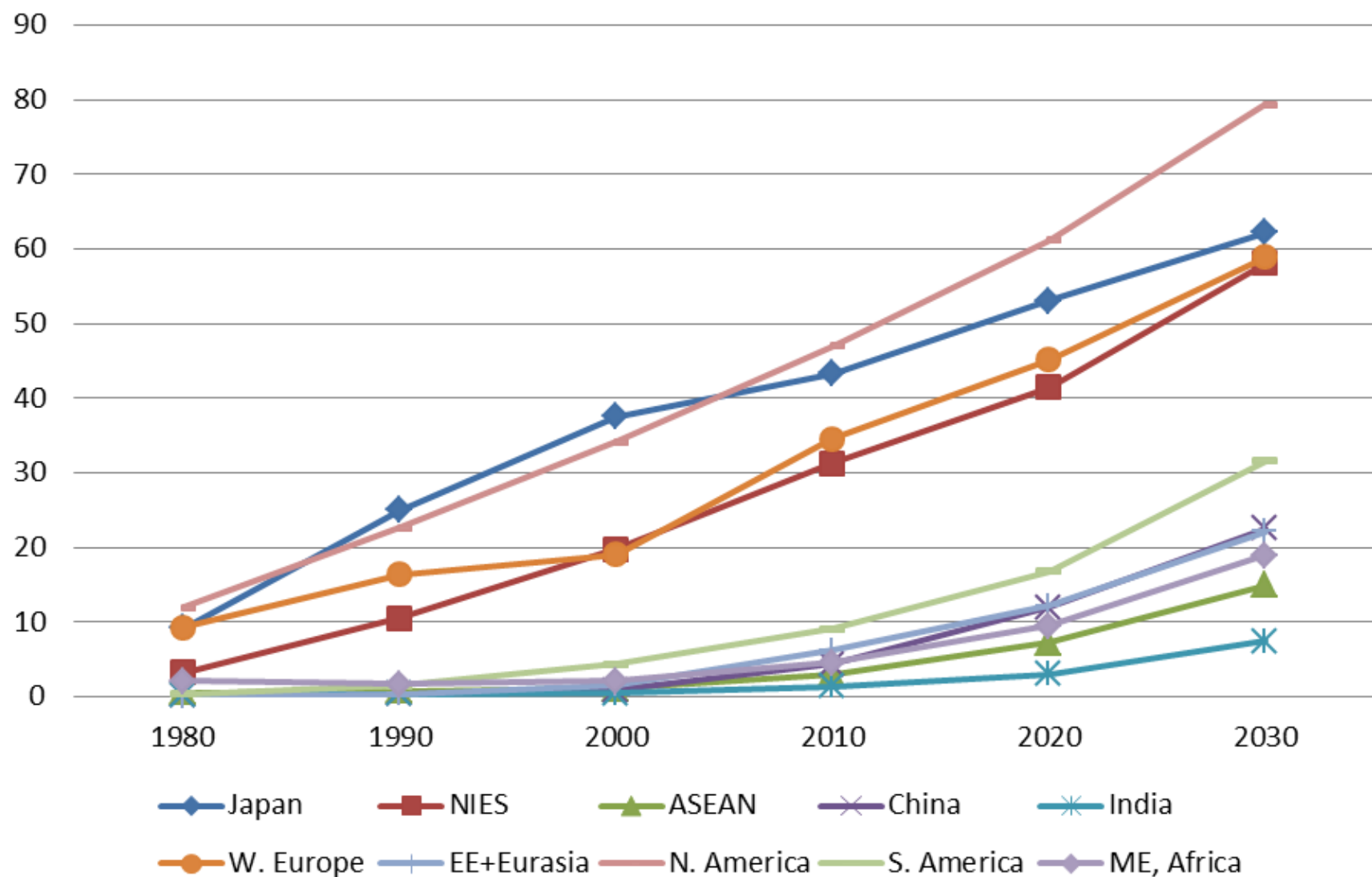
Changes in the world population



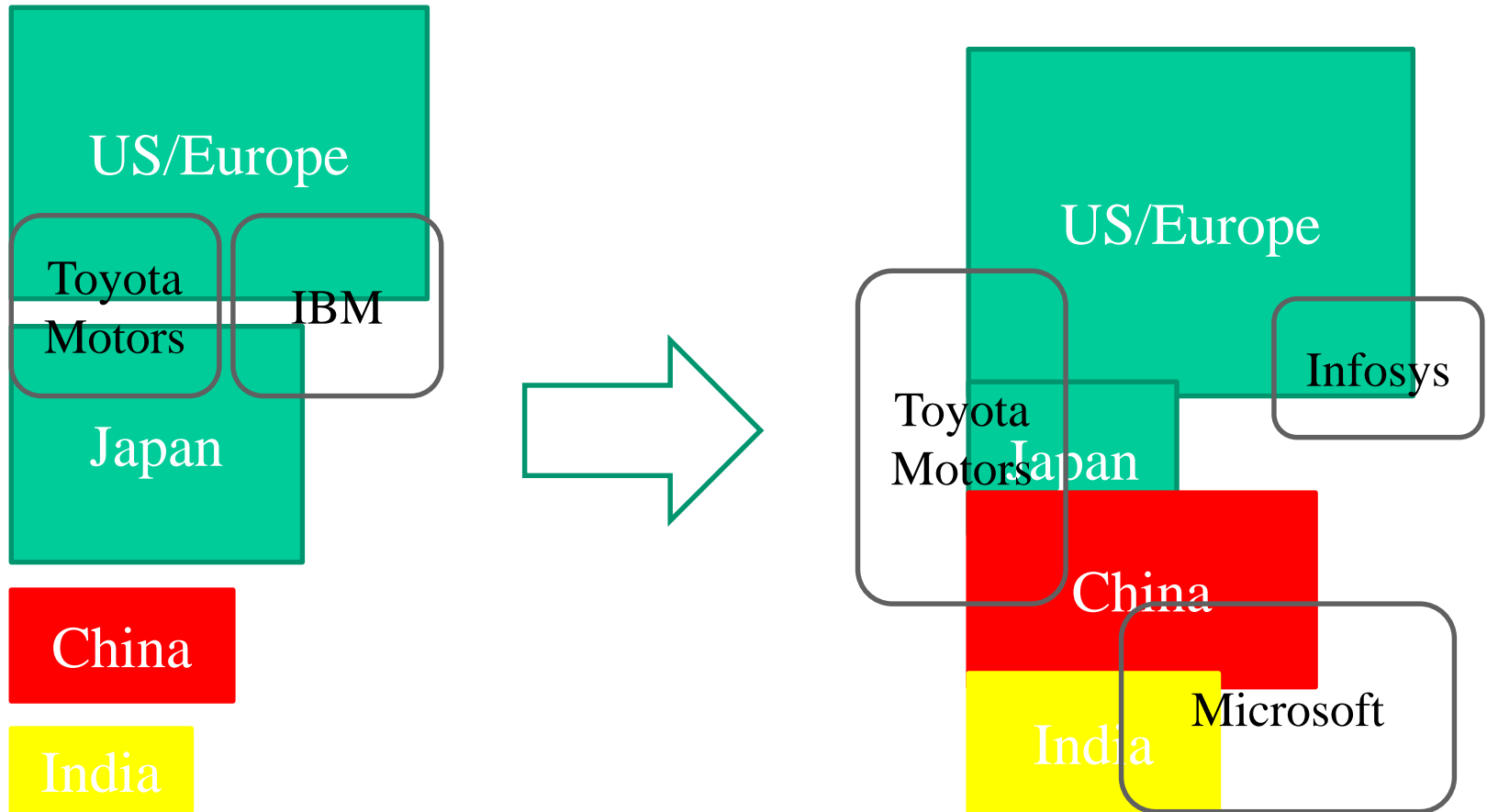
GDP (US dollar)



