

Global Business Strategy (Chapter 11)

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Recap: Mini Quiz

Q: You want to sell your Japanese food product in China, and apply "adaptation strategy" to fill substantial cultural distance from Japan. What kind of "place" strategy (out of marketing 4P), would you pursue? Would you invest in China as wholly owned subsidiary or joint venture with a firm in China?

A :

Place : “retail store”, “internet” (cannot be “direct selling, by labor force)

Entry : JV (but could be wholly owned subsidiary with joint marketing contract with China firm

Here are some good examples of answers

- Considering place strategy, channels like Internet and retail stores will be pursued. On one hand, **the added-value of food product is less and more limited than products like luxury and vehicles. There's little need to spend high value on direct sales channel for extra value.** On the other hand, food product relies on frequent sales and feedback from customers, which makes direct marketing channels like internet and retail stores where people buy together and share feedbacks for recommendation frequently. For investment, I think it depends on the type of food product. If the food is well-known **biscuits or chocolate that are both easy to transfer and are already welcomed by many customers, wholly owned subsidiary** should be chosen since those food can be sold easily in convenient stores, market and Internet. If **the food is like fresh seafood or food need much customization to Chinese tastes, JV should be chosen for efficient logistics,** flavor adaptation and domestic marketing strategies.

- I'll focus on three different place strategies in different stages, which are Internet, retail stores and value-added partners. When I first enter the market, I will sell my product through internet to save cost and test the product to see if it meets Chinese customers' preferences. After I have built up some awareness through online sales, I will work with value-added partners to further increase product acceptance. After that, I plan to start selling in offline retail stores, and then keep both online and offline sales channels.
- I'll choose to form joint venture with a local firm. There are two reasons. First, It can help us understand local preferences and develop new product faster. Second, we may be able to make contracts with suppliers and distributors more quickly with our partner's help and become able to do business faster.

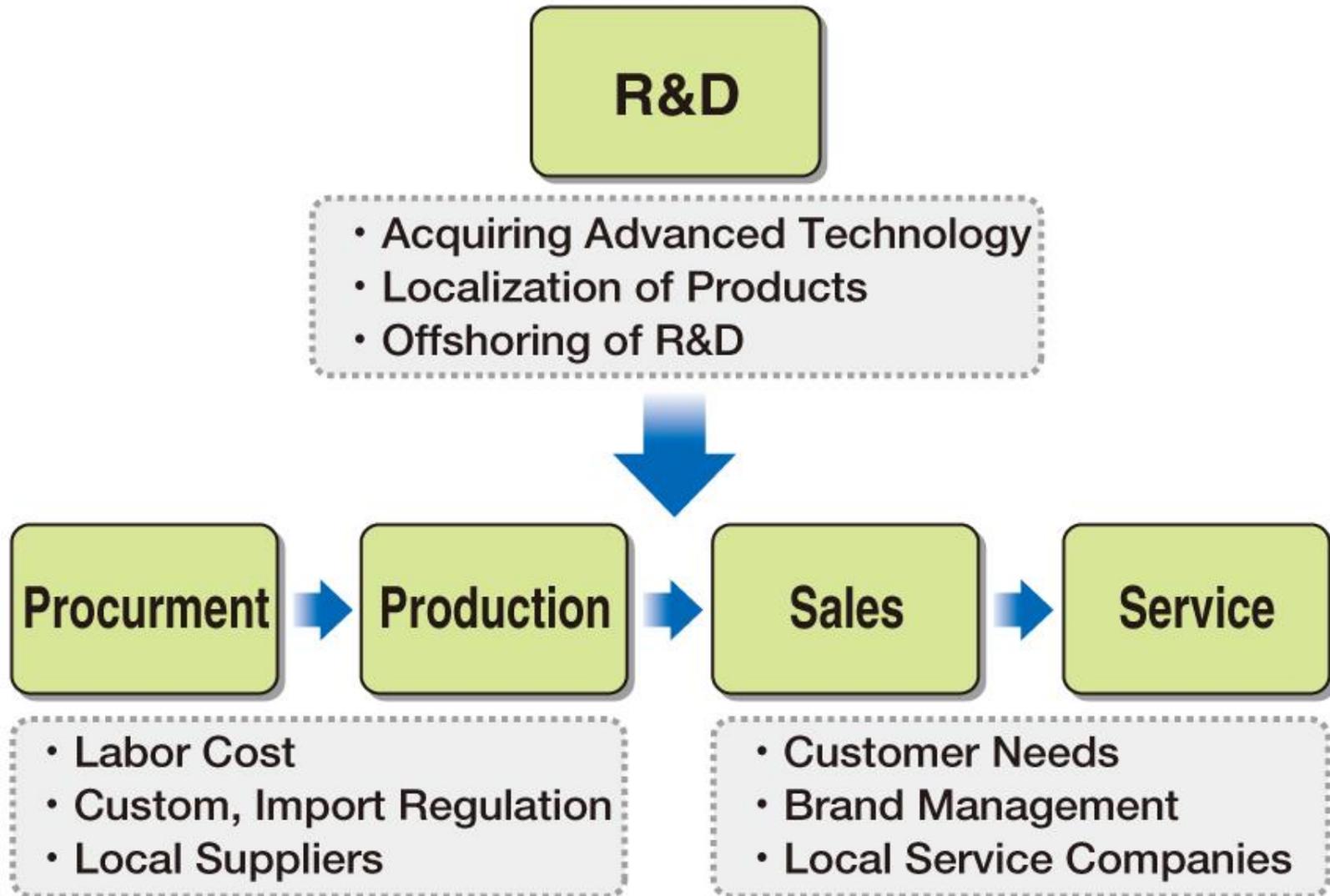
- 形態としてはjoint ventureで行う。中国は規制なども厳しく、飲食や酒類の販売許可をもらうのにもおそらく苦労するからである。place戦略としては、まずは営業の容易さや、売れやすさなどから日経スーパーを中心に、継続的に収益を上げながら、日経スーパーを活用する日本人以外の方にも浸透してきたと感じるタイミングで他の中華系スーパーへ拡大していく。
- -> Can be collaboration (joint venture) with Japanese retailer, like



