

# *Levendary Café: The China Challenge*

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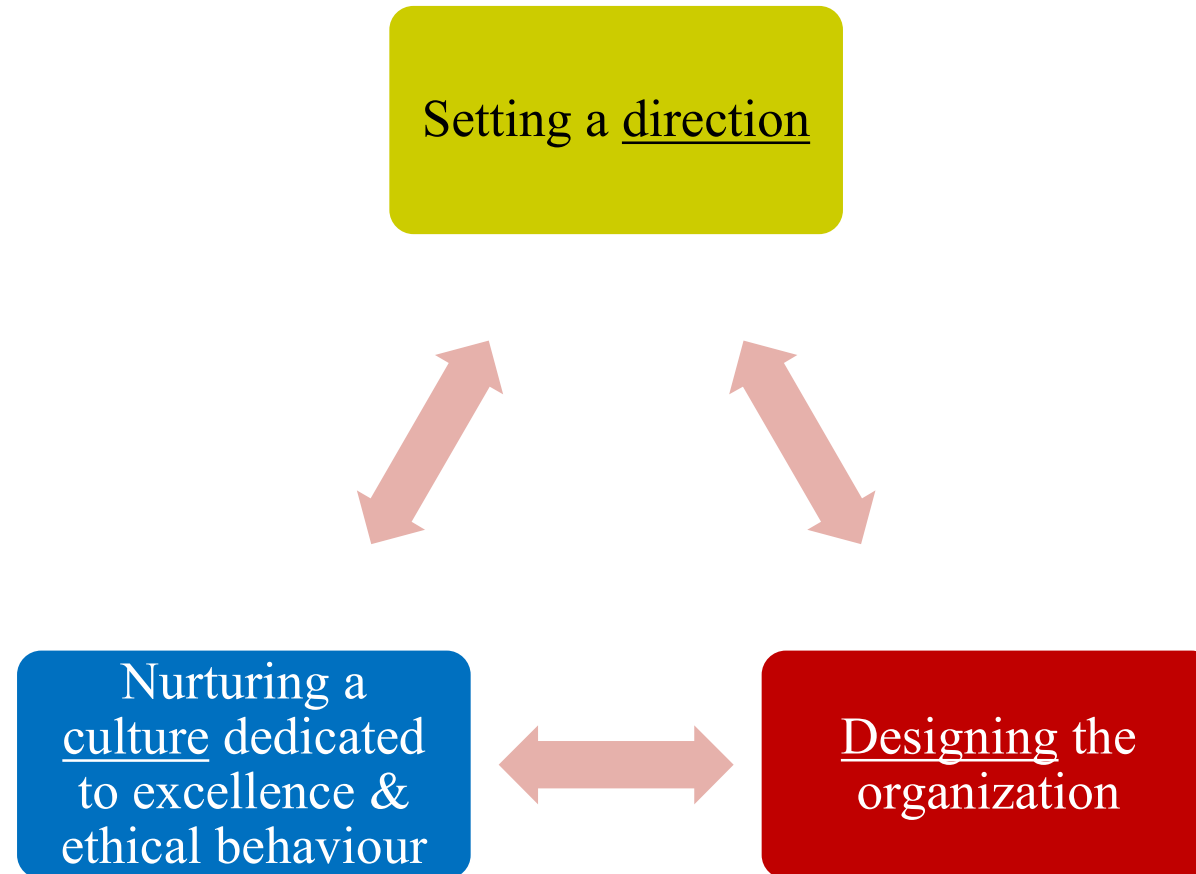
## ■ Discussion Points

- ❖ What is the **core argument** of this case?
- ❖ Explain the **characteristics** of the **restaurant & food service industry**?
- ❖ What are **key sources** for **Levendary's competitive advantage**?
- ❖ Analyze both **opportunities & challenges** in **China** & propose **winning strategies**.
- ❖ What **problems** existed between the HQs (**CEO Foster**) & the Chinese subsidiary (**Mr. Chen**)?
- ❖ What does it mean by that **Chen** was a **go-getter/a local baron** (**NOT a professional manager**)?

# Levendary Café: The China Challenge



## ■ Leadership: '3' Interdependent Activities



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## ■ Leadership: '3' Interdependent Activities

Setting a direction

### KEY POINTS

- ❖ A holistic understanding of an organization's stakeholders requires an **ability to scan the environment** to develop a **knowledge of all of the company's stakeholders & other salient environmental trends & events**.
- ❖ Managers must **integrate it into a vision of what the organization could become**.
- ❖ This necessitates the **capacity to solve increasingly complex problems, become proactive in approach, & develop viable strategic options**.
- ❖ (1) **a clear future direction**, (2) **a framework** for the organization's **mission & goals**, & (3) **enhanced employee communication, participation & commitment**.