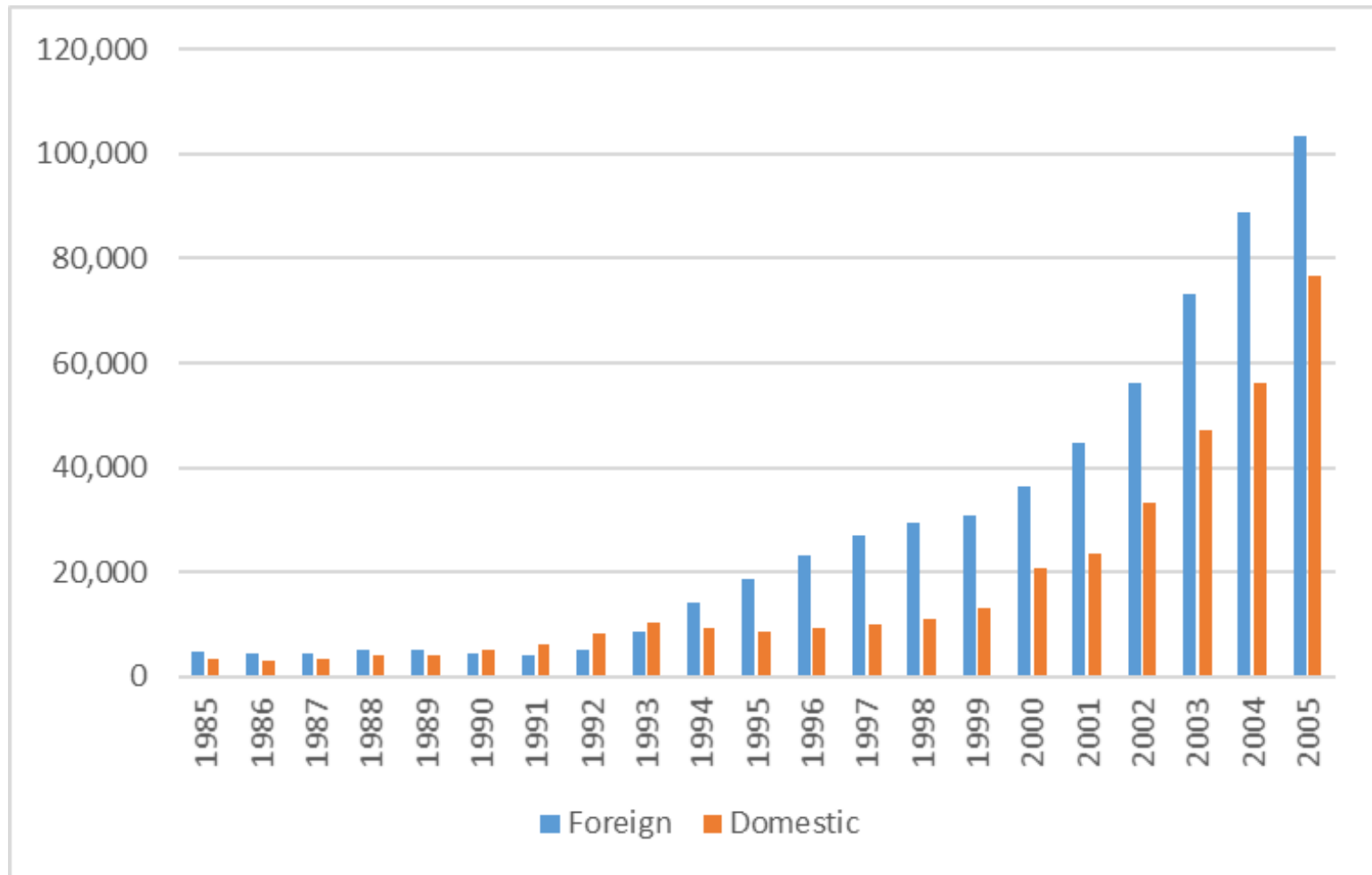
GDP_Per_Capita (US dollar)



