

A fluffy orange and white cat is sitting on a light-colored wooden floor. The cat has large, round, light-colored eyes and is looking directly at the camera. Its fur is thick and soft-looking, with orange patches on its head and back, and white fur on its chest and paws. The background is a plain, light-colored wall.

ZHAO QIUHAN

GLOBAL BUSINESS STRATEGY

READING NOTES: CHAPTER 1

OCT, 2020

1

Chapter 1: Introduction-Need for New Global Business Strategies

1.1 The World is Flat

The conception is raised by *Thomas Friedman*¹. He states that economic activities have enabled the disappearance of national borders in today's world, through ongoing liberalization of international trade and investment brought about by information revolution and organizations such as the WTO (from pp. 1).

Topics to be covered:

- *Why "Global" Business Strategy?*, "flat" or not, innovations.
- *Why "Emerging Markets"*, like China and India.

¹ Friedman, T. L. (2005). *The world is flat: A brief history of the twenty-first century*. New York: Farrar Straus & Giroux.

Example 1.1: Globalization Era

- 1st in 1492: Columbus found the American continent.
- 2nd in around 1800: Industrial Revolution leads transportation costs in a lower price.
- 3rd in around 2000: IT revolution, like Infosys.

(Why an average wage is different between Japan and China?)

China has a much higher total population and population growth rate than Japan, thus has a larger labor force and cheaper labor prices. This is also an important reason why China can become the second largest economy. However, most of the working population is engaged in lower-level jobs, and the economic results created are drawn by upper-level companies/individuals, resulting in a relatively low average wage and a large gap between the rich and the poor.

(What happened if this wall is lowered?) If the wall is lowered, this may lead to a large amount of Chinese labor or products entering Japan. This lower labor cost may exacerbate Japan's local unemployment rate and reduce the market competitiveness of Japanese products.

1.2 Growth of Emerging Economies

Example 1.2: Recent Trends

- Convergence story: "imitation" and "innovation".
- US "Decoupling Policy" again China.
- De-globalization.

US "Decoupling Policy" again China.²

De-globalization³.

World becomes less flat (to some extent maybe) → more important for global perspectives of business development.

² Chill Factor from *Economist*, Aug 13th 2020.

³ Theories, predictions and opportunities in international business research, by, *Journal of International Business Studies*, 2019 50, 1053-1077.

1.3 Perspective of Global Business Strategies

Competitions: how Japanese companies shape their global business strategies?

Cause: Developing countries like China and India can attract new markets for Japanese corporations, but will finally need technological capabilities and become major threats to Japanese corporations.

Why: Local companies can set competitive prices (like labor cost). Oppositely, Japanese companies should provide greater service or value of products.

How to solve → Global strategies:

- Provide good-enough product^{4,5,6}.
- Strengthen cost competitiveness (such as moving to the interior regions of China or Vietnam with lower-cost. Simultaneously, the procurement of raw material and transportation costs should also be considered). To conclude, considering the optimal global placement of overall operations including Research and Development (R&D), and creating partnerships with local firms.
- More strong business models which cannot be easily imitated:
 - protection by intellectual property rights.
 - protection by know-how (trade secrets).
 - protection by product design complexity.
 - speeding product development up.

Product model → Customer value model (service model).

- Strategies to respond to local needs. It is important to analyze differences/distance between developed countries and local developing countries in CAGE format⁷.
 - C: language, life style, et c.

⁴ **Volume Zone**: which the middle- and upper-income classes are called.

⁵ Good-enough: **Gadiesh, O., Leung, P., & Vestring, T. (2007). The battle for China's good-enough market. Harvard Business Review, 85, 80–89.**

⁶ Companies should determine the product level that target customers will accept: **Christensen, C. (2001). The innovator's dilemma: When new technologies cause great firms to fail (trans: Shunpeita, T.). Tokyo: Shoeisha.**

⁷ Culture, Administration, Geography, and Economics (CAGE). **Ghemawat, P. (2007). Redefining global strategy. Boston: Harvard Business School Press.**

- A: economic regulation, tax system, regulation on foreign investment, et cl.
- G: physical distance, which has shrunk with the IT innovation and advancement of transportation.
- E: per capita GDP and wages.
- Management strategies integrated at the global level.
 - "good-enough" in products (more local R&D) and service→ not traditional way (one-way decision making: headquarters to local entities) but rather consider corporate-wide strategies on a global basis.

End of Lecture 1