

“McDonald’s Reinvents Itself in India”

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“McDonald’s Reinvents Itself in India”



■ Questions

- ❖ How could McDonald’s have better managed the adaptation of its strategy to the Indian context? (Federica Capelli).
- ❖ How did localization, a key source of competitive advantage in this case, become a strategic liability? (Eva Pozzato)

“McDonald’s Reinvents Itself in India”



■ Questions

- ❖ Do you think **McDonald’s entry strategy** was **appropriate** for the **Indian market**?
- ❖ What have been **key success factors** for growing the McDonald’s business in India?
- ❖ What are the **causes** for the **conflict with their co-owner, Vikram Bakshi**?
- ❖ **How** could the **conflict with Vikram Bakshi** best be **resolved**?

“McDonald’s Reinvents Itself in India”



■ Due Diligence

❖ WHAT Questions Should be Asked?

- **WHAT** is the ultimate goal for the venture? Is it permanent or short measure? Is it location specific? Industry specific?
- **WHAT** is the time frame for its setup & milestones?
- **WHAT** is success being measured upon (*e.g.*, financial, knowledge transfer, full employment)?
- **WHICH** resources should be both used?
- **WHAT** are the time frames of resource commitment?
- **HOW** is information going to be shared?
- **HOW** are interests to be protected? **WHAT** controls are in place to ensure compliance?

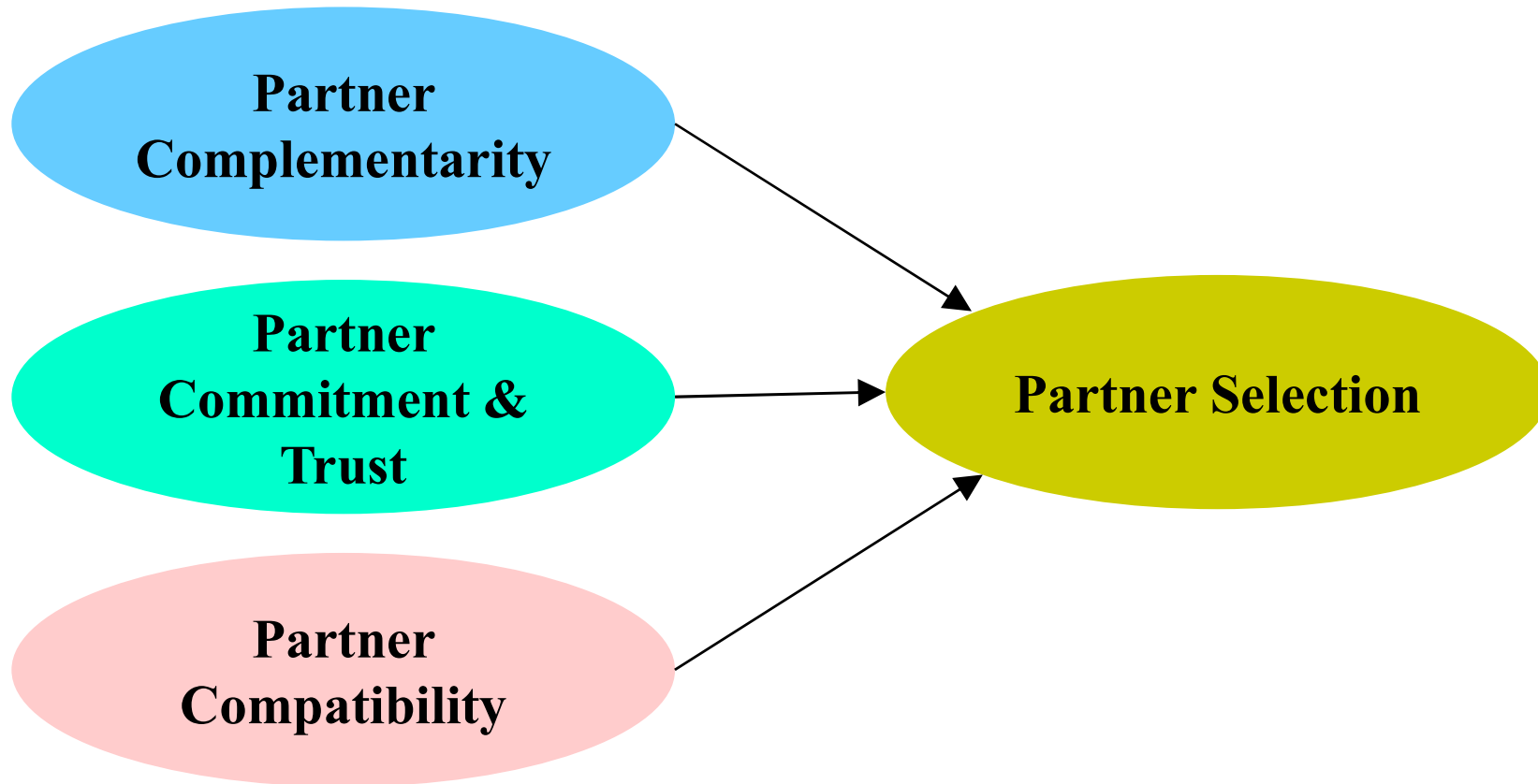
Source: Hubbard (2013).