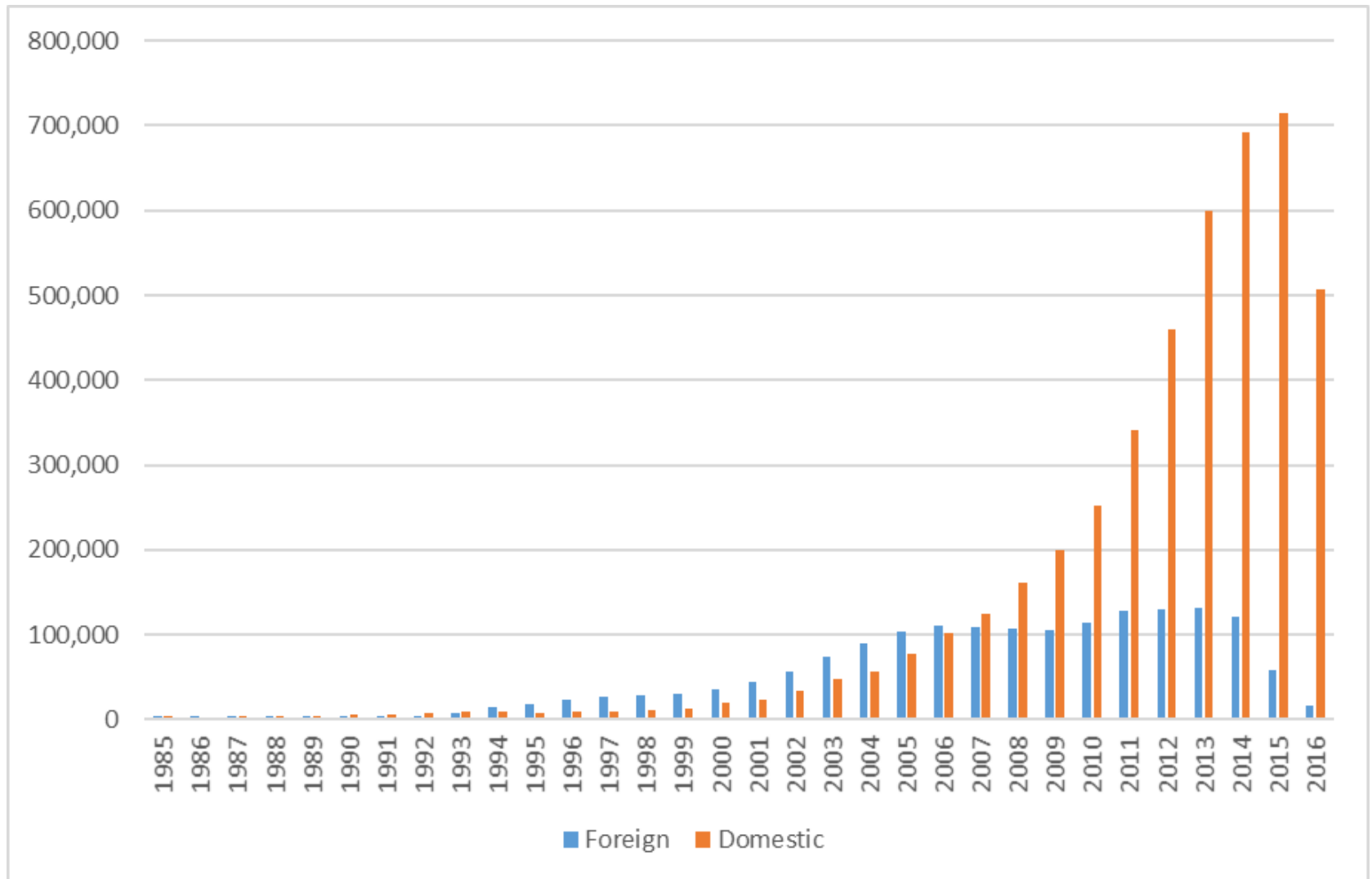
What is Globalization and why?



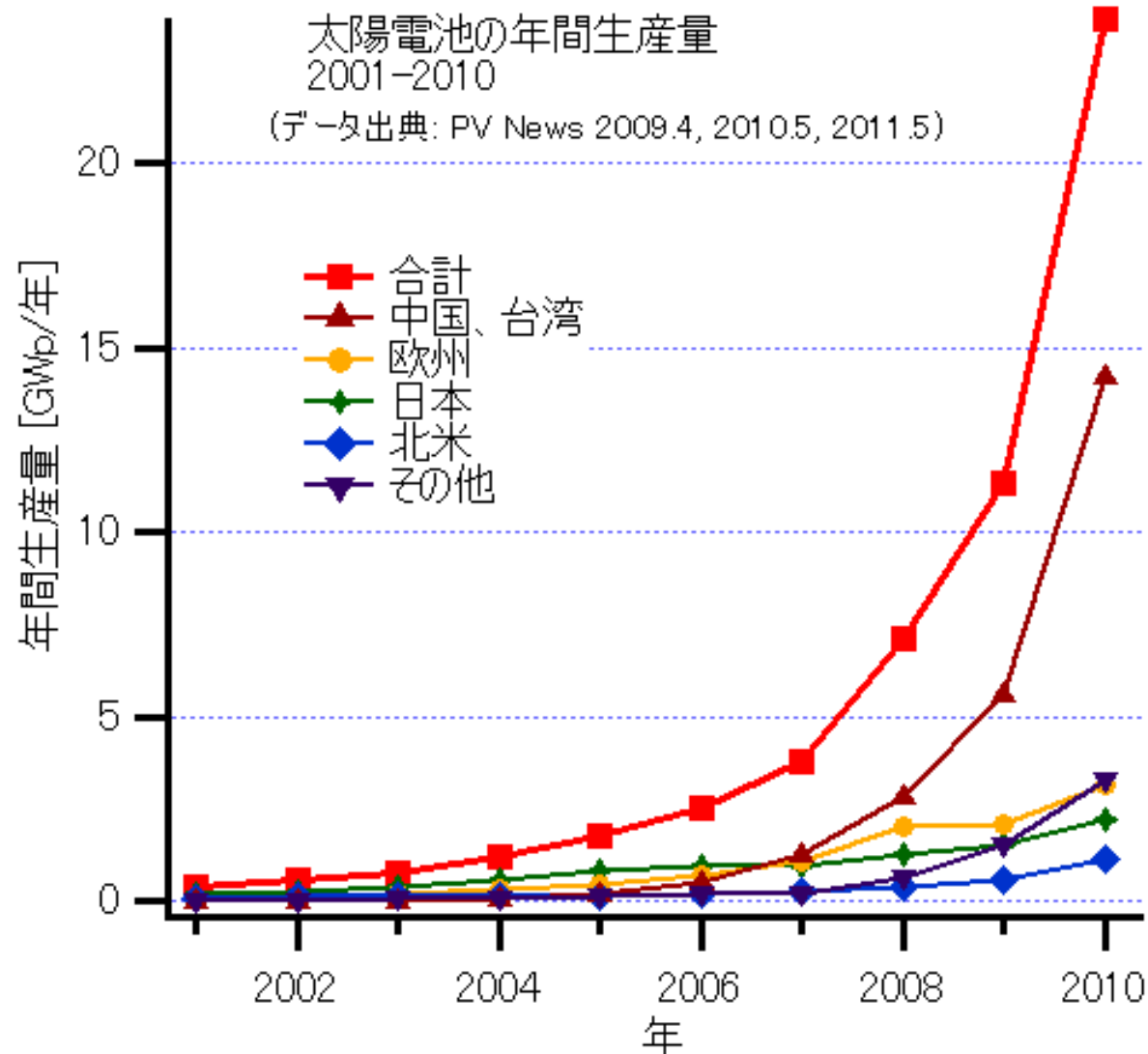
Patent Applications in China (-2005)