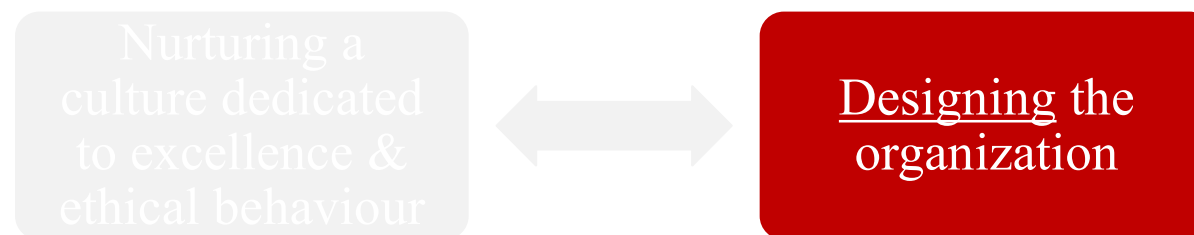
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## ■ Leadership: '3' Interdependent Activities

### KEY POINTS

- ❖ At times, almost all leaders have **difficulty implementing their vision & strategies**.
- ❖ The **major sources of such problems** are:
  - **Lack of understanding of responsibility & accountability** among managers;
  - **Reward systems that do not motivate** individuals or groups toward desired organizational goals;
  - **Inadequate or inappropriate budgeting & control systems**; &
  - **Insufficient mechanisms to integrate activities across the organization**.
- ❖ **The CEO's role: The leader as 'architect'**.



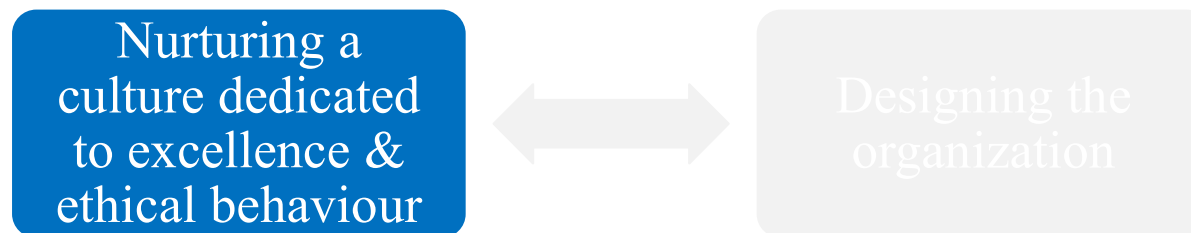
# Levendary Café: The China Challenge



## ■ Leadership: '3' Interdependent Activities

### KEY POINTS

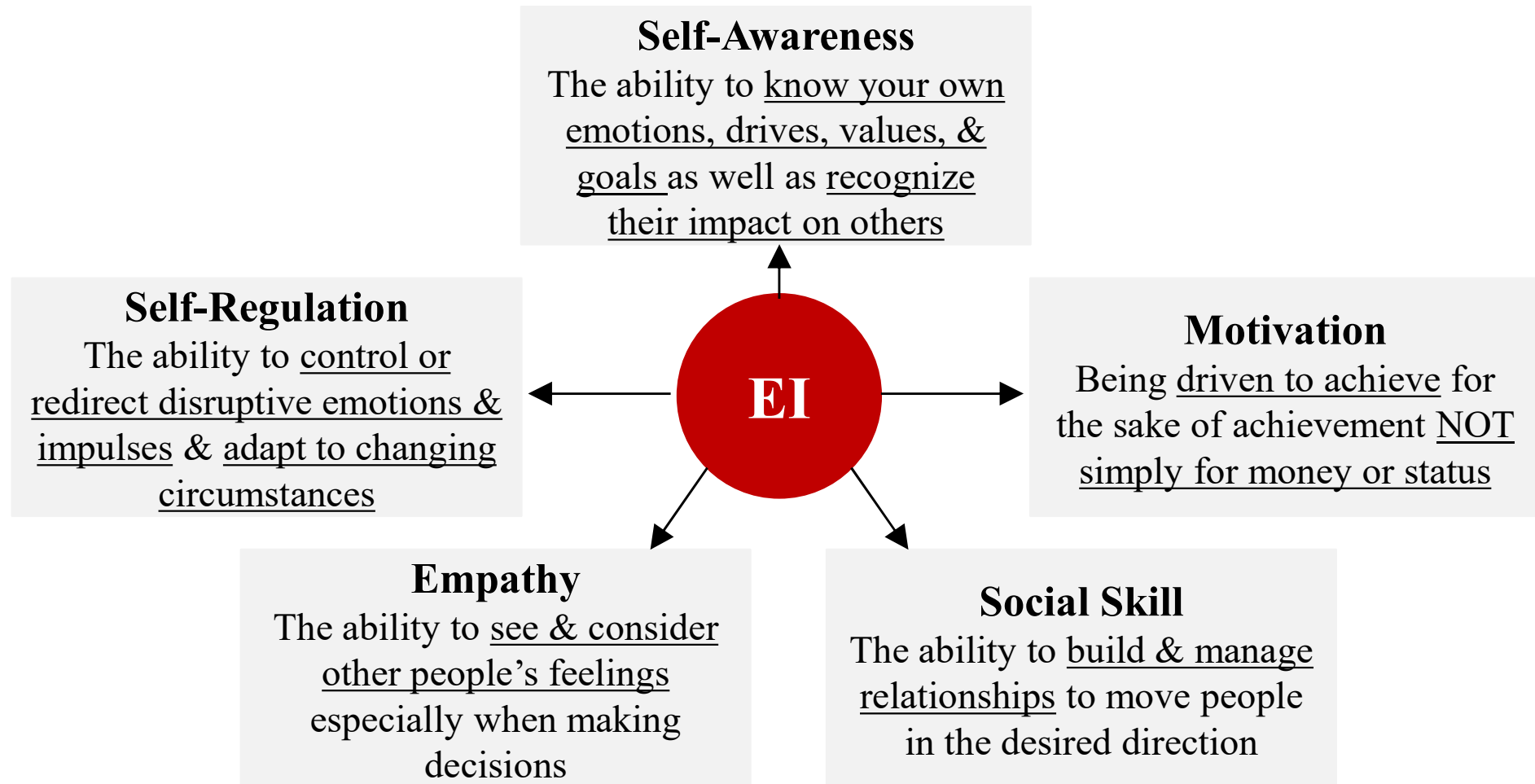
- ❖ **Organizational culture can be an effective means of organizational control.**
- ❖ **Leaders play a key role in developing & sustaining an organization's culture.**
- ❖ *“In organizations (or even in a society) where **the culture is weak**, it may require **an abundance of heavy, precise rules & processes**”.*
- ❖ **Airbnb:** “The culture is what creates the foundation for all future innovation”.
- ❖ **Leaders can also have a very detrimental effect on a firm's culture & ethics.**
- ❖ It is necessary to reinforce **some ethical measures**, including (1) **role models**, (2) **corporate credos & codes of conduct**, (3) **reward & evaluation systems** & (4) **policies & procedures**.