“McDonald’s Reinvents Itself in India”



■ Key Success Factors in JVs

❖ Partner Selection



Source: : Instructor’s illustration based on Hubbard (2013).

Yang et al. (2009).

“A Comparative Analysis of the Internationalization of Chinese & Japanese Firms”, *Asia Pacific Journal of Management*, 26, 141-162.

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■ Questions

- ❖ Why should **formalization & trust** be seen as **complementary** rather than substitutes? (Luca Franzolini).
- ❖ Which company (i.e., Haier & Matsushita) do you think is more efficient in managing relationships with their overseas subsidiaries? How can you explain this from the resource-based view of the firm? (Laura Finassi)



■ Questions

Q1: What is the **core argument** of this paper?

Q2: Explain the **internationalization process** of Chinese firms as well as of Japanese firms.

Q3: Clarify the underlying concept of the **‘3’ theories** the authors have presented in their article.

Q4: Why is the **case study** so **useful**?

Q5: Assess the rationale behind the internationalization of **Haier & Matsushita** in an extension of the **‘3’ theories**. Are there any clear **differences & similarities**?

Q6: Provide **managerial implications** from this article.

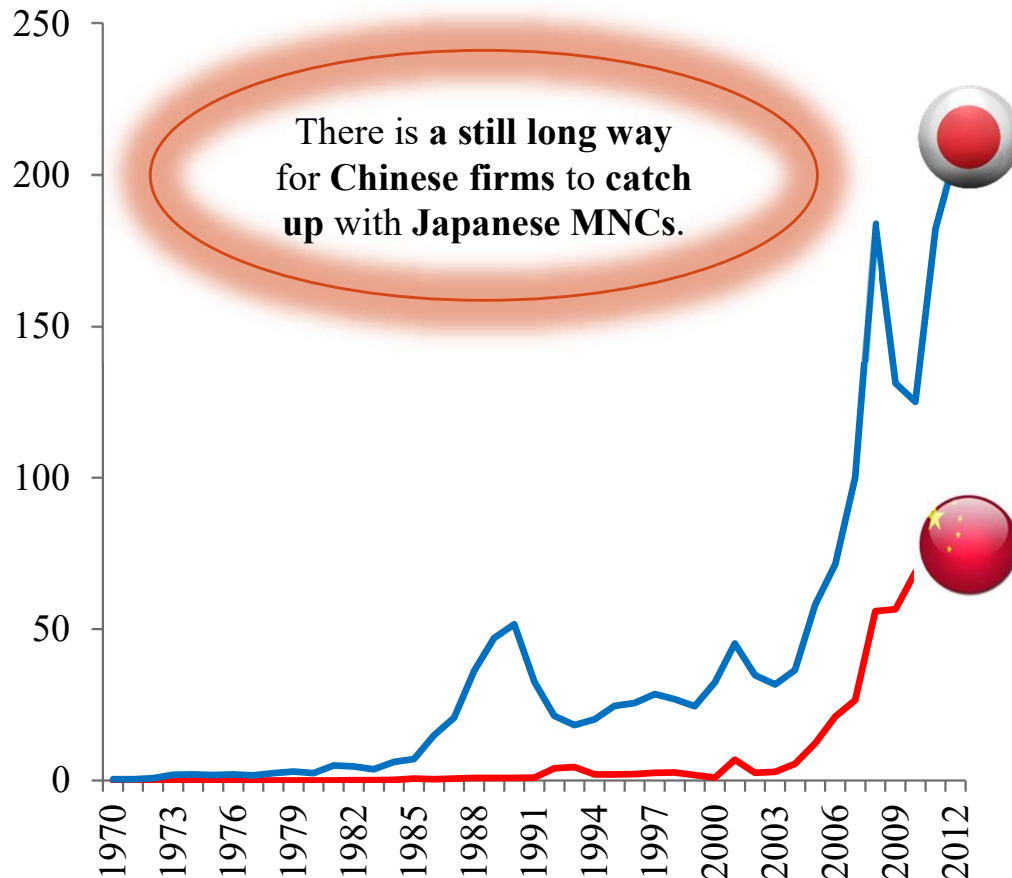


■ What is the Core Argument of this Article?