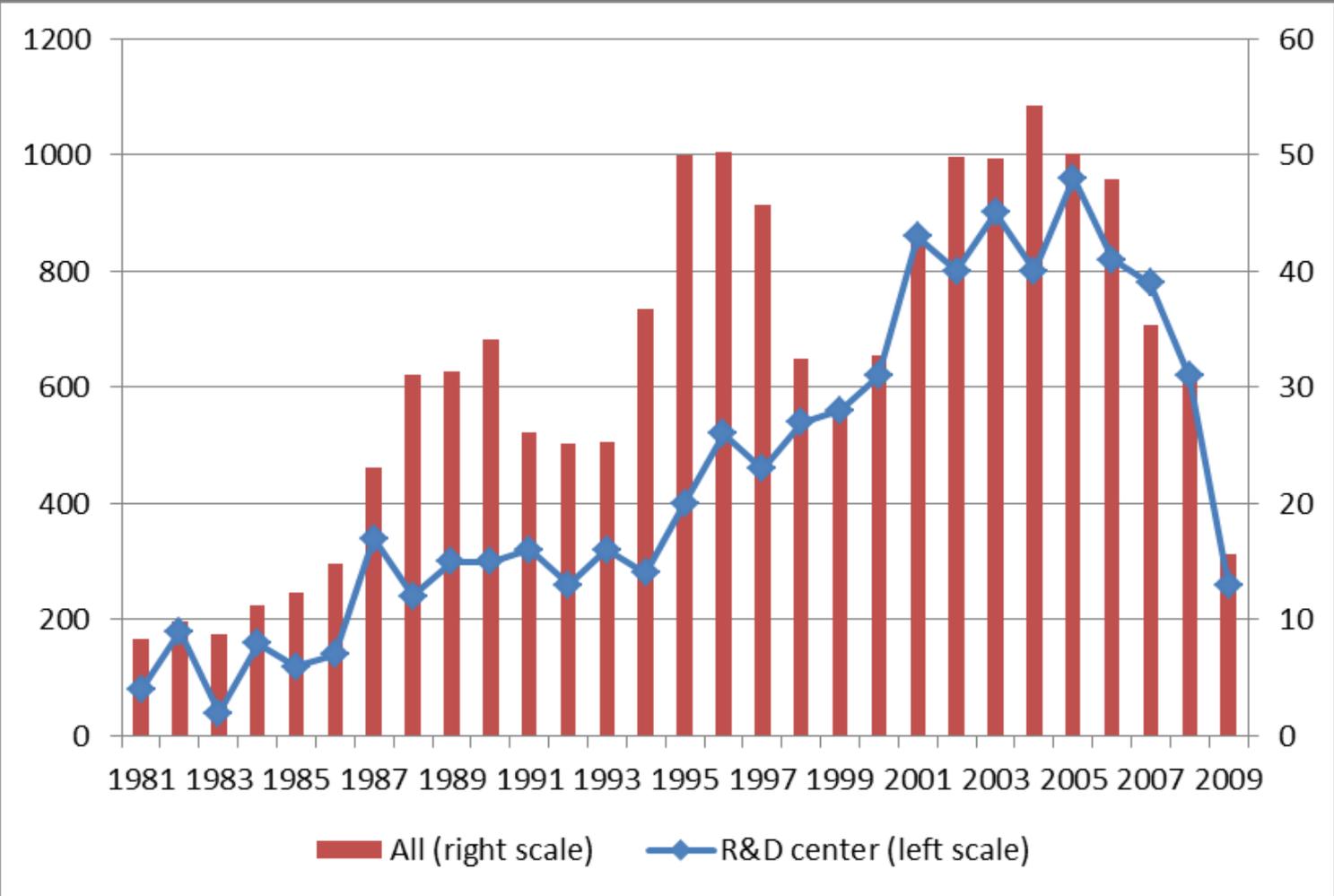
Issues to be covered

- Growing trend of overseas R&D
- Innovation management by type of overseas R&D
- Management of local R&D and knowledge spillover from home to host
- AAA and type of overseas R&D and relationship with corporate strategy and marketing
- Global R&D in a context of emerging economies : Reverse Innovation