# Levendary Café: The China Challenge



## ■ Emotional Intelligence (EI): A Key Leadership Trait



# Levendary Café: The China Challenge



## ■ Centralization vs Decentralization

**Centralization**  
(parental control)

**Subsidiary strategies aligned with MNE Headquarters**

- Enhance communication
- Minimize coordination cost
- Allows leverage of accumulated resources & expertise
- Prevents opportunistic behaviour
- Prevents loss of core technologies



**Decentralization**  
(Autonomy)

**Subsidiary strategies aligned with host market conditions**

- Facilitates production differentiation & adaption
- Rapid, flexible response to customers & competitors
- Enhances access to local resources & human capital
- Learning opportunities from local innovation systems
- Advantages of embeddedness (network as valuable asset)

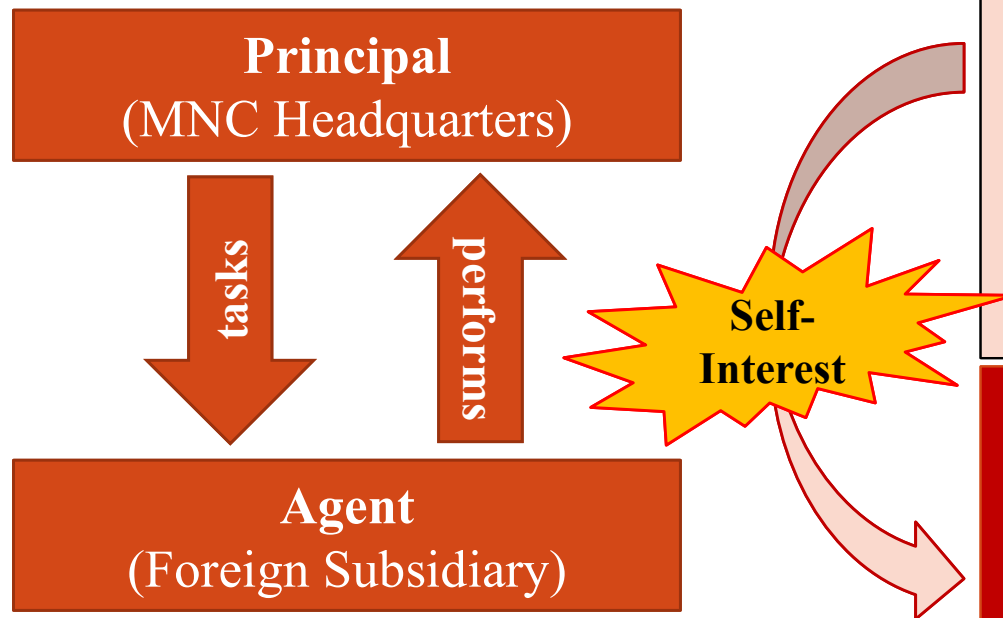
How to strike the optimal balance ?