Patent Applications in China (-2015)



What happened in PV module production?



Development in emerging economies Such as China and India

New
markets

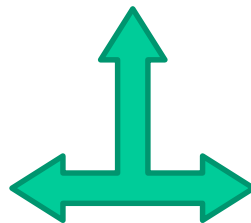
New
competitors



Global Business Strategy

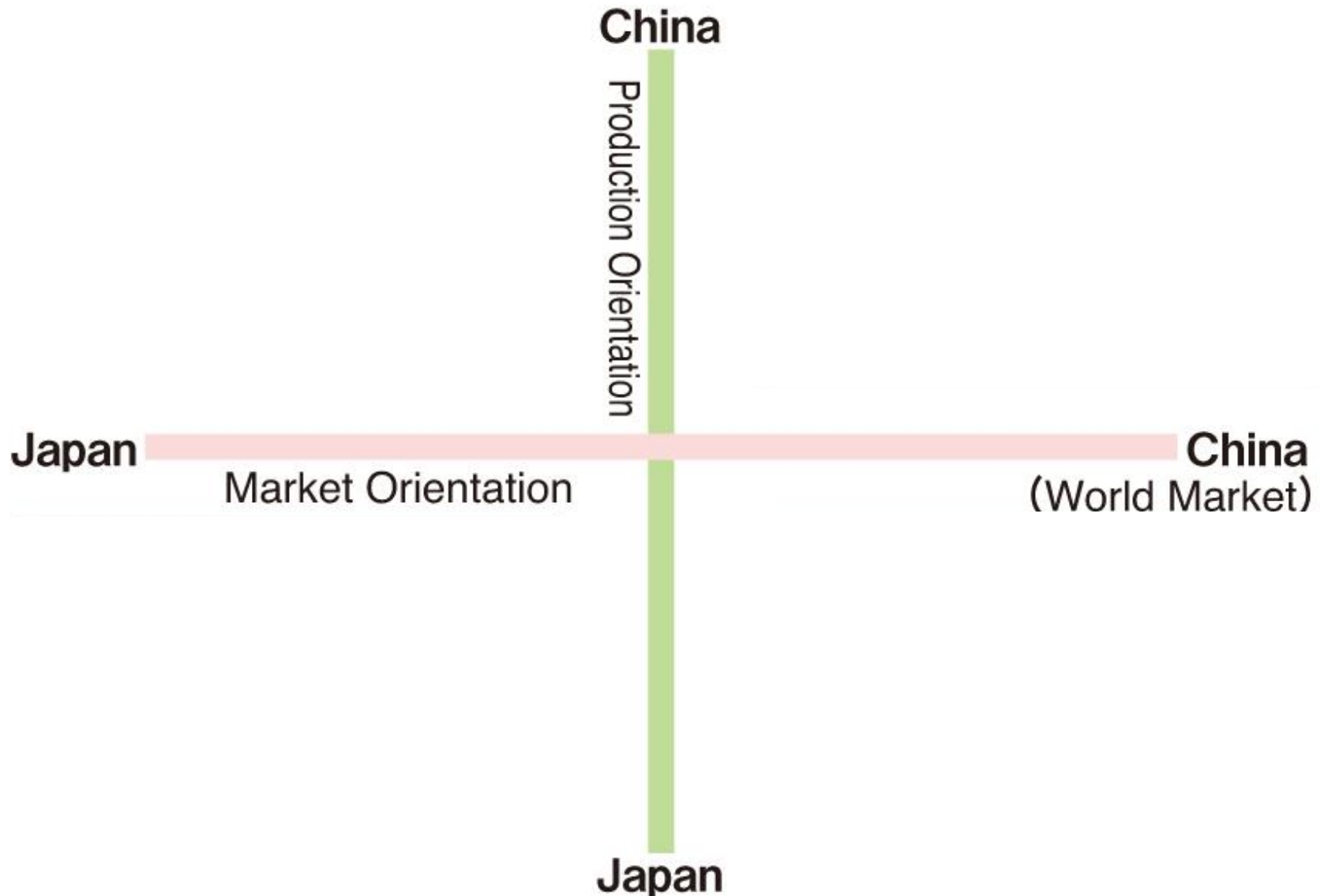
- Shift to “good enough market” and improvement in cost competitiveness
- Business model re-organization by service dominant design

