Business
Strategy

Individual Case Assignment

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Q1.

What are the key strategic issues that Hitachi are facing from the situation depicted above?

Introduction

Hitachi is currently facing various strategic issues, which are all pressing for the new CEO, Toshiaki Tokunga, who will need to manage them. As Hitachi transitions from a hardware manufacturer to concentrating on AI growth, many new aspects must be addressed, along with a significant shift in the company's focus and culture (Dempsey and Keohane, 2024). Some of the key strategic issues are:

Change in Business Focus

Hitachi was originally a manufacturing company and has now switched to an industrial software and hardware provider (Dempsey and Keohane, 2024). This digital transformation has many different aspects that must be examined (Kinsey, 2022); it's changing from the core business of manufacturing to focusing more on data-driven insights services and AI, which provide over 41% of revenue. This shift must be managed effectively so as not to completely overhaul culture dynamics and employees' perceptions of jobs that don't fit into this new avenue.

Energy Consumption/Sustainability

Along with the change into a more data-driven and AI focus on core activities, Hitachi needs to look into the spending on data centres to be able to store this data. However, these data centres use a lot of energy, although investors are willing to invest in companies that are building and running AI and power infrastructure (Dempsey and Keohane, 2024). Hitachi has a proven track record, unlike any other company, in terms of data centres and sustainable energy use (*Company Profile | Hitachi Energy*, 2025). Given this heightened focus and investors' desire for improvements amid concerns that Japan lacks sustainable energy, Hitachi must seize the opportunity to capture a larger market share in alignment with its current sustainability strategy (Hitachi Ltd, 2025).

Investor Pressures

Shifting from traditional hardware manufacturing to a more data-centric and AI-driven model, Hitachi has changed its market outlook from a value stock to a growth stock with a lot of 'market hype and expectations" (Dempsey and Keohane, 2024). With these new investor expectations; there will be added pressure on the management of Hitachi to continuously innovate and deliver strong financial results in this "new era" for the company. Moving away from the legacy of manufacturing to software and data services means Hitachi needs to balance technological advancements with the global demand to ensure it can sustain the momentum that has fuelled its increased valuation.

Global Expansion

"The biggest challenge is how do they grow abroad" (Dempsey and Keohane, 2024, p. 3). This direct quote shows that one of the key strategic challenges Hitachi has to face is their international expansion. Although most employees and revenue come from outside Japan, Hitachi views itself as a Japanese company rather than a "truly global company" (Dempsey and Keohane, 2024). Integration-Responsiveness states that companies must not rely solely on one strategy and must adapt knowledge concurrently to thrive in a global landscape (Kotabe, 2002). Although Hitachi is Japanese, given its significant revenue from overseas, it must balance the concept of remaining Japanese while still being competitive to thrive in the foreign markets in which it operates.

Conclusion

Hitachi's strategic issues involve managing its transformation from a traditional manufacturing company into a data-centric and AI-focused organisation, balancing a significant shift in corporate culture with its existing core operations. The need to address energy demands and emphasise sustainability presents both a challenge and an opportunity to differentiate itself in a competitive market. Increased investor expectations, fuelled by the firm's growth potential in AI and data services, further intensify the pressure to demonstrate consistent, value-driven performance. Navigating global expansion while preserving the unique aspects of its Japanese heritage highlights the necessity for a flexible yet coherent international strategy. By tackling interconnected strategic issues, Hitachi can seize new growth opportunities and strengthen its position as a “truly global” leader in sustainable energy and AI solutions.

Q2.

What recommendation would you make to Hitachi management in addressing ONE of the strategic issues that you have identified? Justify your recommendation with reference to business strategy literature.

Change in Business Focus

Hitachi is currently shifting its focus from a traditional manufacturer to a business focused on AI and digital business solutions. This shift will create many different challenges as it changes the landscape of the business it deals with. However, challenges aren't new to Hitachi; when the former COO Toshiaki Higashihara assumed the role, he made many changes, dismantling the company's internal structures and acquiring businesses such as GlobalLogic (Higashihara, 2025).