## ■ Centralization vs Decentralization

### ❖ Agency Theory Framework



#### Problem

- Limited ability for knowledge collection & processing
- Unable to run business operations in overseas markets
- Relies on subsidiary for information & performance
- Limited ability to accurately assess subsidiary performance

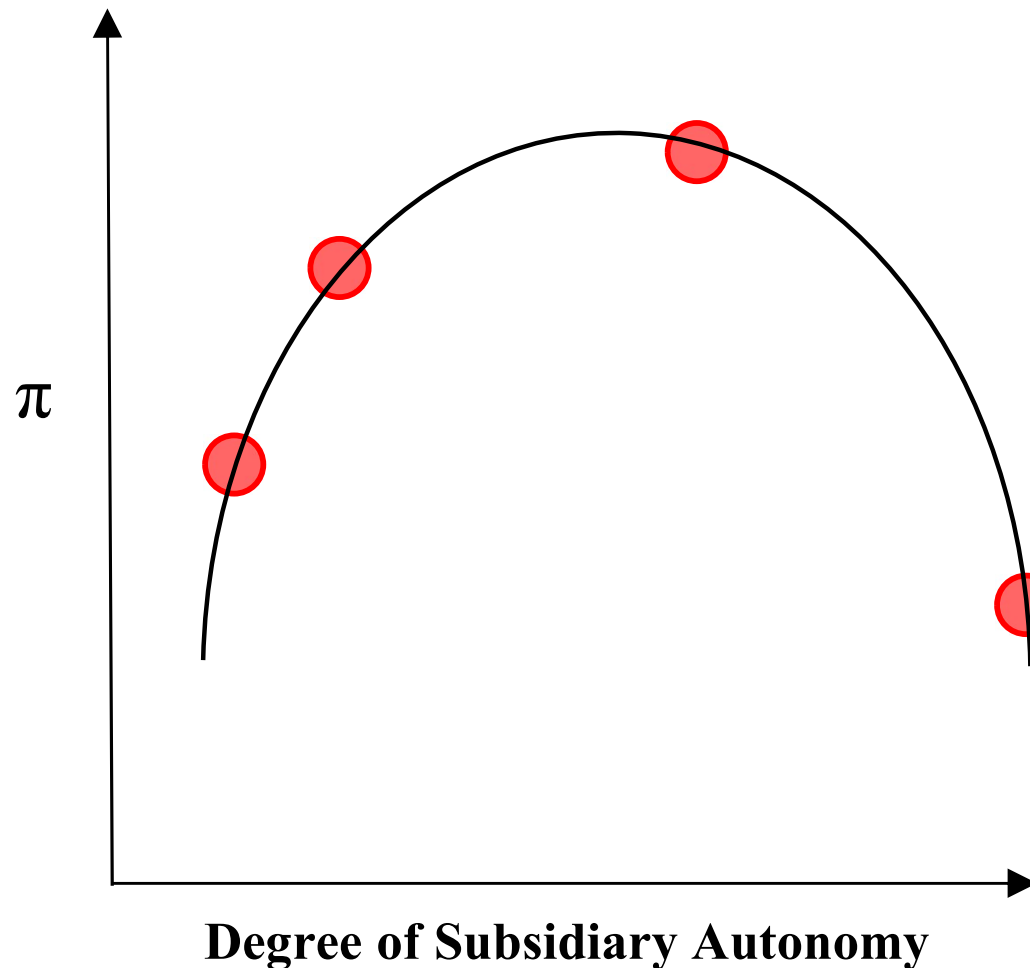
#### Solution

- Supervision over foreign subsidiary to prevent opportunistic behaviour
- Placing headquarter staff in senior management positions at the subsidiary to:
  - ✓ Improve communications
  - ✓ Ensure compliance

# Levendary Café: The China Challenge



## ■ Reverse U-Shaped Curve?



- ❖ Subsidiary isolation.
- ❖ Opportunistic behaviours.
- ❖ Increase in transaction cost.
- ❖ Barriers to strengthening global value chain systems in the MNC network.

# *Silvio Napoli at Schindler India*

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## ■ Discussion Points

- ❖ **Explain the central debate of this case concisely & clearly.**
- ❖ **What was Schindler's market entry strategy in India?**
- ❖ **Analyze Mr. Napoli's hard-soft skills & his career trajectory.**
- ❖ **Evaluate the TMT of Schindler India (Exhibits 1 & 2).**
- ❖ **Interpret “*To survive in India, you have to be half monk & half warrior*”.**
- ❖ **What are possible winning strategies in the Indian elevator market by considering market structure, purchasing behaviors, product life cycle & so forth?**
- ❖ **What are the critical challenges facing Mr. Napoli?**



## ■ How to Calculate the Degree of Market Competition?

### ❖ The Herfindahl-Hirschman Index (HHI)

- The HHI can be calculated by taking the market share of each firm in a given industry, squaring them, & aggregating the score.
- Consider the following hypothetical industry with **4 firms**:
  - Firm 1 market share = **40%** | Firm 2 market share = **30%** | Firm 3 market share = **15%** | Firm 4 market share = **15%**
  - $HHI = 40^2 + 30^2 + 15^2 + 15^2 = \underline{\underline{2,950}}$
- Consider the following hypothetical industry with **1 firm**:
  - Firm 1 market share = **100%**
  - $HHI = 100^2 = \underline{\underline{10,000}}$  (Monopoly)



## ■ A Driver of Firm Internationalization

- ❖ **Expatriates:** A person residing in a country & take positions outside their home country.