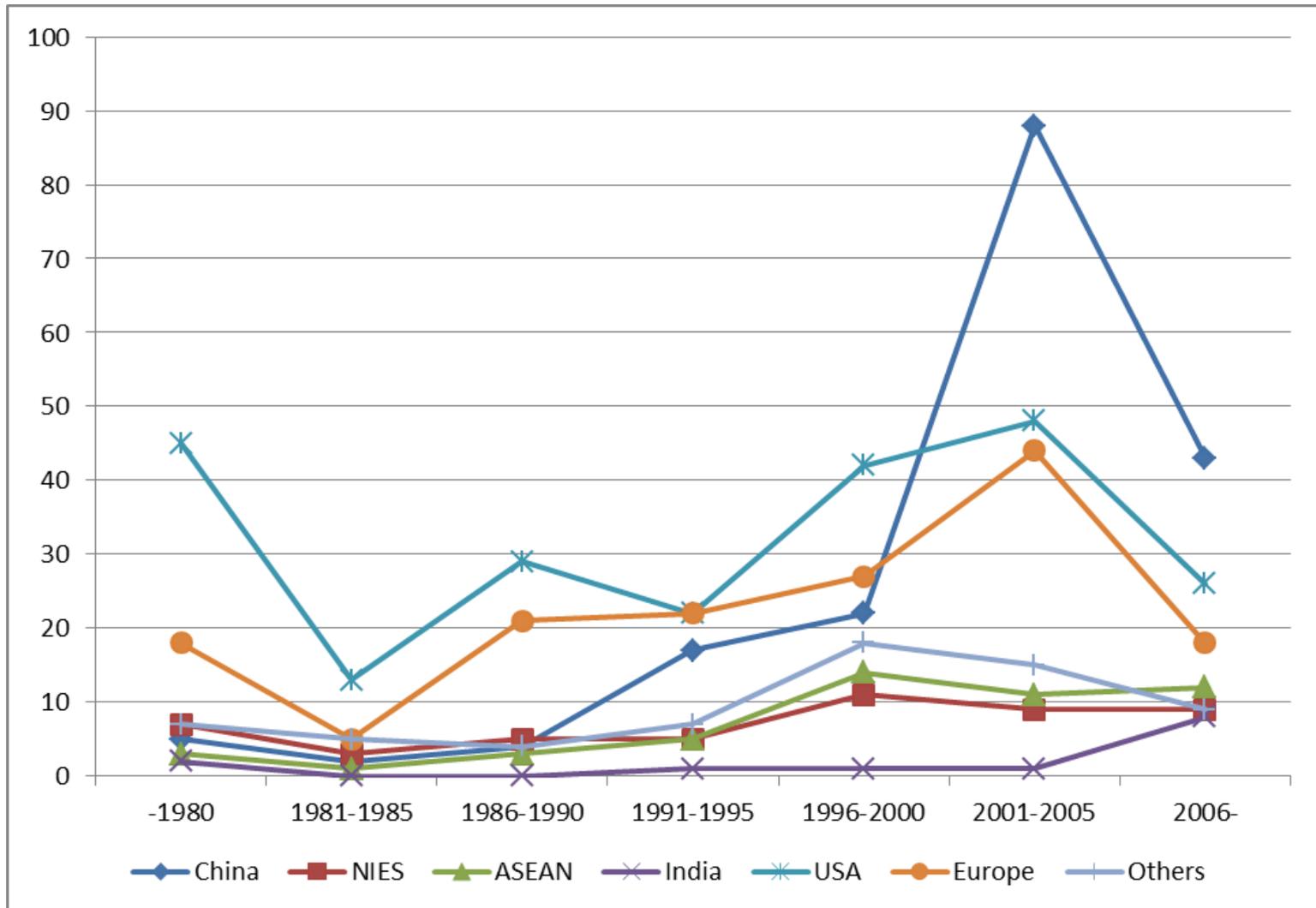
Value Chain and Global Strategy



Globalization trend of Japanese firms

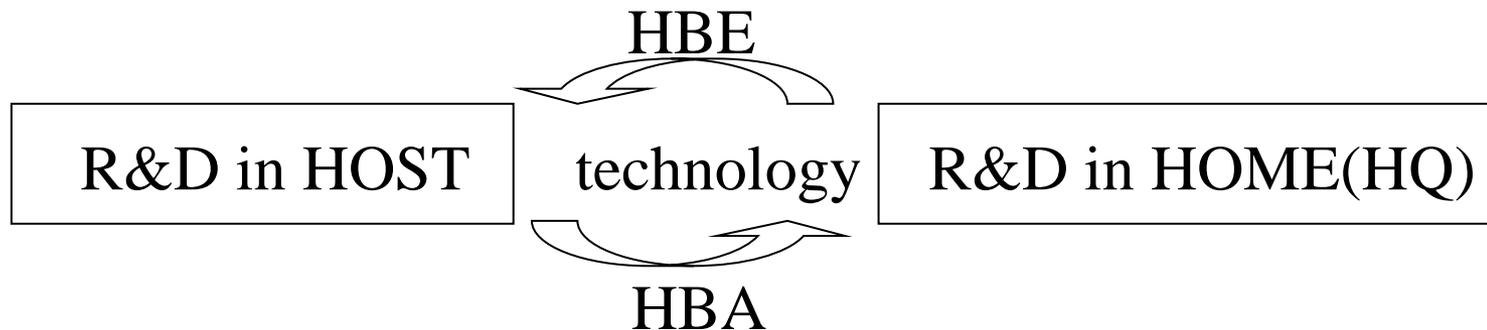


of overseas R&D sites by region

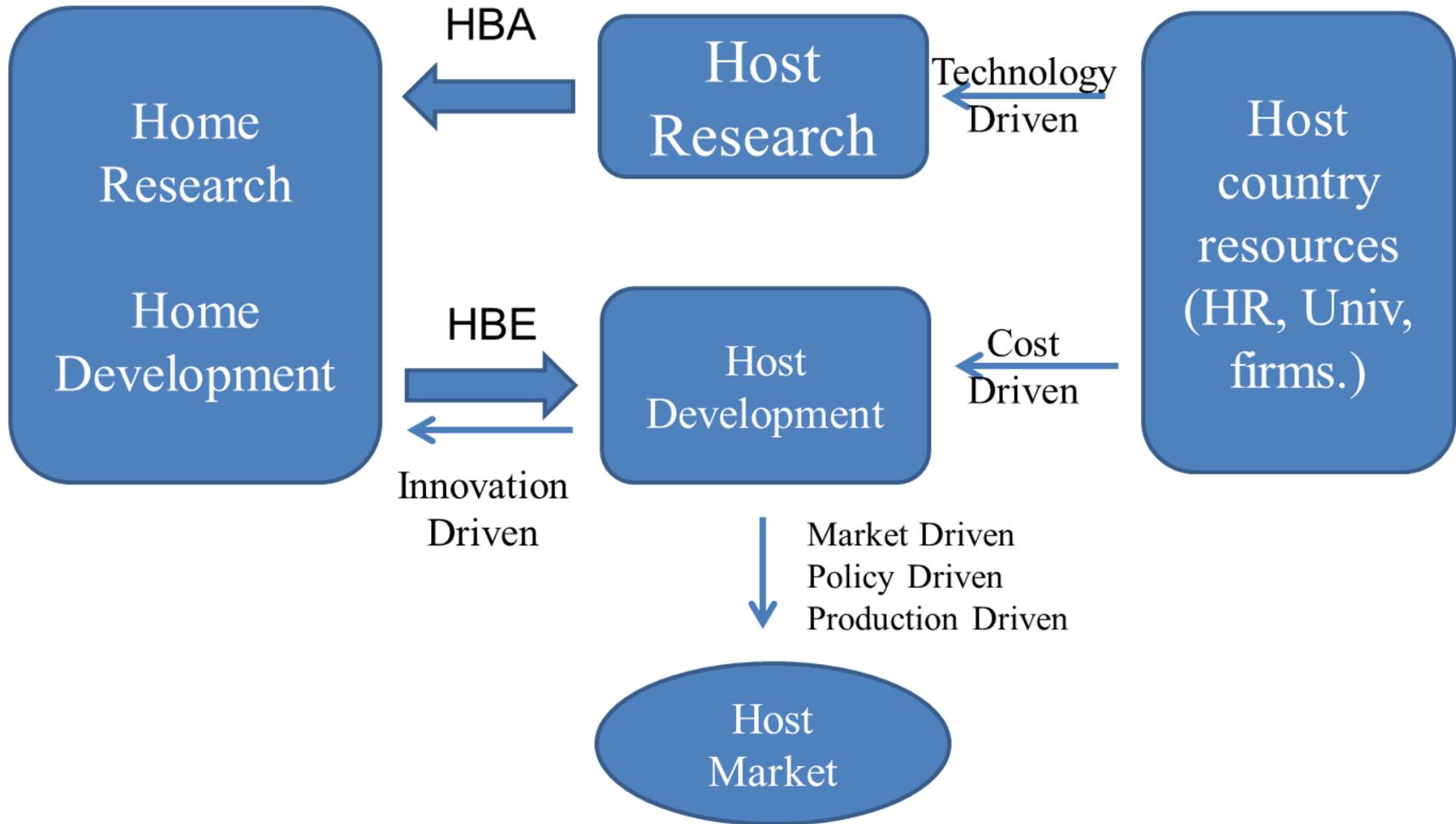


Multinational R&D: possible motivations

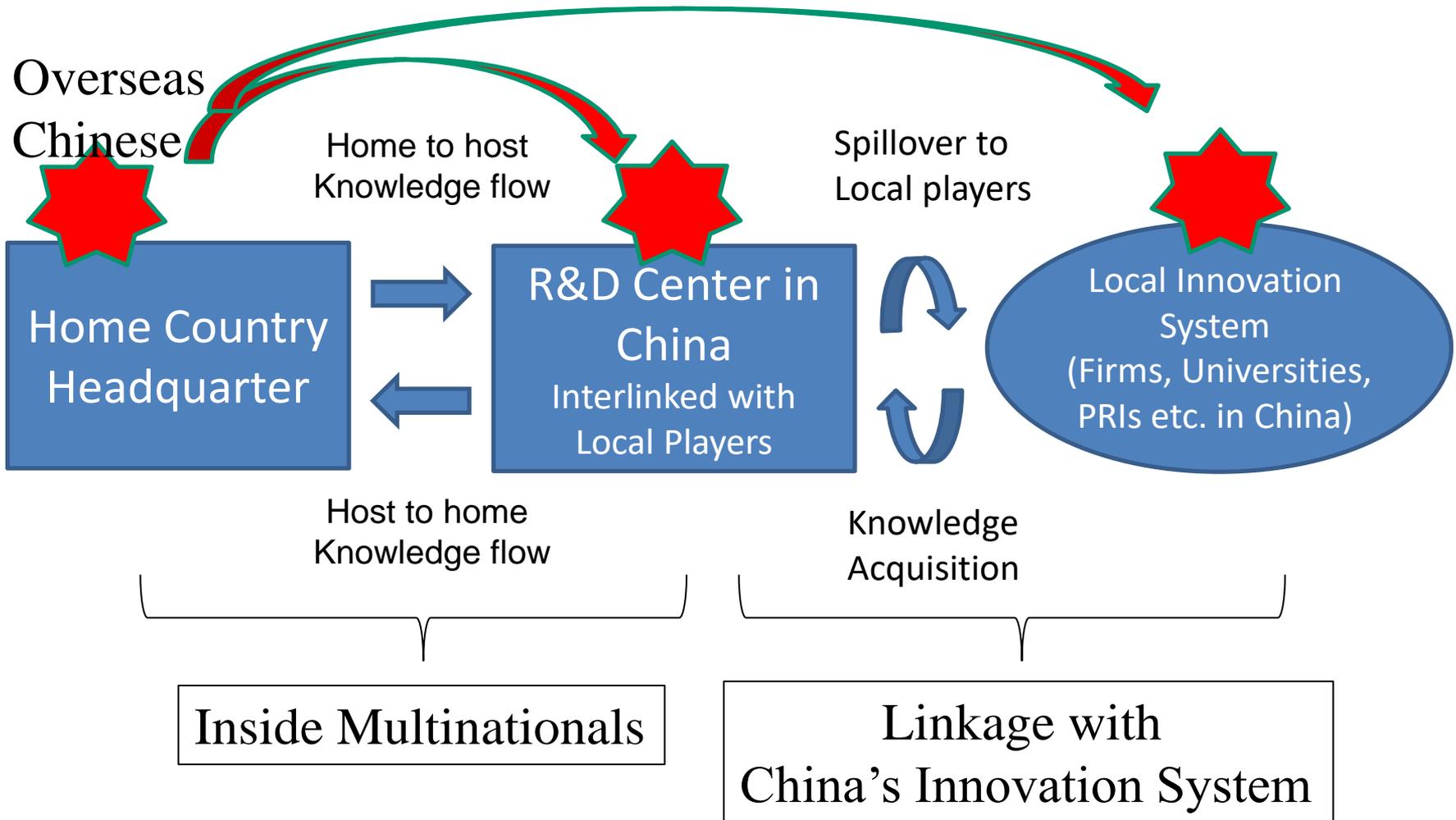
- Zedtwitz and Gassman: “market driven” or “technology driven”
- Kuemmerle, W.: “home base exploitation (HBE)” vs “home base augmentation (HBA)”
- Another types of motivations: production support, Lowering R&D cost, policy driven etc. (Gammeltoft, 2006)