Selling of Non-Core Business and M&A

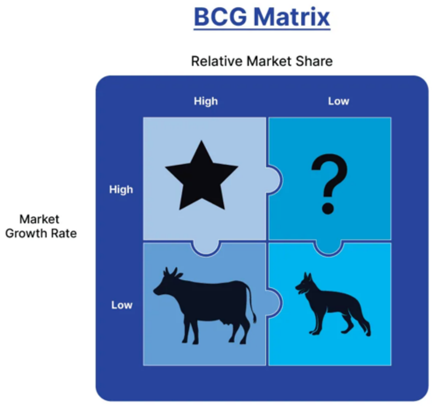
As Hitachi makes its change, one aspect of helping speed up the process of growth into AI and digital solutions is acquiring businesses. Hitachi's executive chairman has said that they are currently in a good financial position to take over/acquire a company to save time when it comes to their growth (Dempsey and Keohane, 2024). Although train carriages seem to be a problem with backlogs, Hitachi has started to divest from this, selling 90% of Hitachi Transport to US private equity firm KKR (Slodkowski, 2022). Selling off non-core business divisions such as transport allows Hitachi to make more acquisitions when it comes to digital business; the sale of Hitachi Transport generated $5 billion (Slodkowski, 2022), covering over half of the acquisition of GlobalLogic from the prior year (GlobalLogic, 2021).

BCG Matrix

The BCG Matrix, known as the product portfolio matrix, is a tool used for the strategic position of what a company will decide to have in its portfolio of goods or services. It has four quadrants:

1. Question marks: products that have a high market growth but a low market share, companies want to push to become stars.

2. Dogs: products that have a low market share and low market risk, companies should consider divesting from them.
3. Stars: products with high market growth and high market shares, it need heavy investment to maintain its position as a star. Companies push them to become Cash Cows.
4. Cash Cows: products with a high market share and a low market growth, they generate the most cash flow and do not require large investments to maintain their positions (Whittington *et al.*, 2019).



Hitachi has started the process of divesting from “dogs” that are in its portfolio, reducing its subsidiaries and selling off mismatched divisions that didn’t fall into their plans for the future (Dempsey and Keohane, 2024). These sales have generated over $19.5 billion in funds that they are able to put into the functions that best align with its plans, leaving them in a good financial position to acquire in a big deal. When it comes to the shift in business practice, Hitachi should acquire a firm in the area that will allow it to become a larger player in its new focus.

Recommendation: Acquiring Business 🤝

When it comes to acquiring a business, Hitachi should acquire one similar to Lumada. Lumada makes up a large amount of Hitachi's core earnings (Dempsey and Keohane, 2024); acquiring another firm would allow Lumada to further improve its focus on providing data services. It is currently performing as a “Star,” and more investment is needed to increase its ability and turn it into a “Cash Cow.”

As “Stars” require more investment to maintain their level (Whittington *et al.*, 2019), investment in Hitachi’s “Star” Lumada would allow for a greater position in the market and the ability to take on new clients, strengthening the cash flow that will come from it once it transitions into a “Cash Cow.”
Hitachi has acquired companies such as GlobalLogic to enhance its position. Siemens acquired Altair Engineering to enhance industrial software (Siemens, 2024), while Schneider Electric acquired Motivair Corp to improve its position in cooling data

centres (Skidmore, 2024). This shows that very successful digital businesses and AI firms have been acquiring companies to better position themselves in the current changing landscape of AI.

Implementation Timeline ⏱

An acquisition strategy should be implemented in phases to allow for smooth integration and maximum impact on Lumada's growth. This will help Lumada transition from a "Star" to a "Cash Cow".

Short-Term (Year 1)

Step 1:

Hitachi's first step in acquiring a firm to help bolster Lumada would be to focus on researching AI-driven companies specialising in data analytics, infrastructure solutions, or digital transformation.

Step 2:

The next would be to conduct due diligence to ensure that the companies are compatible with Lumada's current business, focusing on alignment with business operations and customer overlaps.

Step 3:

The final step in the short term would be to secure the financing for the deal, which Hitachi has already done as it has divested from current actions, putting it in a good business position to acquire (Dempsey and Keohane, 2024).

Medium-Term (Year 2-3)

Step 4:

After completing due diligence and securing the finance for the acquisition, Hitachi should acquire a well-established firm that can help bolster Lumada.

Step 5:

Once the firm has been bought, its business actions need to be merged with Lumada, allowing expertise from the acquired firm and Lumada to come together to better position it in the market.