## ■ Is International Assignment Good for Career Trajectory?

### Positive career outcomes

- Greater **'RESPONSIBILITIES'**.
- Career **'PROGRESSION'**.
- **'SKILL'** improvement & **'EXPERTISE'**.
- Cultural **'AWARENESS'**.
- **'CONFIDENCE'** in overcoming challenges.
- **'CREATIVITY'** through new ways of doing things.

### Negative career outcomes

- **'SLOW TO REWARD'** a manager's successful international experience with expanded leadership responsibilities.
- **'NO GUARANTEE'** for a promotion.
- The **'GAP'** between life at home versus "over there" can create professional, family, & personal problems.
- Expatriates' **'DISSATISFACTION'** with the fact their companies recognize their accomplishments.

How to keep the tension between

these "2"  
aspects?



## ■ What is the Major Role of Expatriates?

### ❖ Knowledge Transfer

- Smooth transfer of technology, knowledge, knowhows from the HQs to its foreign subsidiaries.
- Expatriates ensure the quality of products & services offered in the local market in line with the expected standards set by the HQs.

### ❖ Control

- Operational & financial oversights.

### ❖ Learning

- Parent country nationals can accumulate knowledge of foreign operations & learn effective best practices in different cultural & market environments.

### ❖ Cross-Border Communication

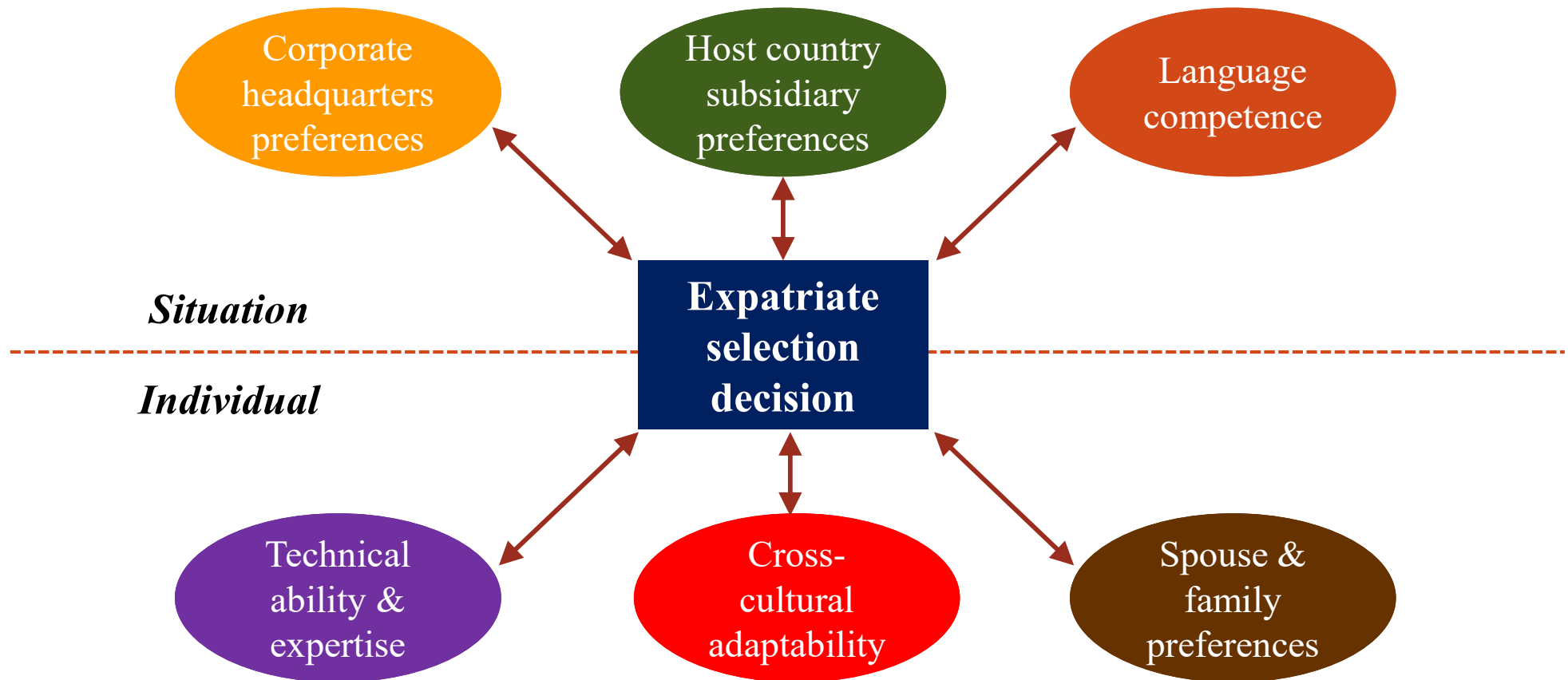
- Expatriates act as coordinators to promote information sharing in horizontal & vertical relationships within the MNC network.