Typology of international R&D



Role of diaspora in international R&D management (US firms to China)



Dang, Mao and Motohashi (2019)

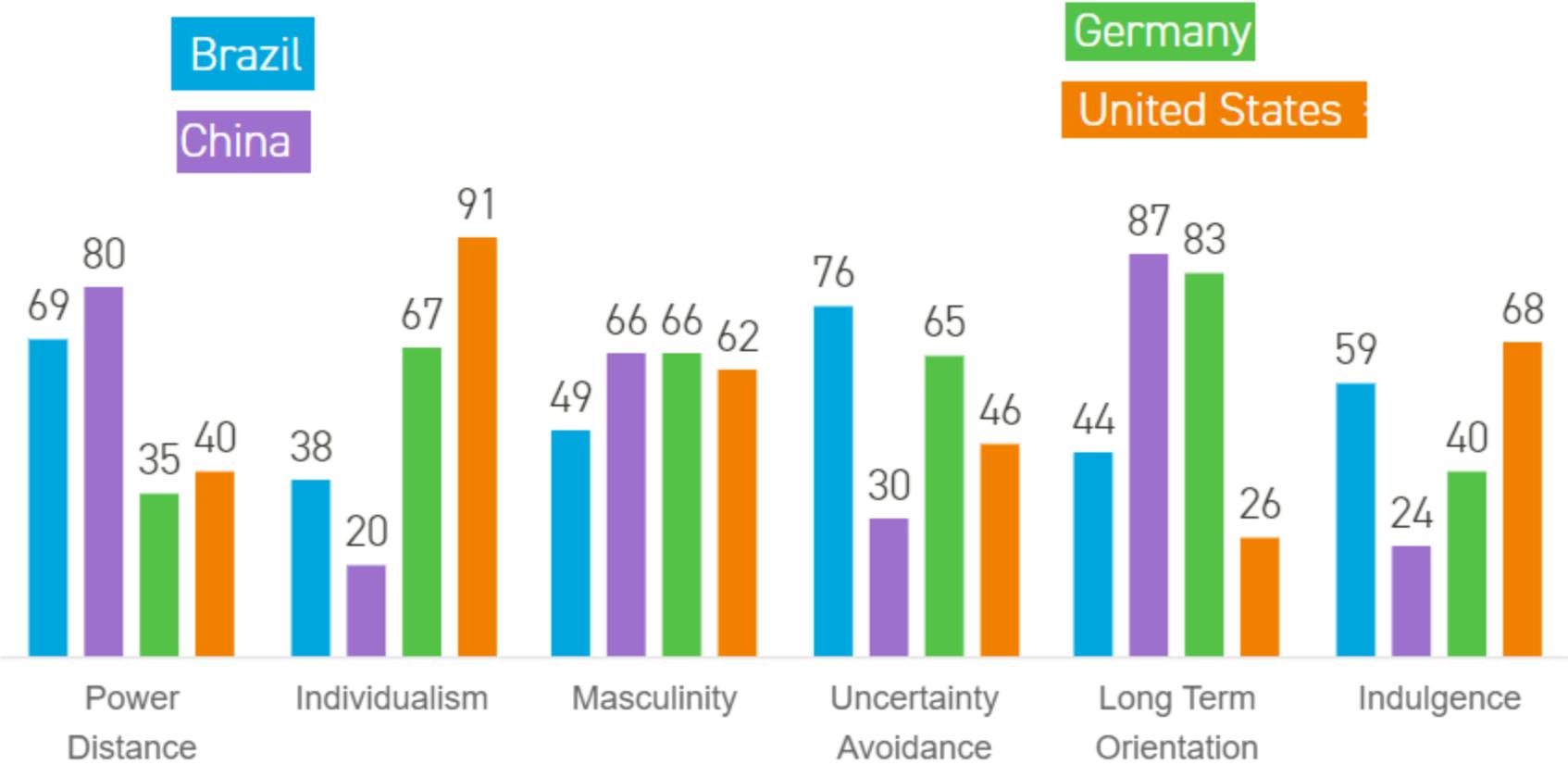
- Focusing on US multinationals with local R&D centers in China : Great physical and cultural distance at la Hofstede, Globe measurements
- the role of country engineers' impacts on local engineers performance (patent analysis)
- Distance (between US and China), treated not only by geographically, but also culturally (looking at ethnicity of engineers)