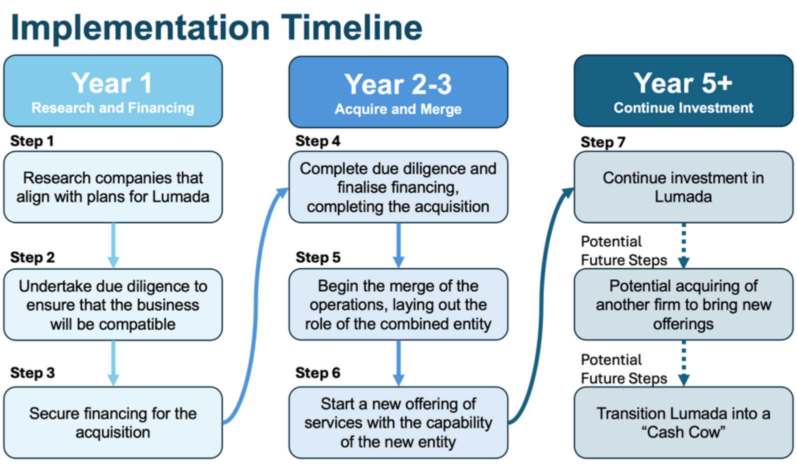
Step 6:

Once the two have been merged, Hitachi can enhance Lumada's offerings, allowing for improved scalability and taking more market share in the AI and digital business solutions market.

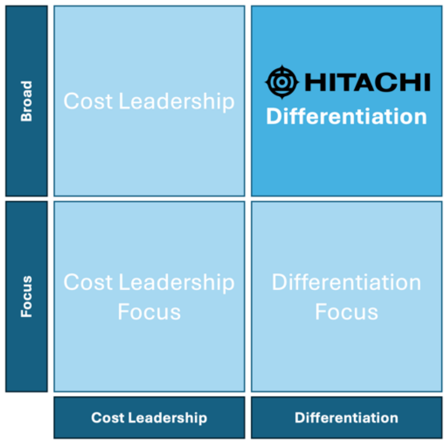
Long-Term (Year 5+)

Step 7:

Hitachi can continue investing in what it sees fit with Lumada, with continued acquisitions or R&D, enhancing its capabilities to allow Lumada to take more market share and then leverage its position to move it into becoming a “Cash Cow”.



Porter’s Generic Strategies



Porter’s generic strategies (Porter, 1980) show the different ways that a company can differentiate itself from its competitors across a multitude of different factors. By allowing Lumada to take on a larger role in enhancing Hitachi's current product offering, it can differentiate itself from its competitors through technological and data-driven capabilities. Rather than solely relying on the cost of the offering, it can have a more developed and better solution compared to competitors that fall into a differentiation from Porter’s generic strategies.

Risks and Mitigating Factors

While acquisitions can enhance Lumada's capabilities, integration risks and resource allocation may pose significant concerns. Cultural misalignments between acquired entities and Lumada could lead to inefficiencies or conflicting priorities. Moreover, heavy investment in AI might divert resources from other essential operations. The intense emphasis on AI initiatives may unintentionally shift resources away from other core operational areas, potentially undermining overall business stability.

To mitigate these risks, Hitachi must conduct rigorous due diligence, specifically assessing Lumada's cultural compatibility, organisational structures, and long-term vision. Implementing a phased integration will reduce risk exposure by allowing for controlled adjustments, measuring resource allocation, and ongoing evaluation of integration processes. Clear communication strategies and strong leadership involvement during the integration phase can minimise internal resistance and closely align the acquired firms with Lumada's objectives.

Conclusion

In conclusion, Hitachi's strategic pivot towards AI and digital business solutions, with Lumada at its core, represents a calculated effort to position itself as a leader in the evolving technological landscape. The decision to divest from non-core business areas aligns well with the BCG Matrix approach, where Hitachi has effectively shed "Dogs" to focus on developing high-potential "Stars" like Lumada. This streamlined approach has generated substantial capital that can be reinvested to accelerate growth in AI and data-driven services.

Porter's Differentiation Strategy can further Hitachi's efforts to establish a unique value proposition through innovation and enhanced digital capabilities. By building on Lumada's strengths, Hitachi can distinguish itself from established competitors such as Siemens and Schneider Electric, which are also seeking to expand their market share in AI and digital transformation. Acquisitions would allow Hitachi to best position Lumada to offer a better offering to these established competitors.