Source: Oki (2017).



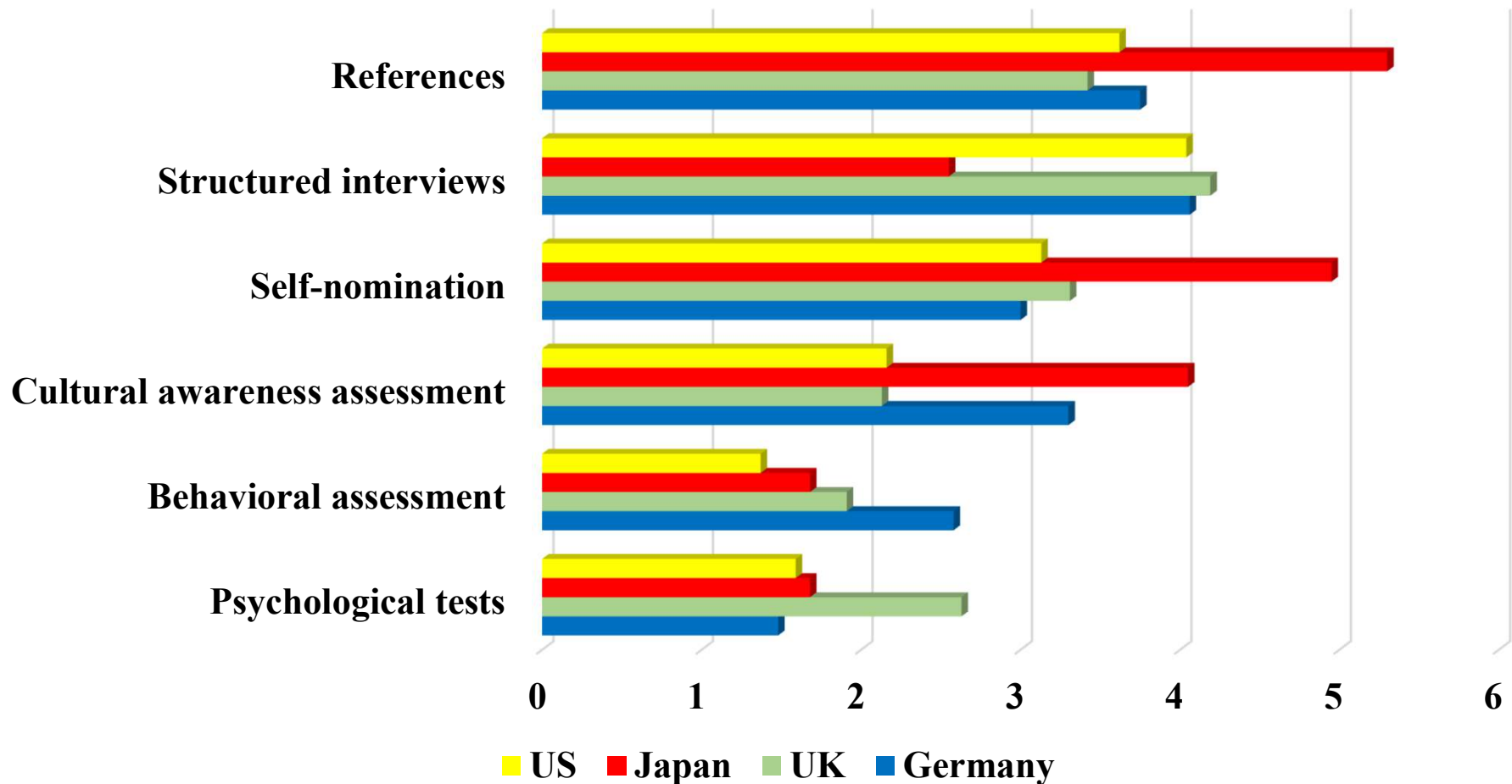


## ■ Key Factors in Expatriate Selection?





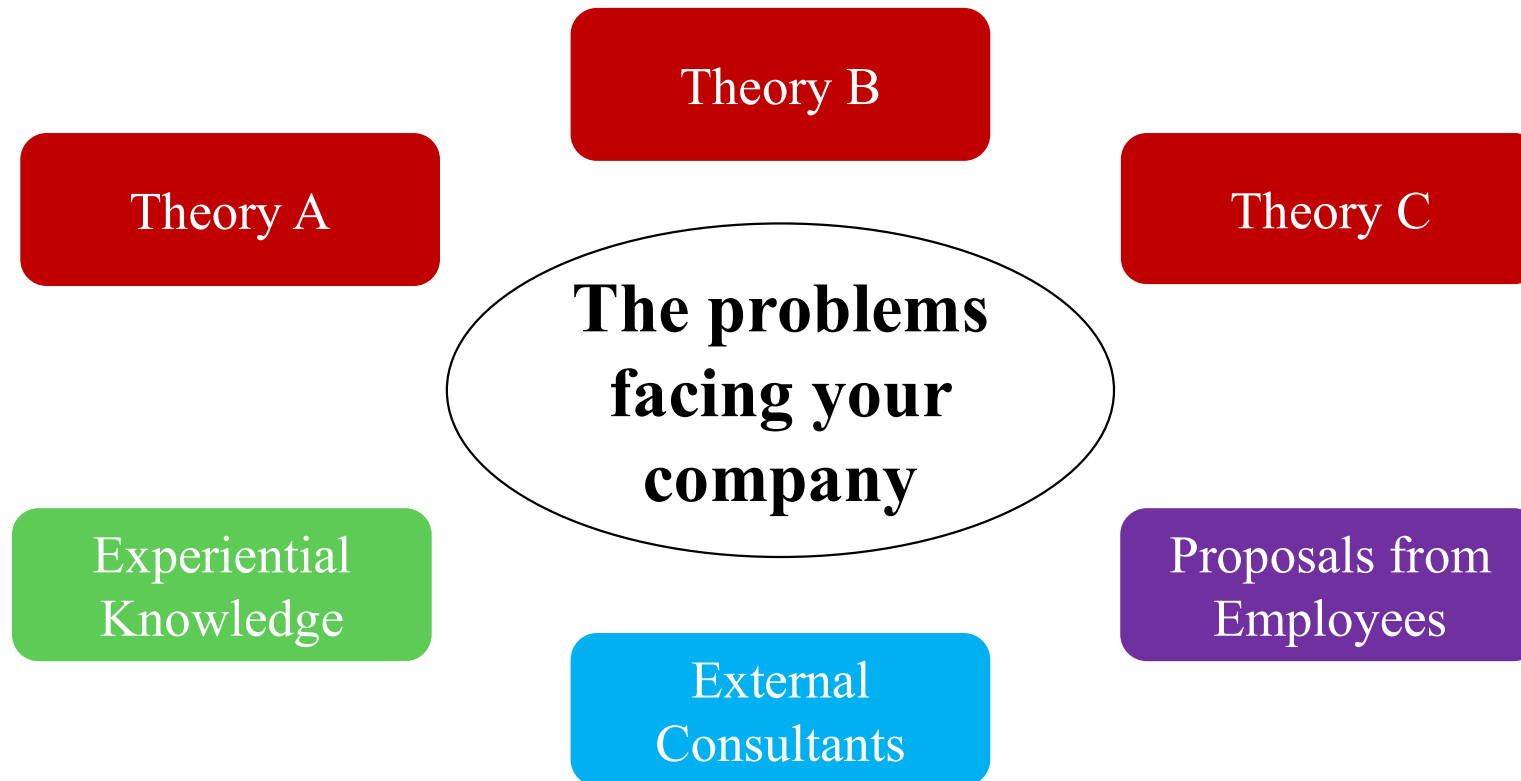
## ■ Regularity of Using the Following Selection Methods?



