Global Business Strategy: Multinational Corporations Venturing into Emerging Markets

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Springer, Tokyo, 2015, 259 pages.
ISBN: 978-4-431-55467-7

The book, authored by Dr Kazuyuki Motohashi, offers great value to business organizations that wish to expand operations in the emerging markets of countries such as India, China, Brazil, Russia, and Eastern Europe. It highlights cases of businesses that either flourished or sank in these countries. Dr Motohashi, a professor at the University of Tokyo, Japan, gained a wealth of experience while serving in the Ministry of Economy, Trade and Industry (METI) of the Japanese government and Organisation for Economic Co-operation and Development (OECD). His rich expertise finds reflection in the real-life case studies detailed in the book, making it an interesting and lucid read. The book’s intended audience includes strategy consultants and business development managers of multinational corporations (MNCs) that wish to penetrate the emerging economics and harness their untapped opportunities.

This book emphasizes on the need to understand the contextual applications of business strategy foundations before entering into specific emerging markets. It focuses on three aspects of a business strategy—understanding the business environment of both the host and destination countries; understanding the dynamism of an emerging economy whose only constant is change; and finally, identifying the implicit facets that can affect the MNC proliferation in the developing nations.

The book is divided into 15 chapters devoted to the business strategies of MNCs that wish to expand operations to developing economies. Each chapter provides important nuggets of information for any organization to minimize the risk in a new environment. These chapters are classified into two sections: global business strategy and fundamentals of strategic planning. Corroborating both these concepts, the author brings forth the difficulties and opportunities that exist in the markets of developing countries; he also uses case studies to showcase how MNCs can tackle the business intricacies in a specific country and become a thriving global organization.

The first section, global strategy, throws light on the utility of strategic management and business policies theories such as Cultural, Administrative, Geographic and Economic (CAGE) and Adaptation, Aggregation and Arbitrage (AAA) frameworks. The applicability of these concepts is highlighted through case studies of Japanese
firms making a successful presence in the Indian market. Aspects like the difference in the business environment between the host and target country are discussed. It also provides an in-depth understanding of concepts such as formal and informal institutions of the target country, dynamism of global economy, selecting an appropriate business strategy to minimize competition in the host country, and retaining the product/service uniqueness. All these concepts are showcased through a real-life case study of Japanese firms that have set base in the Neemrana industrial area in northern India. In a nutshell, the author argues that a company should strategically plan to bridge the cultural, administrative, geographic, and economic distances that exist between the host and destination countries.

India and China are amongst the most sought-after destinations for MNCs to expand their operation. It is with this in mind that the author has provided an in-depth analysis of both the formal and informal institutions in these countries. Informal institutions, in his opinion, may play a far more critical role than formal institutions for an organization that wishes to penetrate into any or both of these two target countries. A large population of these emerging markets is relatively poor, so there is a severe threat of a native company mimicking the product of an MNC and then gaining in terms of cost advantage. This book illustrates a unique solution to counter such threats. It details how a global organization can retain a competitive edge by following a customer-driven approach rather than a product-driven approach.

These case studies bring to light the risk mitigation strategies followed by the stakeholders of a particular project, for instance, in the ‘Neemrana Industrial Park’ case study, all stakeholders (business organizations, Government of Japan, Government of India, and state government of Rajasthan) contribute to the conceptualization and detailing of the project. This arrangement ensures availability of resources such as power, water, and logistics.

The second part, fundamentals of strategic planning, illustrates the deeper fundamentals of global strategic planning such as alliance-based issues in business proliferation, role of marketing theory, and complying with the regulatory needs and intellectual property laws of the target country while implementing technology and innovation management through real-life case studies. For example, the case study on Hitachi Construction Machinery (HCM) is used to explain the business alliance concept while the case study on Shiseido marketing in China expounds the marketing theories; and Thailand’s National Science and Technology Development Agency (NSTDA) and Suzuki Motor explain cases related to technology management during business expansion in an emerging market.

There are two options to an alliance-based strategy: joint venture or wholly owned subsidiary. Due consideration needs to be given to all factors involved in each strategy to mitigate the pre- and post-alliance risks. The HCM case study aptly illustrates this scenario and shows how after 13 years of operating as a joint venture, the company had to become a wholly owned subsidiary of China.

Marketing strategy in a post-alliance scenario is very critical. It is governed by factors such as analysis of purchasing power, technological competitiveness, opportunities for products for the bottom of the pyramid class, and gap with local companies. All these concepts are illustrated through the case study of the Japan-based Shiseido cosmetics company, which launched its products in China through a different brand name to avoid product cannibalization.

The author emphasizes on how important it is for the MNCs to understand and follow all rules and regulations of the destination country in terms of its R&D policies, intellectual property issues, formal rules, incentive system, and local sentiments. The book illustrates the successful R&D strategies of companies such as IBM, GE, and Intel, and how they managed to harness local talent in research to emerge as global giants in the field of innovation. The case studies of Maruti Suzuki, Shiseido, and Thailand’s NSTDA are ‘lessons from predecessors’ for any organization to devise its offshore R&D strategy.

The concise nature of the book is its unique selling point. Cases serve as complementary instruments to maximize readers’ understanding of the concepts that the book seeks to highlight. Also, the limpid graphical representation of the different comparative data (such as GDP, GDP per capita, investment per year, etc.) increases its acceptability to the business audience. The Indian audience is likely to identify with the cases illustrated, especially with the middle-class dream of owning a car, which turned into a reality with the setting up of the Maruti Suzuki plant in India in the 1980s. The case studies illustrate the experiences of Japanese firms in India and China. Although the author upholds a generic global business strategy approach, readers may
wonder about the applicability and if the consequences would vary if American or European firms were to penetrate in the emerging markets of Brazil or Russia. Including cases from American, European, and other emerging economies (BRICS) will make the book more generalizable.

On the whole, the book serves as a practical handbook for any business development manager of an MNC that wants to enter the Indian or Chinese market. Many readers will find the ideas of Professor Motohashi implementable in their corporate boardroom during their seminar on their company’s business expansion.

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