The proposed phased implementation strategy recognises the complexities of acquisition and integration. Through careful due diligence and alignment of business operations, Hitachi can mitigate cultural integration risks and ensure compatibility with Lumada's existing framework. Over several years, the structured approach from research to acquisition, integration, and further development demonstrates a clear commitment to strategic growth and sustainability, allowing Hitachi to position itself as a dominant force in AI and digital solutions.

Q3.

"An MNC tends to want the subsidiary to follow the central structure and guidelines to avoid uncertainty and complexities in the new market, whereas the local environment requires the subsidiary to follow local organizational practices and cultures" (Fregidou-Malama and Hyder, 2024). Reflecting on the case above, critically review Hitachi's culture and its pursuit of global expansion in growing and diverse markets. Justify your answer with reference to supporting business and case literature.

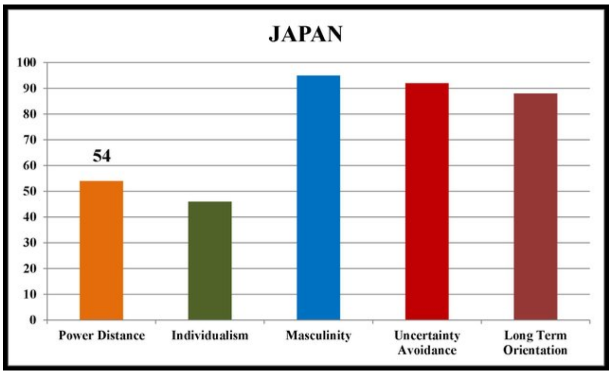
Introduction

Hitachi sees itself as a Japanese company and feels it is several years away from becoming a global company. However, the majority of its employees and revenue come from outside of Japan (Dempsey and Keohane, 2024), meaning that it must ensure it can maintain a culture that balances across different regions, as there may be cultural differences in the various places where it operates.

As Hitachi shifts its business focus, it has cut the number of subsidiaries by 40% and has unlisted subsidiaries that were trading as separate entities (Dempsey and Keohane, 2024), bringing them all under the Hitachi umbrella while also selling off mismatched divisions that it feels won't be a focus for future growth.

Geert Hofstede's Model

Geert Hofstede's model of Dimensionalising Cultures (2001) distinguishes cultures across five dimensions: individualism/collectivism, masculinity/femininity, uncertainty/avoidance and long-/short-term orientation, and how these values can influence behaviour and interactions in the workplace. The model provides a scale from 0 to 100 for 76 countries across each of the dimensions (Hofstede, 2001); although Hitachi sees itself as a Japanese company, it will be important to balance each of these dimensions when it comes to the other regions where it operates as most of its employees are not in Japan. This is because the Japanese work culture may not translate to other countries as they may have a different view of the different dimensions.



(NGUYEN AND KUMAR, 2021)

As can be seen in the chart, Japan has a hyper-masculine work culture, with long-term orientation goals that plan for the future and a high level of avoidance of uncertainty, meaning they are more likely to be risk-avoidant (Nguyen and Kumar, 2021).

The high score on masculinity reflects a work culture that values assertiveness, achievements, and competition. This can lead to a work environment that prioritises performance, where workers are motivated by success and recognition. It puts high pressure on employees to be at a high standard and achieve targets, which can impact work-life balance (Nguyen and Kumar, 2021).

Long-term orientation also has a relatively high score, showing that Japanese companies are more focused on long-term goals, employee retention, developing commitment, and relationship building (Nguyen and Kumar, 2021). This may be a reason for the high score of uncertainty avoidance, as they are long-term orientated and want to be more cautious around these long-term goals so that employees aren't navigating an uncertain work environment. This means they are less likely to take risks and prefer the stability of knowing outcomes, leading them to overthink decisions (Nguyen and Kumar, 2021). As Hitachi is making the bold decision to change from manufacturing to software, they need to make sure that the Japanese employees are still comfortable with the decisions that are being made. It also ensures that its employees outside of Japan can fit into the cultures of their own countries while working at the firm.

While Hofstede's (2001) cultural dimensions show differences between Japan and other regions, Japanese organisations control culture is usually maintained by hiring young local employees who can be more adaptable to their corporate culture style, allowing for a similar culture across boards (Kranias, 2000). However, to secure talent ideally suited for the AI industry that Hitachi is pursuing, relying solely on this hiring technique may not be the most effective approach. Embracing local cultures within various divisions could prove more beneficial, allowing for each division to better align with its respective market (Kranias, 2000).