Source: Tungli & Peiperl (2009: 161).

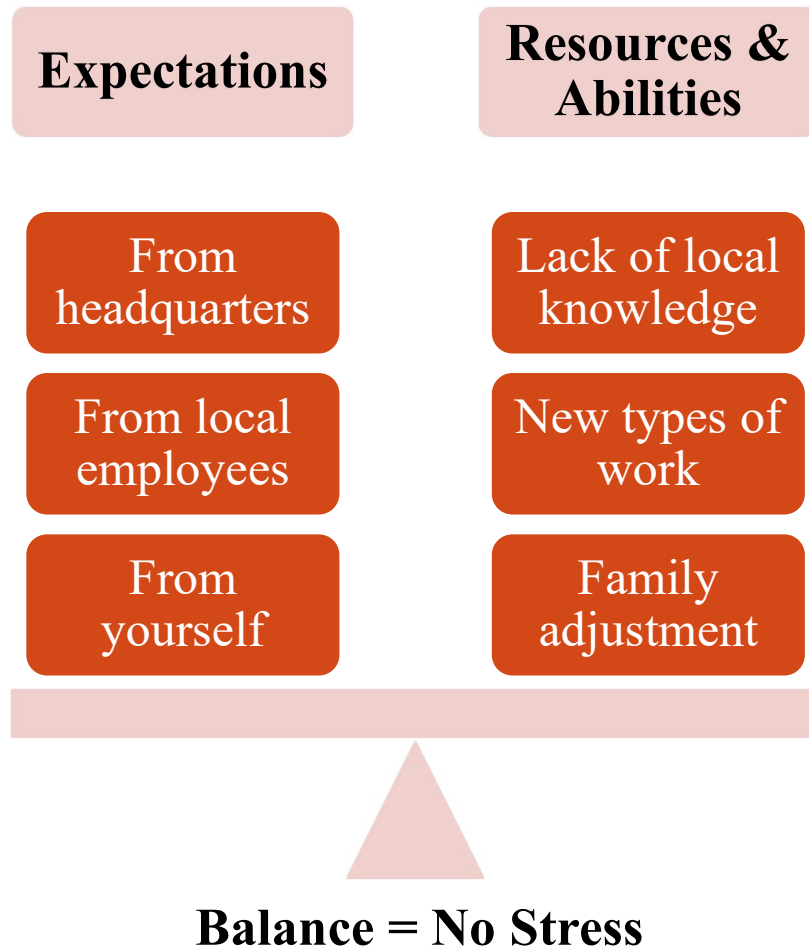


- **Be a Great Strategist who Makes Efficient Use of Different Theoretical Frameworks !**