World is not so
flat,
understanding
distance

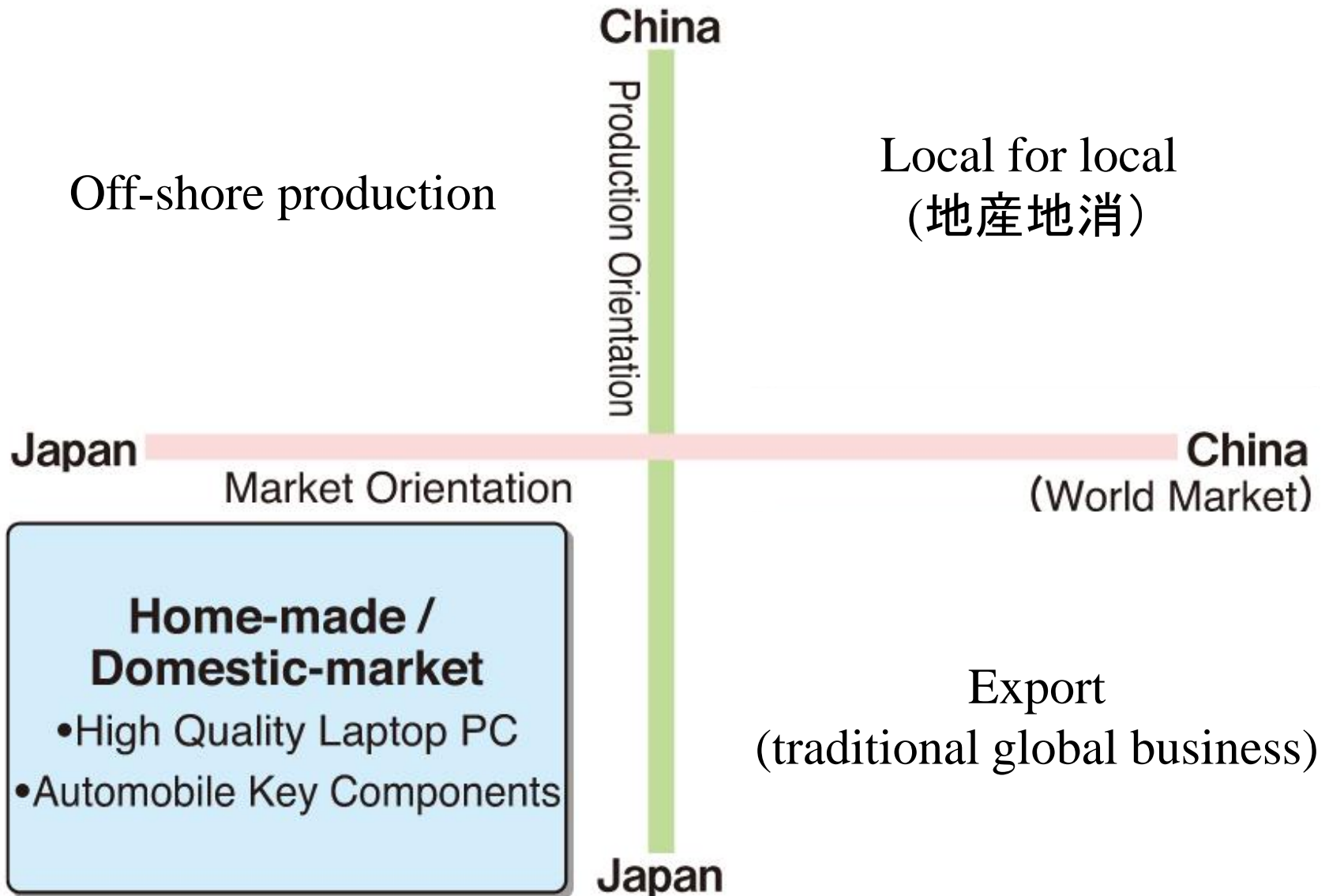


Consistency
with corporate
strategy

China is market or factory?



China is market or factory?



CAGE framework

- Cultural Distance: language, customs, religion, cultures etc.
- Administrative Distance: regional integration administration (FTAs), currency, common suzerain state, political dispute
- Geographic Distance: physical distance, time zone, etc.
- Economic Distance: per capital GDP, wages, living costs

Redefining Global Strategy: Crossing Borders in a World Where Differences Still Matter
by Pankaj Ghemawat (Harvard Business School Press)

AAA: How to manage “distance”?

Adaptation : Customization of product or services to local market: McDonald’s vegi-burger in India, soundless and compact fridge in China (by Panasonic)...

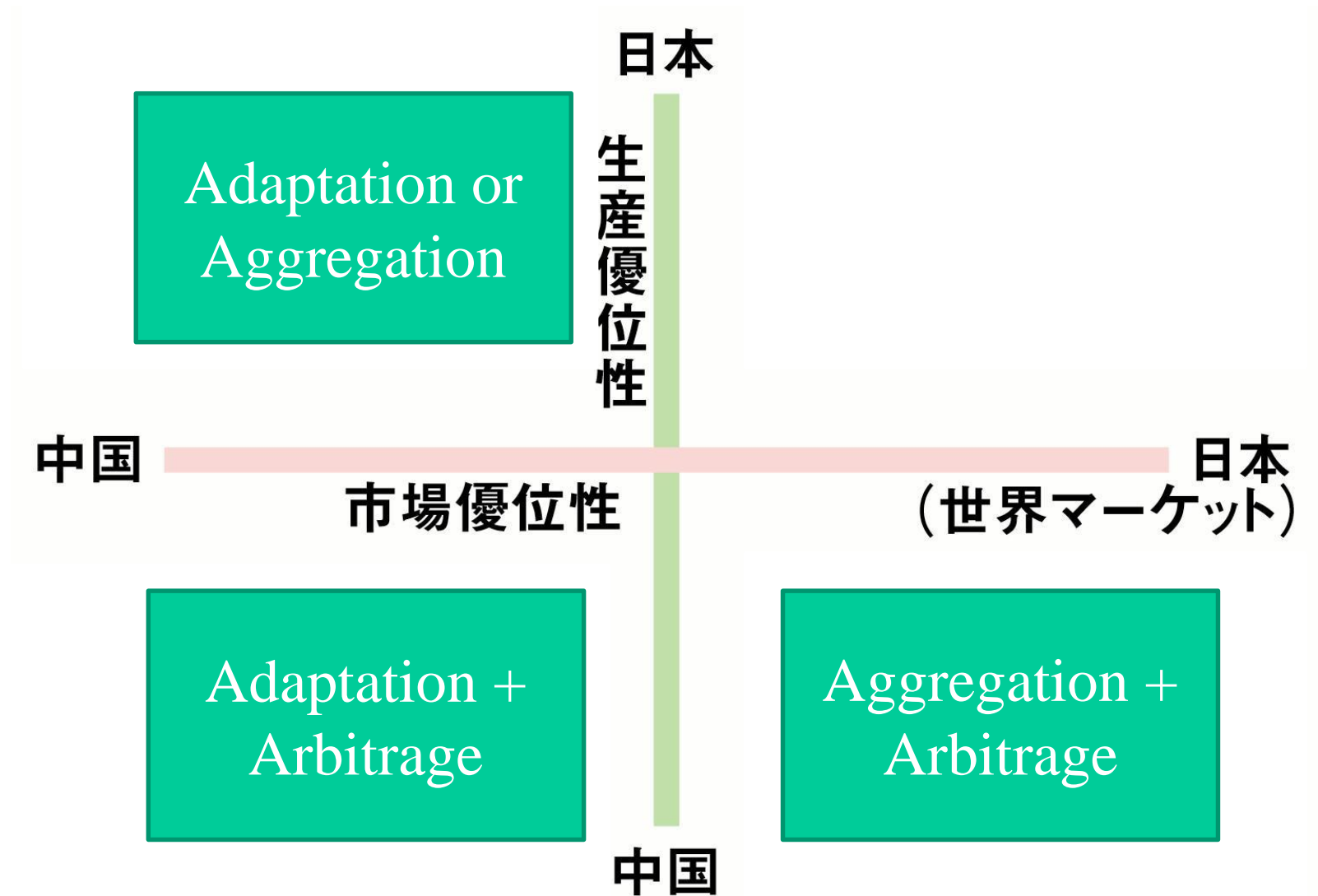
Aggregation : Globally (or regionally) standardized product and services: Toyota’s pickup trucks for SE Asia, Apple i-phone...