Japan’s high uncertainty avoidance levels and long-term orientation levels may cause issues in the AI and digital solutions environment, where risk-taking and strategic shifts are more prevalent compared to traditional manufacturing; this challenge will have to be a key concern of Hitachi, as they try to become the global leader within the next several years (Nguyen and Kumar, 2021). Japan’s culture of leaning towards collectivism may clash with cultures that are more individualistic or have low uncertainty avoidance, where employees prefer faster decision-making and less hierarchal structures. With Hitachi’s push for a unified culture (reducing subsidiaries and moving them under the Hitachi brand (Dempsey and Keohane, 2024)), it will need to respect the local practices of its divisions in other regions.

Organisational Typology

Understanding cultural dimensions through Hofstede’s model helps inform us of how Hitachi should structure its global operations. Organisational Typology was developed by Bartlett and Ghoshal in 1989. It is centred around how MNCs manage and structure their operations across different geographic regions. Based on their strategic approach, it labels companies into four categories: MNCs, global corporations, international corporations, and transnational corporations (Leong and Tan, 1993). Hitachi doesn’t view itself as a “global company” (Dempsey and Keohane, 2024); however, it would fall under the global corporation label based on what Bartlett and Ghoshal have laid out. There is a strong emphasis on centralised decisions, which is common in Japanese companies (Nguyen and Kumar, 2021).

Hitachi operates in many different regions globally and has similar divisions in those locations (*Company Profile | Hitachi Energy*, 2025). The IT space in Japan is different from those in other regions (Dempsey and Keohane, 2024), and Japanese companies tend to maintain influence over their subsidiaries abroad and have a centralised decision-making process (Kranias, 2000). With this in mind, Hitachi needs to operate a system with greater local autonomy, enabling leaders in those areas who better understand the needs of current and potential customers to make decisions that will best serve the region, which links to what Fregidou-Malama and Hyder mention in the quote above. This is so that decision-makers in Japan don't misunderstand market needs in other regions; allowing local leaders who understand the market best will allow Hitachi to be more agile and take advantage of local employees' knowledge.

Conclusion: Japanese Culture with Global Adaptation

Hitachi's current situation pins the broad challenge many multinational corporations face: a centralised approach that can streamline processes and maintain brand integrity with the flexibility to meet demands in diverse local areas. Although Hitachi's roots are in Japan, where high uncertainty avoidance and centralised decision-making are common (Nguyen and Kumar, 2021), its international expansion into AI calls for a more decentralised structure, empowering regional leaders with authority and autonomy, allowing Hitachi to better innovate and adapt to a fast-evolving global market. However, this involves a significant cultural shift, requiring Hitachi to move beyond traditional Japanese norms of control and towards a collaborative approach that balances Japanese values with local inputs.

Such a change also involves rethinking talent strategies, as Japanese organisations have historically hired young, local employees who can be moulded to fit corporate expectations (Kranias, 2000). Given the rapid changes in AI and digital technologies, Hitachi may need a more diverse workforce that can bring in varied expertise and perspectives to meet rapidly changing customer needs in different regions. To meet these changes, Hitachi could partner with local institutions and offer international mobility or career pathways to encourage a global perspective while preserving core principles of loyalty and stability that Japanese firms value.

Looking at Hitachi using organisational typology, moving from a "global corporation" to a "transnational" would allow Hitachi to coordinate an overall strategy while maintaining the agility to have local adaptions. This will allow the fostering of both worldwide knowledge-sharing and regional autonomy, mitigating the risk that the main headquarters may misjudge local markets. Strategic decisions can still be made in Japan, focusing on the most important facets, but local entities can tailor these solutions and communications to best meet cultural settings in their respective regions.

In the long term, embracing a dual structure can help Hitachi maintain cohesion across regions while also fostering local innovations and consumer insights. This approach balances diverse cultural backgrounds and harnesses their strengths, boosting Hitachi's competitiveness in its new business focus. Recognising that Japanese and local cultures play a pivotal role in global expansion, Hitachi can navigate potential clashes and unify its workforce around its shared vision and goals. By adopting this two-pronged approach, Hitachi can emerge as a “truly global” player.

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