MNB3701 – Principles of Global Business Management

Portfolio Assessment – May/June 2025

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Declaration

I, **Muzikayise B. Mkize**, with student number **59415983**, hereby declare that this portfolio is my own original work and that I have acknowledged all additional sources I used and/or quoted directly.

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Signature

30 May 2025
Date

Question 1

The institution-based view is the most applicable core perspective to the Uber case study in China. This perspective asserts that a firm's performance is significantly shaped by the formal and informal rules of the host country, such as regulatory frameworks, legal systems, and cultural norms (Peng, 2023).

In Uber's case, the Chinese institutional environment played a critical role in determining the outcome of its entry and eventual exit. For example:

- Uber encountered formal institutional barriers, including regulatory hurdles. The Chinese government imposed strict requirements on foreign ride-hailing services and provided structural support to local competitor Didi. These restrictions created an uneven playing field, limiting Uber's ability to compete (Peng, 2023).

- Informal institutions also posed challenges. Chinese consumers exhibited strong loyalty to domestic platforms, and Uber struggled to integrate with essential mobile payment systems like WeChat Pay and Alipay, which are deeply embedded in China's digital culture (Peng, 2023).

- Moreover, Uber lacked legitimacy in the eyes of both the state and the market, which are key aspects of institutional embeddedness. As Peng (2023) notes, institutional pressures can disadvantage even globally recognized firms when they fail to align with the local environment.

These institutional factors both formal and informal disadvantaged Uber, despite its strong global brand and substantial financial backing. The case illustrates how a firm's success in international business is heavily influenced by its ability to understand and adapt to the local institutional context.

Question 2

1. **Factor Conditions**
China offers a large, tech-savvy population with high smartphone penetration and familiarity with digital platforms.

   Didi leveraged these local conditions more effectively than Uber by integrating seamlessly with platforms like WeChat and Alipay, which were already deeply embedded in Chinese daily life (Peng, 2023).

2. **Demand Conditions**
China's urban population demands fast, affordable, and integrated mobility solutions.

Didi tailored its services to meet local expectations with features like ride-sharing options and integration with local payment systems, creating a superior user experience compared to Uber's more standardized model.

3. **Related and Supporting Industries**
   China's competitive advantage is supported by strong domestic digital infrastructure and mobile ecosystem leaders such as Tencent and Alibaba.

   Didi capitalized on these partnerships and ecosystems to gain strategic support, while Uber remained outside these networks, weakening its operational efficiency.

4. **Firm Strategy, Structure, and Rivalry**
   Didi adopted a localized strategy, with strong government relationships and adaptive tactics suited to the Chinese context.

   In contrast, Uber maintained a global strategy with minimal local adaptation, which proved ineffective against aggressive local competition supported by institutional and cultural familiarity.

5. **Government's Role**
   Government support plays a major role in shaping national competitive advantage (Peng, 2023).

   Didi received explicit and implicit regulatory support, including favorable policy treatment, giving it a strong edge over foreign rivals like Uber, which faced stricter scrutiny and limited institutional access.

Question 3

- **Location-Specific Advantages**
  - Large market size: China offered access to a massive user base, ideal for scaling Uber's services.
  - Rapid urbanisation: High urban population density meant greater demand for transport services.
  - Strong digital infrastructure: China's cities had robust mobile and internet penetration, enabling seamless use of app-based services.
  - Cost-efficiency potential: Operating costs such as labour and fuel were lower than in many Western markets.
- **Institutional Advantages**
  - Tech-positive policy environment: Government initiatives encouraged smart cities and digital platforms.
  - Established digital payment systems: With platforms like Alipay and WeChat Pay, users were ready for mobile-first services.
  - Consumer openness to ride-hailing: The public had already adopted similar models through local players like Didi.

- ○ Potential for regulatory adaptation: Despite initial hurdles, China's legal system was evolving to accommodate the sharing economy (Peng, 2023).
- **Resource-Based Advantages**
  - ○ Data from a high-volume user base: Access to millions of users would enrich Uber's algorithms and operational intelligence.
  - ○ Learning from local rivals: Didi's strategy and localisation could offer valuable competitive insights.
  - ○ Brand development in Asia: Being present in the world's second-largest economy supported Uber's global reputation.
  - ○ Exposure to innovation: Operating in China allowed Uber to observe and potentially replicate local innovations in tech integration and customer service models.