Arbitrage : Making profit out of distance : Infosys, UNIQLO....

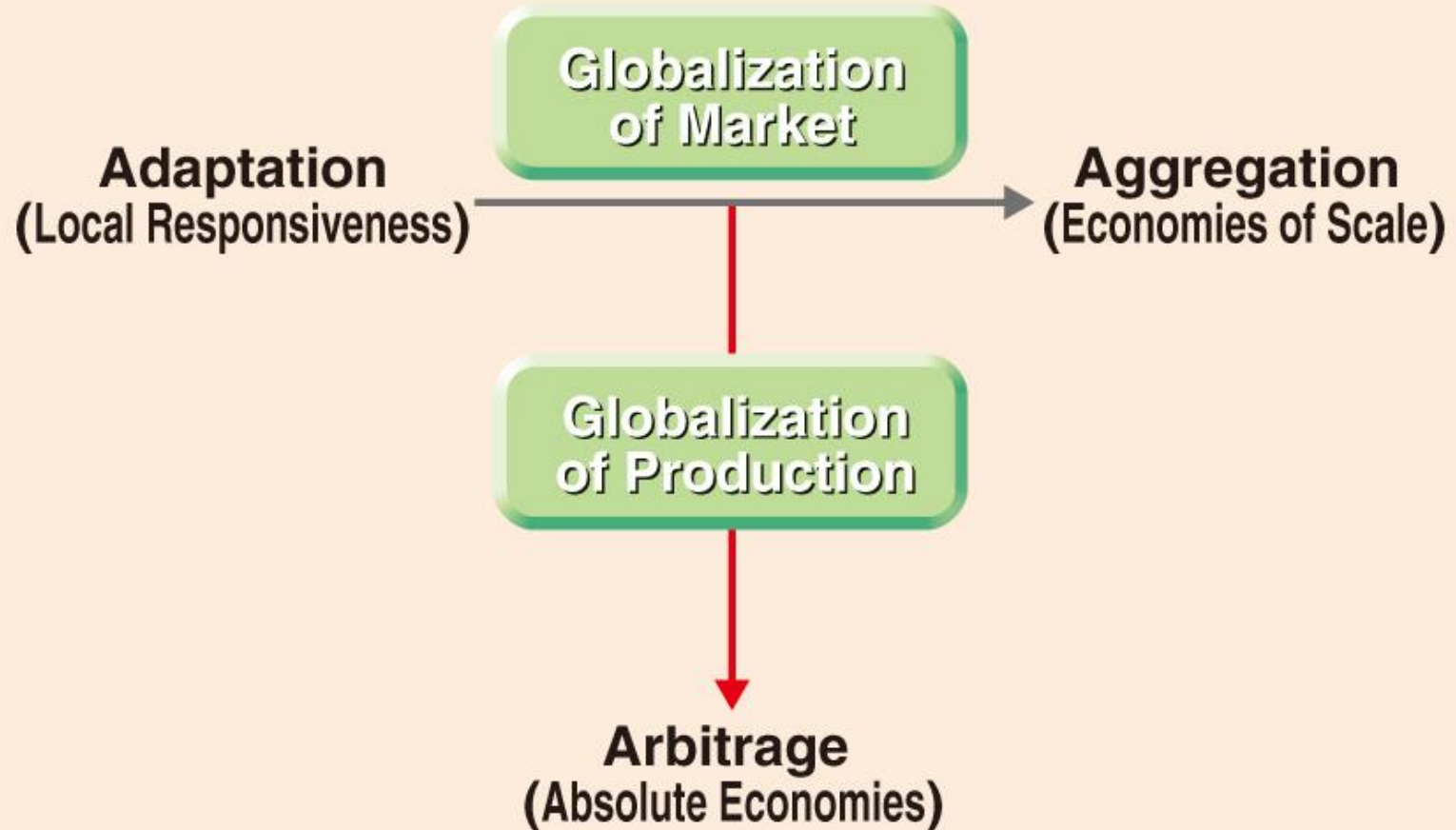
India vs China from US viewpoint

	Cultural Attractions	Administrative Attractions	Geographic Attractions	Economic Attractions
India	<ul style="list-style-type: none"> •English Language •Westernized Elites 	<ul style="list-style-type: none"> •Common Colonizer •Common Law •Political Friendship •Lower Long-run Risk? 		<ul style="list-style-type: none"> •Specialized Labor •Profitability •Firm Strategy and Upgrading •Soft Infrastructure
China	<ul style="list-style-type: none"> •Linguistic and Ethnic Homogeneity •Diaspora 	<ul style="list-style-type: none"> •Ease of Doing Business •Enclaves 	<ul style="list-style-type: none"> •Closer to U.S. West Coast •Superior Ports, Other Infrastructure •East Asian Production Network 	<ul style="list-style-type: none"> •Larger Markets •Higher Income •Labor Inputs and Productivity •Capital Availability •Supply Chains •Foreign Companies as Export Bridges