Physical distance to indigenous Chinese inventors

Near

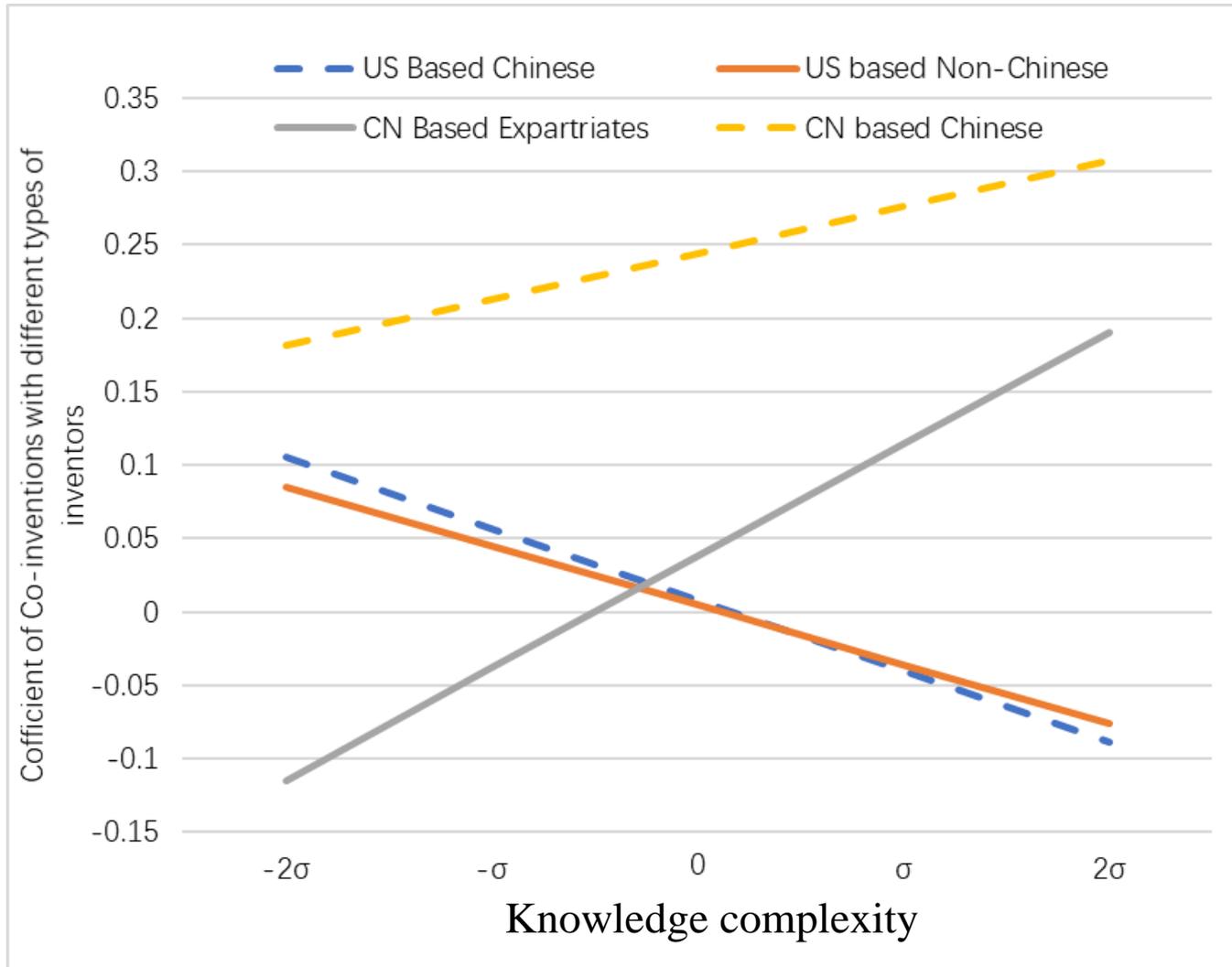
		China	US
Near	Chinese	Chinese expatriates (II)	US-based Chinese inventors (I)
Far	Non-Chinese	Non-Chinese expatriates (III)	US-based non-Chinese inventors (IV)