## ■ Sources of Stress for Expatriates?

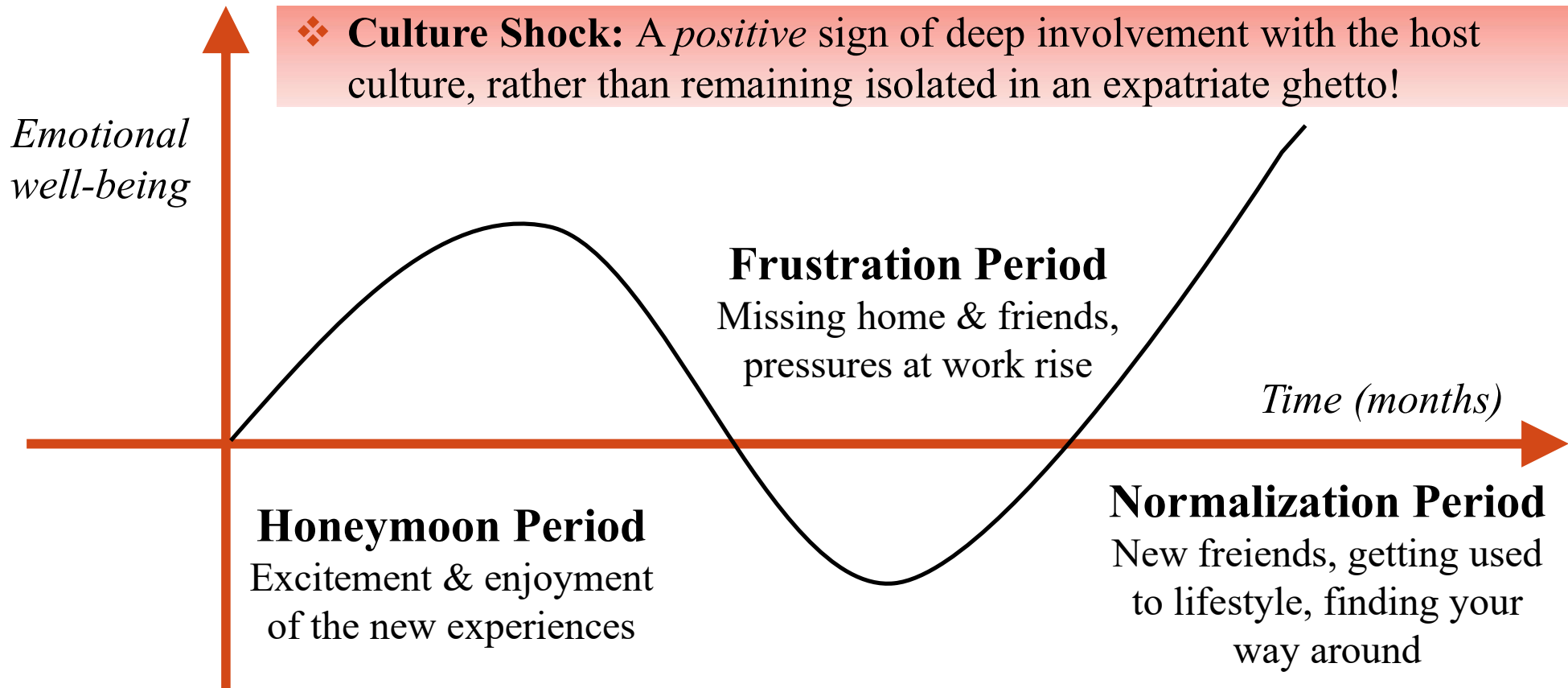


### KEY COMMENTS

- > Many of the practical challenges or expatriates are similar to experiences of **students going abroad on exchange**.
- > Arriving at the place of an international assignment, the **initial concerns** are usually very **practical matters**:
  - Who does what?
  - Who is who?
- > **Our cognitive systems of interpreting what is happening** is grounded in **our culture**.
- > The **imbalance** between the effectiveness of your **action & your expectations** causes **expatriate stress**.



## ■ Culture Shock: From Honeymoon to Normalization



- ❖ **Solutions:** (1) Physical exercise, (2) meditation & relaxation techniques, (3) ‘stability zones’ such as groups in your own cultural community

# The End of Today's Lecture



ご清聴有難う御座いました。

**Thank you so much!**

**Vielen Dank für Ihre Aufmerksamkeit!**

**Grazie mille!**

**Merci beaucoup!**

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