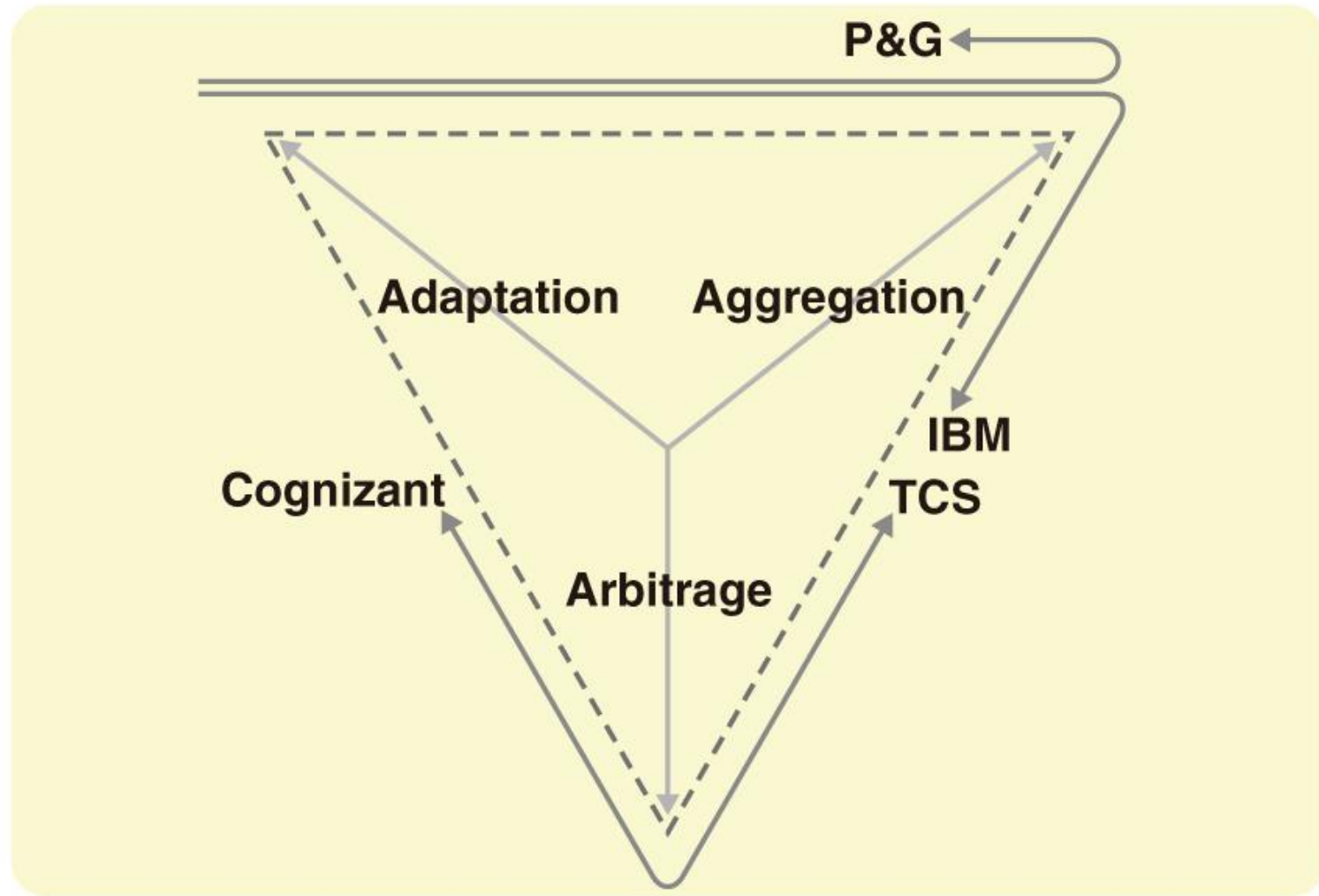
AAA mapping into P-M Grid



AAA Triangle by P. Ghemawat



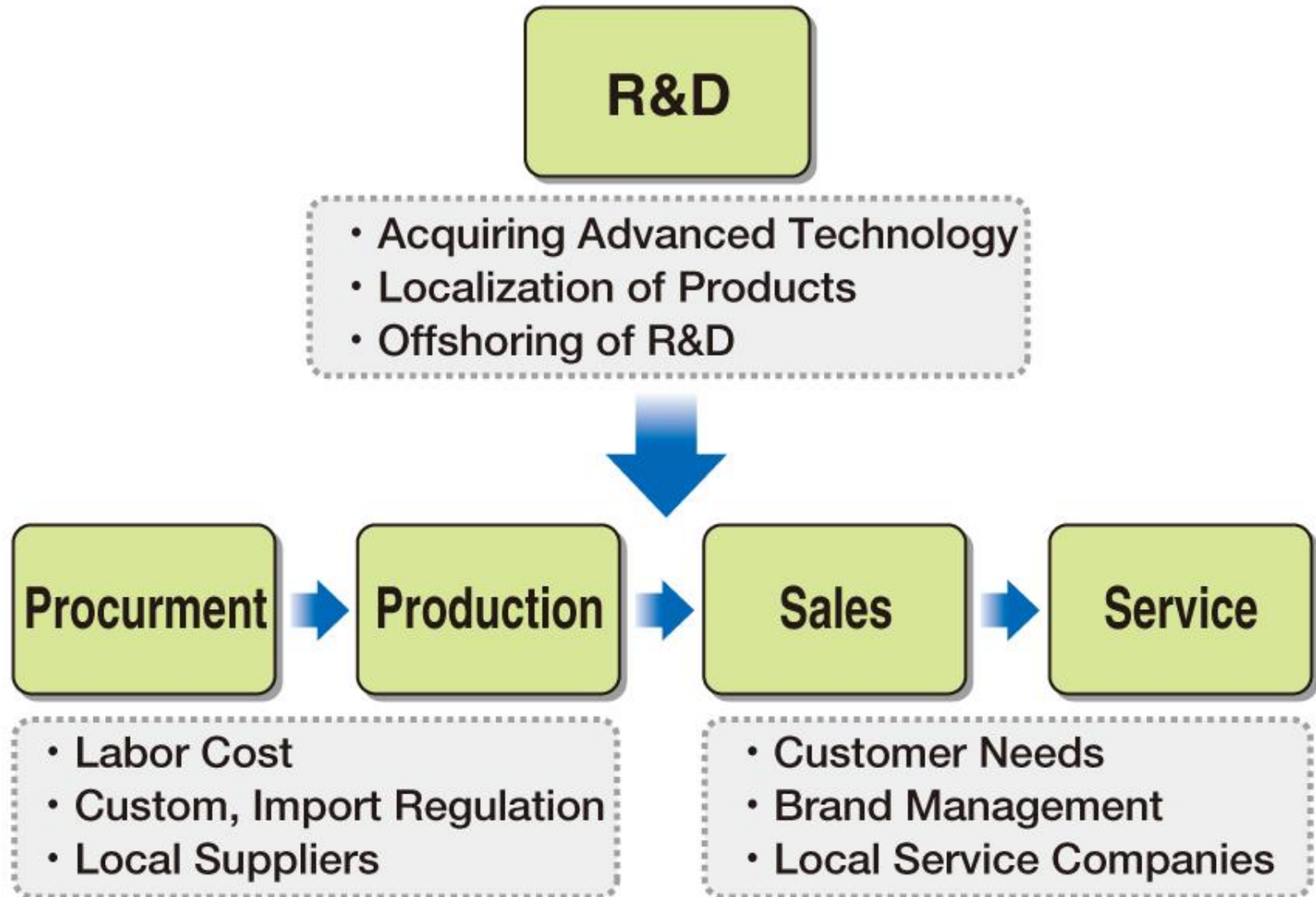
Shift of global strategies



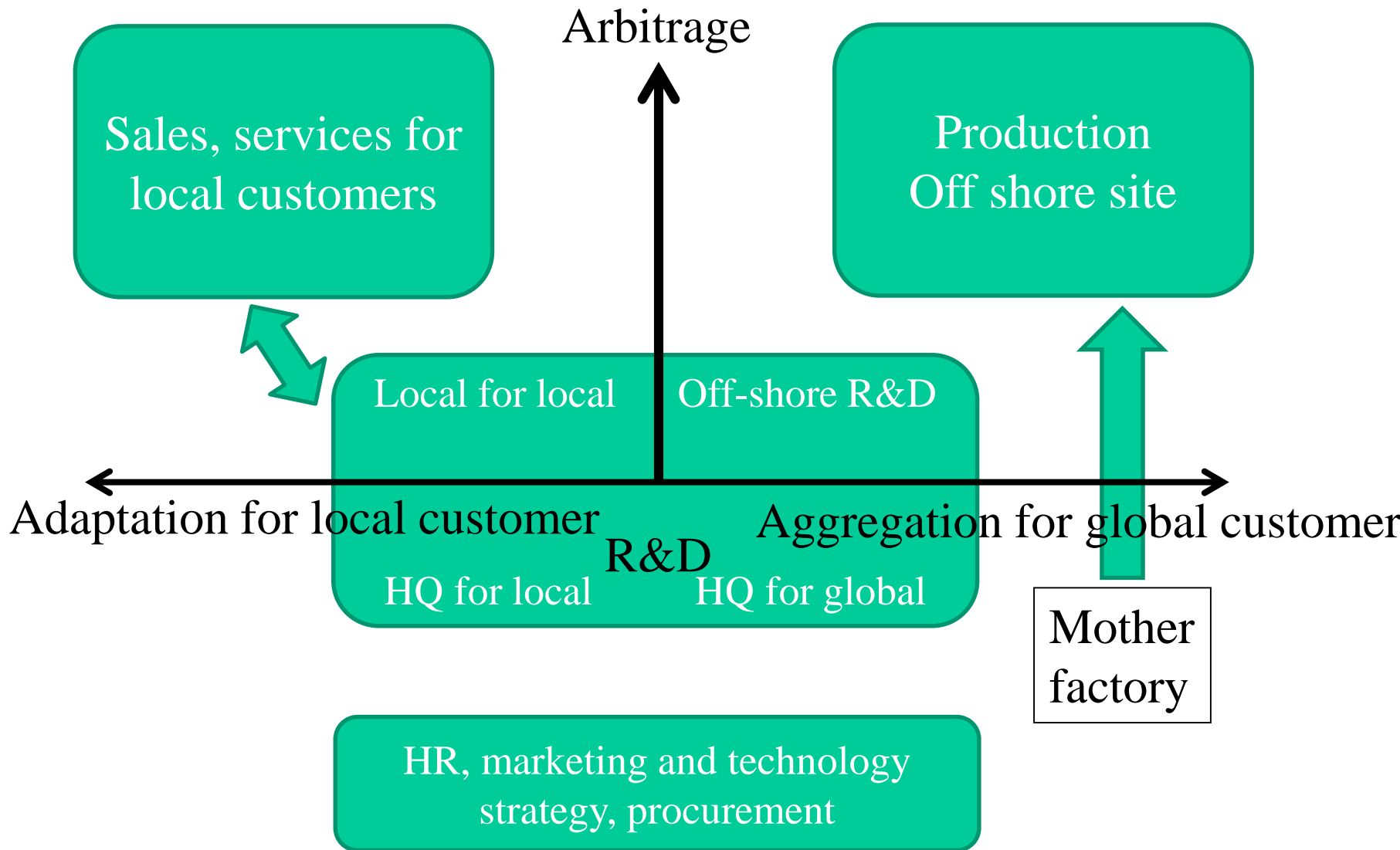
Global Strategy Making

- Factory or Market?: Supply side story or demand side story or both?
 - Arbitration is not only for manufacturing process but for various kinds of activities called off-shoring
- Aggregation or Adaptation:
 - Marketing concept: market segmentation and targeting (or global market?)

Value Chain and Global Strategy



AAA and value chain



Customer type and global strategy

	B2C	B2B	B2G2C
Goods	Automobile TVs, cosmetics	Parts Ind. Robots Steel	
Services	Financial Retail	HR service BPO	
Package (system integrator)		IT System integrator	Subway, Water

➡ TBD

Basically, adaptation to the customer
Some arbitrage, but some not

Case material: China and India

- India: factory or market? Please provide at least one example in each Quadrant of factory or market matrix.
- Pick up one industry of your favorite. Discuss attractiveness in India over China by CAGE framework.
- Then develop your global strategy plan based on AAA framework (which “A” should you put your focus on?)