Hofstede 6 dimensions for cultural characteristics

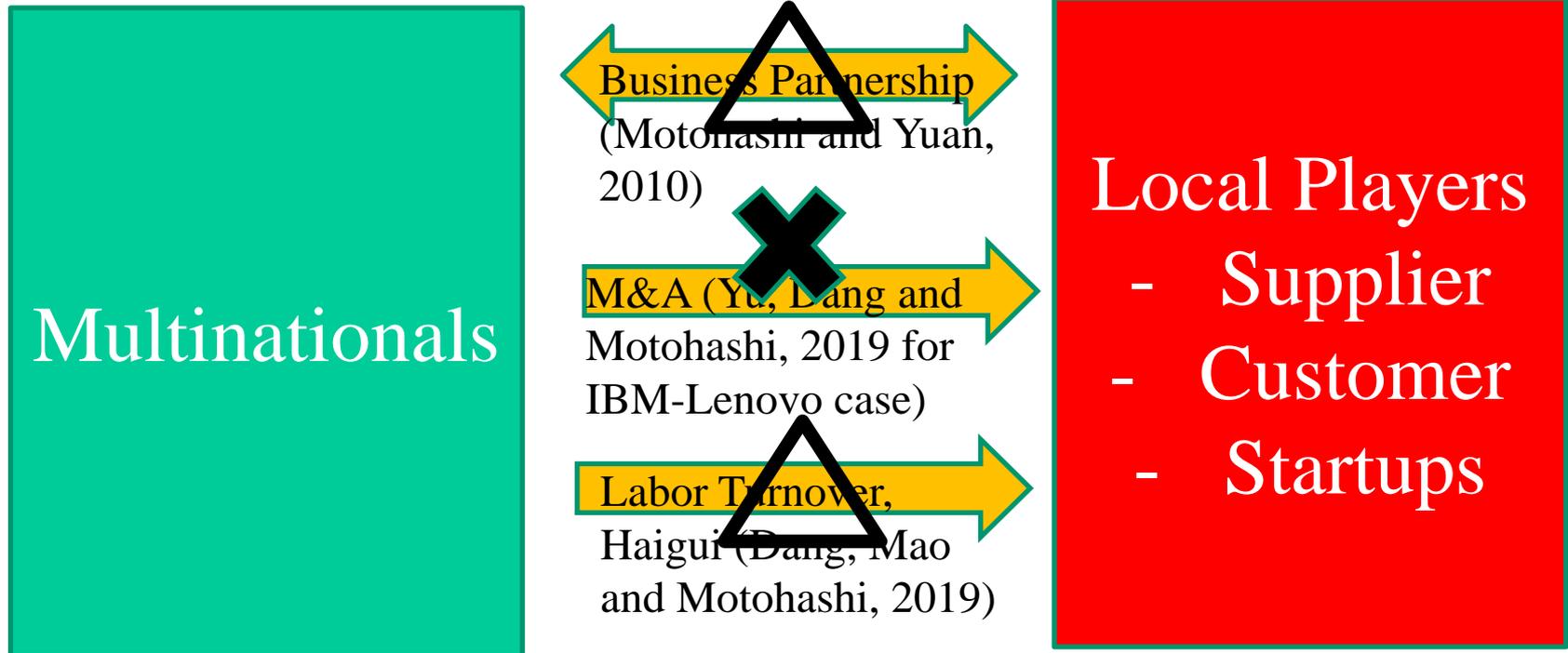


From Wikipedia

Summary of results



Entry model and spillover effects



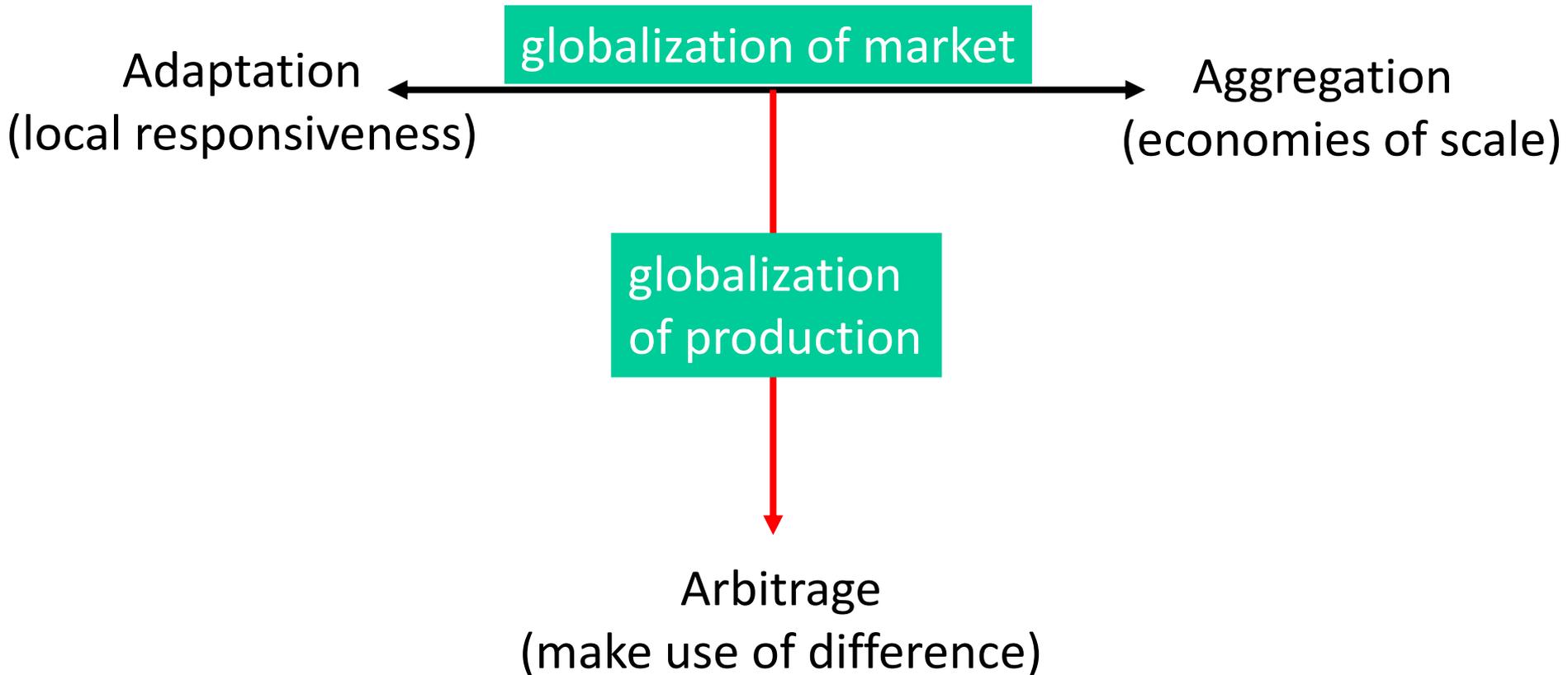
Kazuyuki Motohashi and Yuan Yuan, 2010, Productivity impact of technology spillover from multinationals to local firms:

Comparing China's automobile and electronics industries, *Research Policy*, 39(6), pp.790-798