Question 4

- **Transfer of Technology and Knowledge**
  FDI often introduces new systems, practices, or innovations into the host market.
  - ○ Example: Uber introduced advanced data-driven route optimization and dynamic pricing algorithms, which contributed to raising the technological standards of the local ride-hailing industry and influenced how competitors like Didi refined their own systems (Singh, Dwesar & Kumar, 2020).
- **Employment Opportunities**
  MNEs contribute to the creation of local jobs, directly or through partner firms.
  - ○ Example: Uber's operations in China created employment for thousands of drivers and support staff. This not only provided income opportunities but also introduced flexible, app-based employment models in urban areas (Peng, 2023).
- **Increased Market Competition**
  FDI can foster competitive pressure that improves consumer service and innovation.
  - ○ Example: Uber's entry intensified competition, pushing local firms like Didi to reduce fares, improve service quality, and expand geographic coverage. This benefited consumers with more choices and better services (Singh et al., 2020).
- **Integration into Global Business Networks**
  FDI connects domestic industries to global practices, capital, and brand visibility.
  - ○ Example: Uber's presence symbolized China's openness to global tech investment, enhancing its reputation as a digital innovation hub and attracting further interest from international firms seeking to enter the Chinese market.

Question 5

Hofstede's cultural framework identifies several dimensions of national culture that influence workplace behavior and management practices. The contrast between the United States and China across these dimensions provides insight into why Uber experienced management challenges in China (Peng, 2023). Below is an analysis using key Hofstede dimensions:

- **Power Distance**
    - **USA:** Low power distance flat hierarchies and open communication are encouraged.
    - **China:** High power distance hierarchy and respect for authority are important.
    - **Impact:** Uber's U.S style informal, decentralized management clashed with Chinese expectations of structured authority and formal respect. Chinese managers and drivers may have perceived Uber's management style as disrespectful or disorganized.
- **Individualism vs. Collectivism**
    - **USA**: Highly individualistic independence and self-interest are emphasized.
    - **China**: Highly collectivistic group harmony and loyalty are valued.
    - **Impact**: Uber's emphasis on individual driver entrepreneurship did not resonate with China's collectivist culture, where drivers expected stronger communal identity and long-term relationships with the company (Peng, 2023).
- **Uncertainty Avoidance**
    - **USA**: Low uncertainty avoidance embraces innovation and risk.
    - **China**: Moderate to high uncertainty avoidance prefers stability and long-term planning.
    - **Impact**: Uber's fast-paced experimentation and disruption model conflicted with Chinese stakeholders who valued predictability and long-term partnerships, making adoption and trust-building difficult.
- **Long-Term Orientation**
    - **USA**: Short-term orientation focuses on quick wins and immediate results.
    - **China**: Long-term orientation emphasizes perseverance, planning, and delayed rewards.
    - **Impact**: Uber's short-term focus on rapid market share conflicted with China's preference for long-term strategic growth, giving Didi an edge through its more gradual and culturally aligned approach.
- **Masculinity vs. Femininity**
    - **USA**: Masculine competitive, success-driven culture.
    - **China**: Moderately masculine balances achievement with social harmony.
    - **Impact**: Uber's aggressive expansion strategy and win-at-all-costs mentality may have appeared culturally insensitive in China, where maintaining harmony and relationships is also valued.

Question 6

- **Regulatory Complexity and State Support for Local Firms**
    - China's regulatory framework for foreign firms is often opaque, rigid, and difficult to navigate.
    - Impact: Uber faced strict licensing requirements and an inconsistent legal environment that limited its ability to operate freely. The government's active support for local competitor Didi further disadvantaged Uber in policy interpretation and approval processes (Peng, 2023).

- **Institutional Protectionism**
  - The Chinese government often implements protectionist policies to strengthen local champions and limit foreign dominance in strategic sectors.
  - Impact: Didi benefited from state support in the form of lenient regulatory treatment, while Uber faced greater scrutiny and barriers to scaling, which undermined its competitive positioning.
- **Cultural and Technological Ecosystem Differences**
  - China's mobile ecosystem operates differently from Western markets, dominated by super apps like WeChat that integrate payment, communication, and mobility.
  - Impact: Uber's failure to fully integrate into this local digital infrastructure (e.g., WeChat Pay, Alipay) created friction in user experience, resulting in low user adoption and dissatisfaction (Peng, 2023).
- **Fierce Domestic Competition**
  - China's domestic ride-hailing market is intensely competitive, with agile, well-funded local firms.
  - Impact: Didi Chuxing engaged in price wars and promotional campaigns that Uber could not sustain over the long term. The highly competitive nature of the environment eroded Uber's profit margins and market share.
- **Data Localization and Cybersecurity Regulations**
  - China enforces strict regulations on data security and localization, requiring foreign companies to store data locally and comply with national cybersecurity laws.
  - Impact: Uber, as a data-driven company, faced legal constraints on how it collected and managed user data, limiting its ability to optimize operations using global analytics and algorithms.