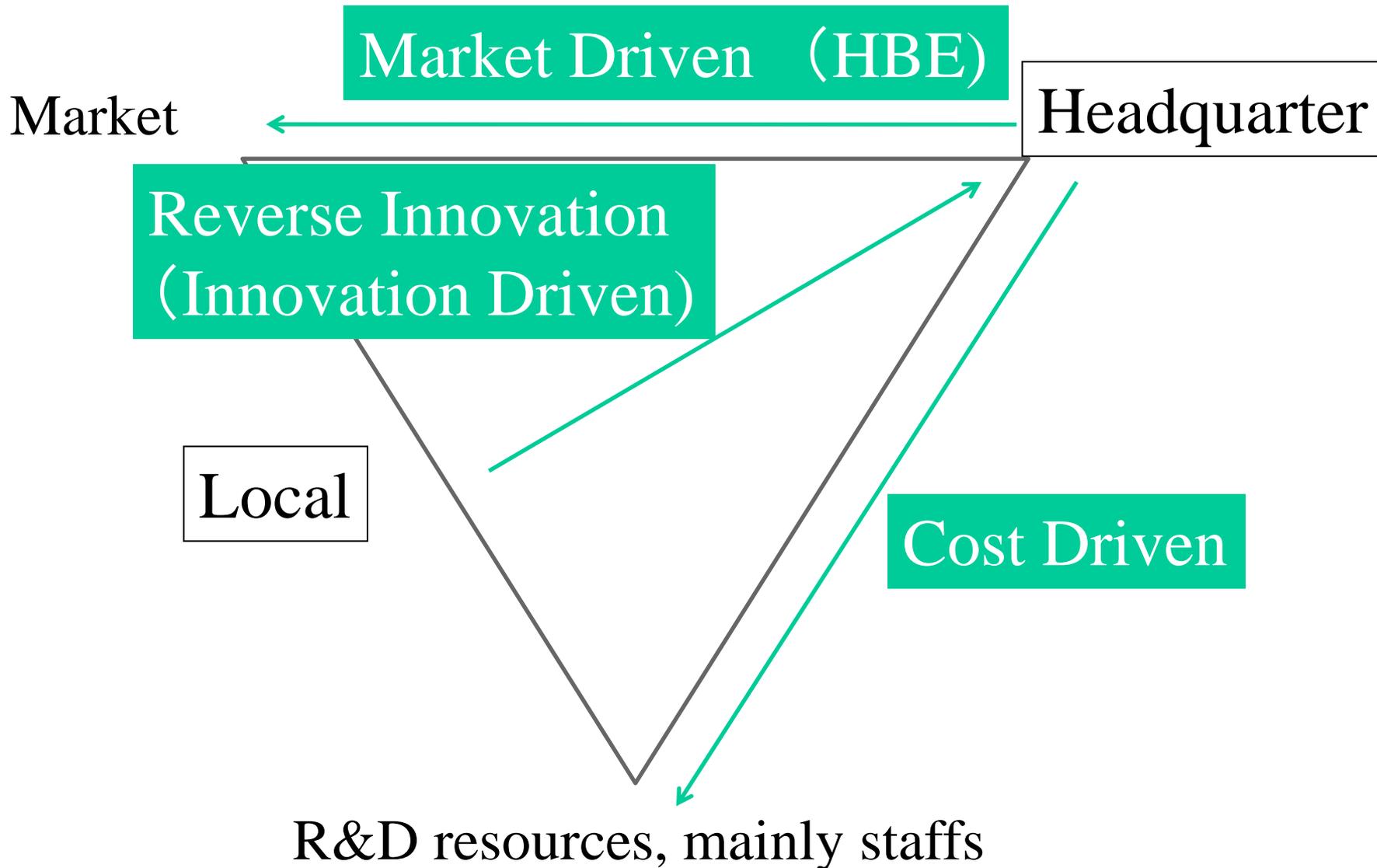
Haiyu Mao, Jianwei Dang, Kazuyuki Motohashi, 2019, Physically Proximate or Culturally Cohesive? Geography, Ethnic Ties, and Innovation in China, Academy of Management Conference, 2019 August, Boston MA

Yu Haiyan, Jianwei Dang, Kazuyuki Motohashi, 2019, Study on Inventors' productivity of Chinese companies in the outbound M&As: a case study on the acquisition of Lenovo and IBM PC Unit, *Asia Pacific Business Review*, 25(1), 40-60

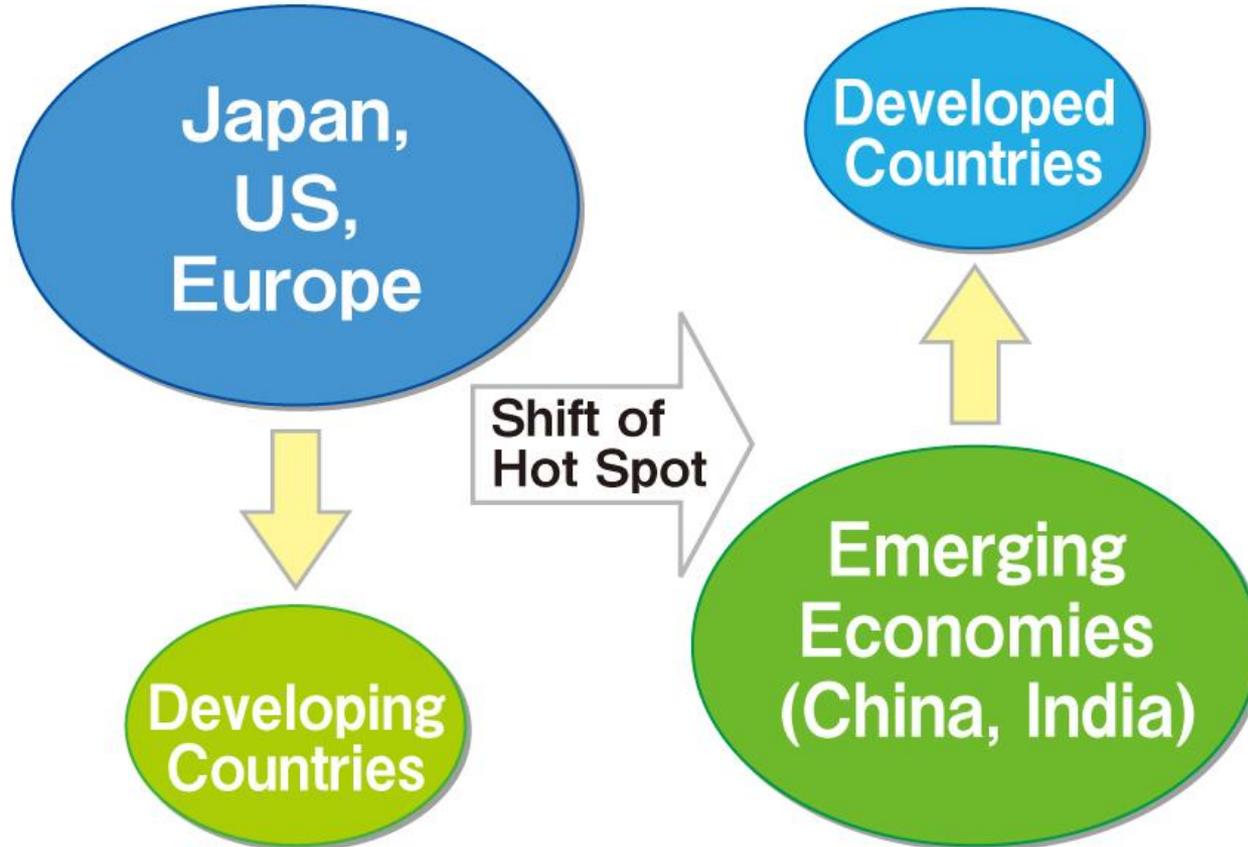
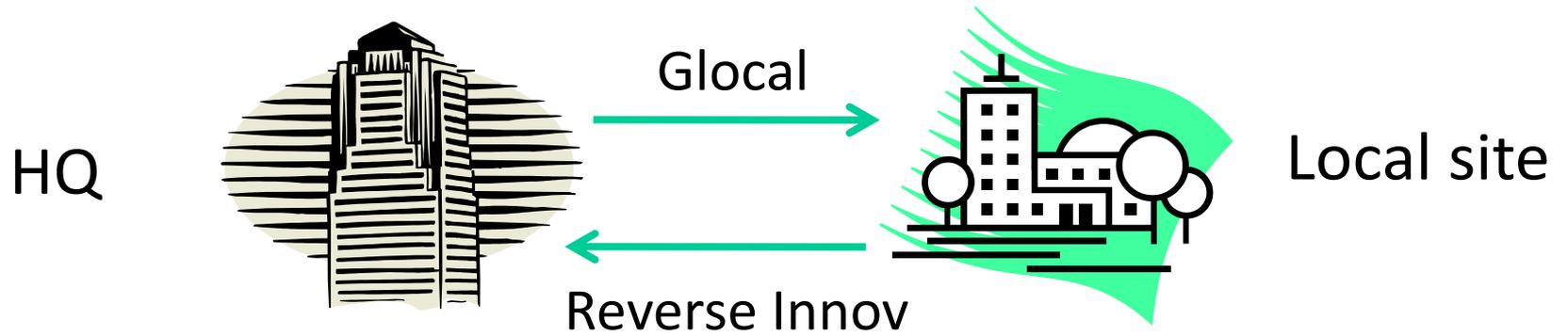
AAA Triangle by P. Ghemawat