Question 7

Resource / Capability	Valuable?	Rare?	Inimitable?	Organised?	VRIO Outcome
Brand Reputation	Yes	Yes	Moderate	Yes	Temporary competitive advantage
Data Analytics & Algorithms	Yes	Yes	Yes	Yes	Sustained competitive advantage
Global Operational Experience	Yes	Moderate	No	Yes	Competitive parity

App Design / User Interface	Yes	No	No	Yes	No long-term advantage

Question 8

In my opinion, Uber made the right strategic decision to exit the Chinese market. Despite its strong global capabilities, Uber faced substantial institutional, operational, and cultural barriers in China. The firm's eventual merger with Didi through an equity swap allowed it to retain a presence in the market indirectly while reducing financial losses and refocusing on more profitable regions.

Didi held a dominant market position and engaged in prolonged price wars, which Uber could not match without incurring massive losses. Uber was losing over $1 billion per year in China due to excessive competition, indicating a lack of cost leadership in that specific market (Peng, 2023).

Uber faced regulatory hurdles and lacked the political capital enjoyed by Didi. As Peng (2023) explains, foreign firms often encounter institutional voids in emerging markets. Uber's limited access to favorable policies placed it at a structural disadvantage.

Uber's global strategy did not align with local preferences and digital norms, such as WeChat and Alipay integration. Hofstede's dimensions and Peng (2023) both suggest that failure to adapt to local cultural and technological ecosystems undermines performance.

Uber's exit included a strategic equity deal with Didi, allowing Uber to benefit from the Chinese market indirectly through its investment in Didi's success.

Question 9

I.

Dimension	Traditional Metered Taxis	Uber Taxis
Pricing	Prices often unregulated, negotiable, and opaque	Transparent pricing via app; often cheaper
Access and Convenience	Street-hail or phone call required	On-demand access through mobile app
Safety and Tracking	Limited accountability; often cash-based	App-based tracking, driver profiles, route records

Payment Options	Cash only in most cases	Multiple options: card, in-app, PayPal, Uber wallet
Regulation	Government-regulated under the National Land Transport Act	Initially unregulated, later required permits
Service Standards	Inconsistent; driver training varies	Rating system enforces accountability and service
Employment Model	Owner-operated or informal employee arrangements	Partner-driver model (independent contractors)
Technology Use	Low-tech; basic phones or radios	GPS, app-based routing, real-time data tracking

II. Uber's model introduced disruptive innovation, a concept defined by Peng (2023) as a shift that creates new markets and value chains while displacing existing ones. Key disruptions include:
   - Loss of market share by traditional metered taxis due to Uber's cost-efficiency and convenience.
   - Protests and resistance from taxi associations, some of which turned violent in cities like Johannesburg and Cape Town.
   - Regulatory conflict, as government authorities were initially unprepared for the ride-hailing model, causing a grey legal space.
   - Pressure on metered taxis to innovate and adopt digital platforms or change pricing models to compete.

III.

Area	Impact
Economy	Created employment for thousands of drivers; stimulated informal entrepreneurship
Legal Environment	Led to legislative updates to regulate e-hailing under transport laws
Social Environment	Enhanced safety and reliability, especially for women and late-night commuters
Other Sectors	Stimulated mobile payment growth, smartphone adoption, and entry of competitors like Bolt and inDrive

Reflections

This module has helped me understand how global businesses operate and the challenges they face in different countries. I learned about key concepts like the institution-based view, VRIO framework, and Hofstede's cultural dimensions, which helped me analyse real business cases such as Uber and Walmart. At first, it was difficult to apply these theories, but with practice, I became more confident in using them. I also improved my writing, research, and time management skills through the portfolio. Overall, the module gave me a better understanding of international business and how to think more critically about global issues.

References

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