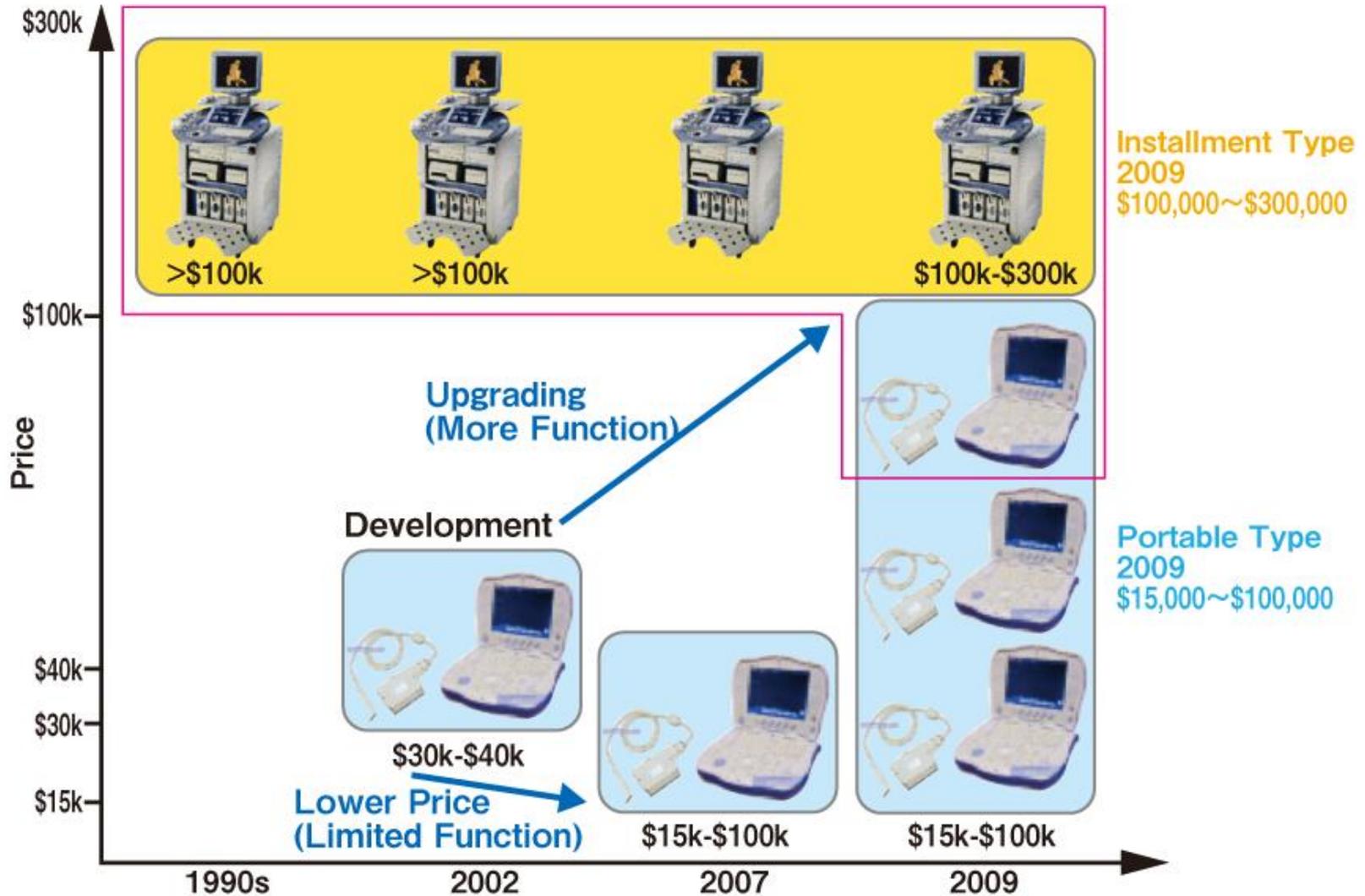
AAA strategy and global R&D



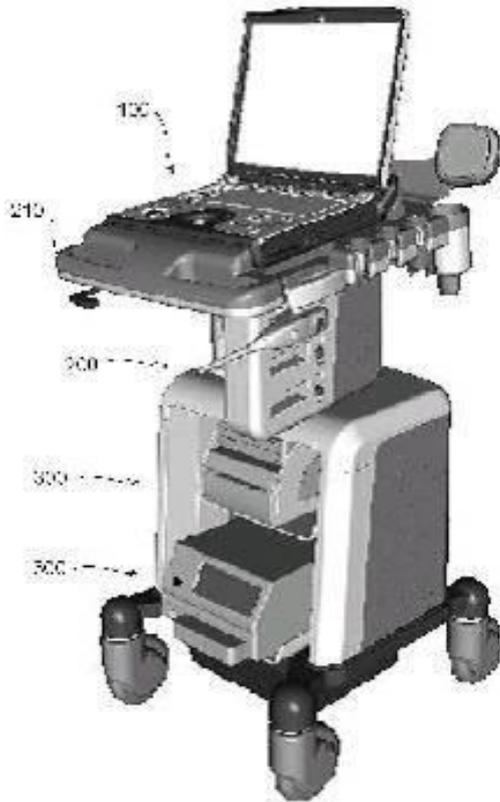
Reverse Innovation (V.Govindarajan)



GE case: Ultrasonography



Invented in China for global market



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Importance of learning from local

- Sensor function at local (B to C): Panasonic's life style research institute in China and India (understand consumer's life-style in less developed area)
- Local partnership as a door to new customer (B to B, B to G): Hitachi's joint venture with LG group for water business
- “Finding great ideas in emerging market”: finding unforeseeable use, arbitrage strategy for ideas: Intel's emerging market project (use of PC for social tool-> netbook (ultra) book concept)