Chinese & Japanese Firms' Outbound FDI by Year



Note: Own illustration based on UNCTAD STAT.

COMMENTS

- > The **12** largest **Chinese MNCs** now control over **US\$30** billion in foreign assets across the whole spectrum of business activities, with over **20,000** foreign employees & over **US\$30** billion in foreign sales.
- > (1) **Haier's** production facilities & R&D centers in the **US**; (2) **Lenovo's** acquisition of IBM's PC division; & (3) **TCL's** acquisition of Thomson's TV division & Alcatel SA's handset division.
- > "Is **China** the **new Japan**?"
- > **similarities & differences?**



■ Chinese & Japanese Firms' Outbound FDI by Year



Geely's acquisition of Volvo



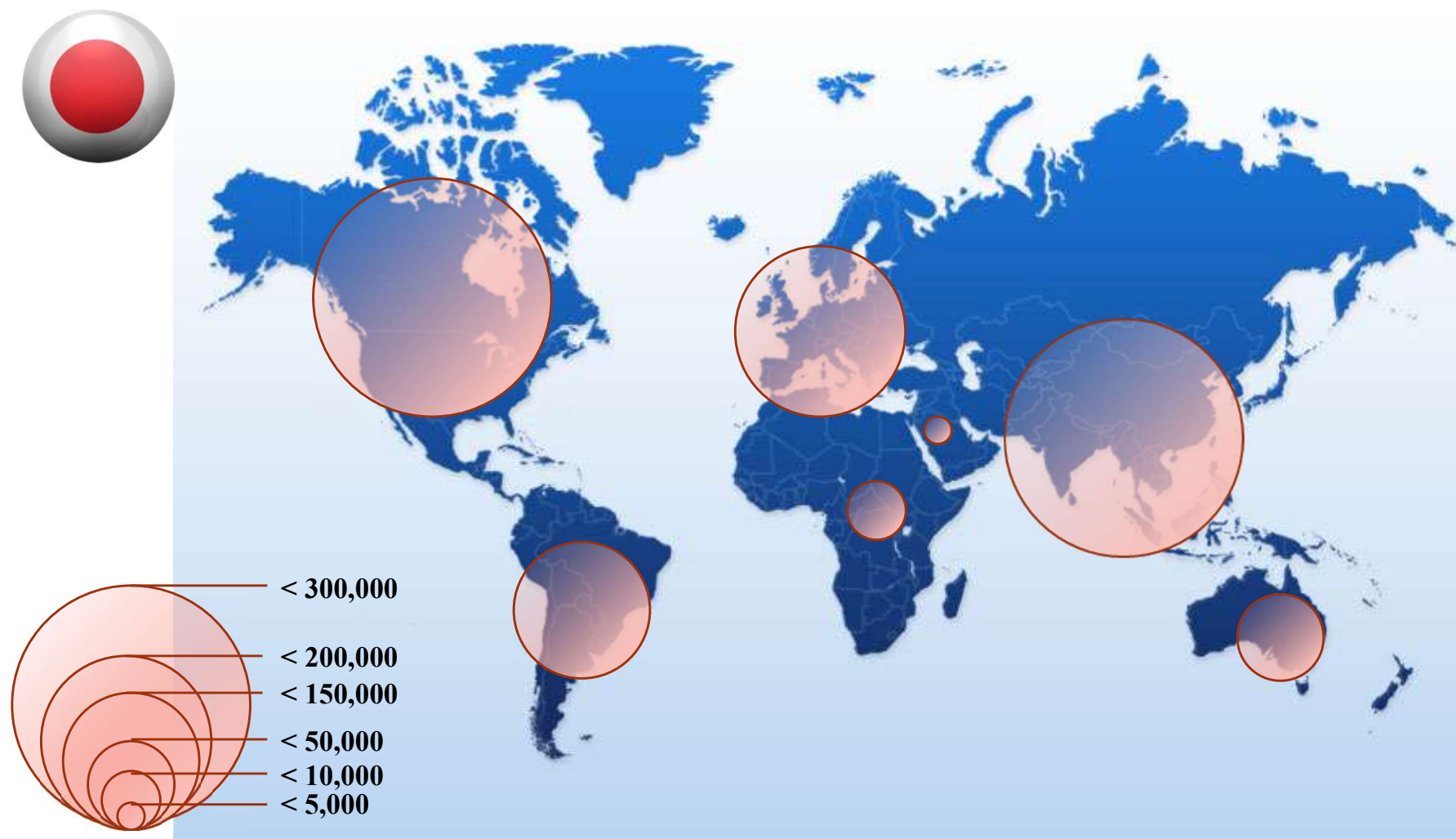
Lenovo's acquisition of IBM's PC division



Nanjing Automotive's acquisition of Rover

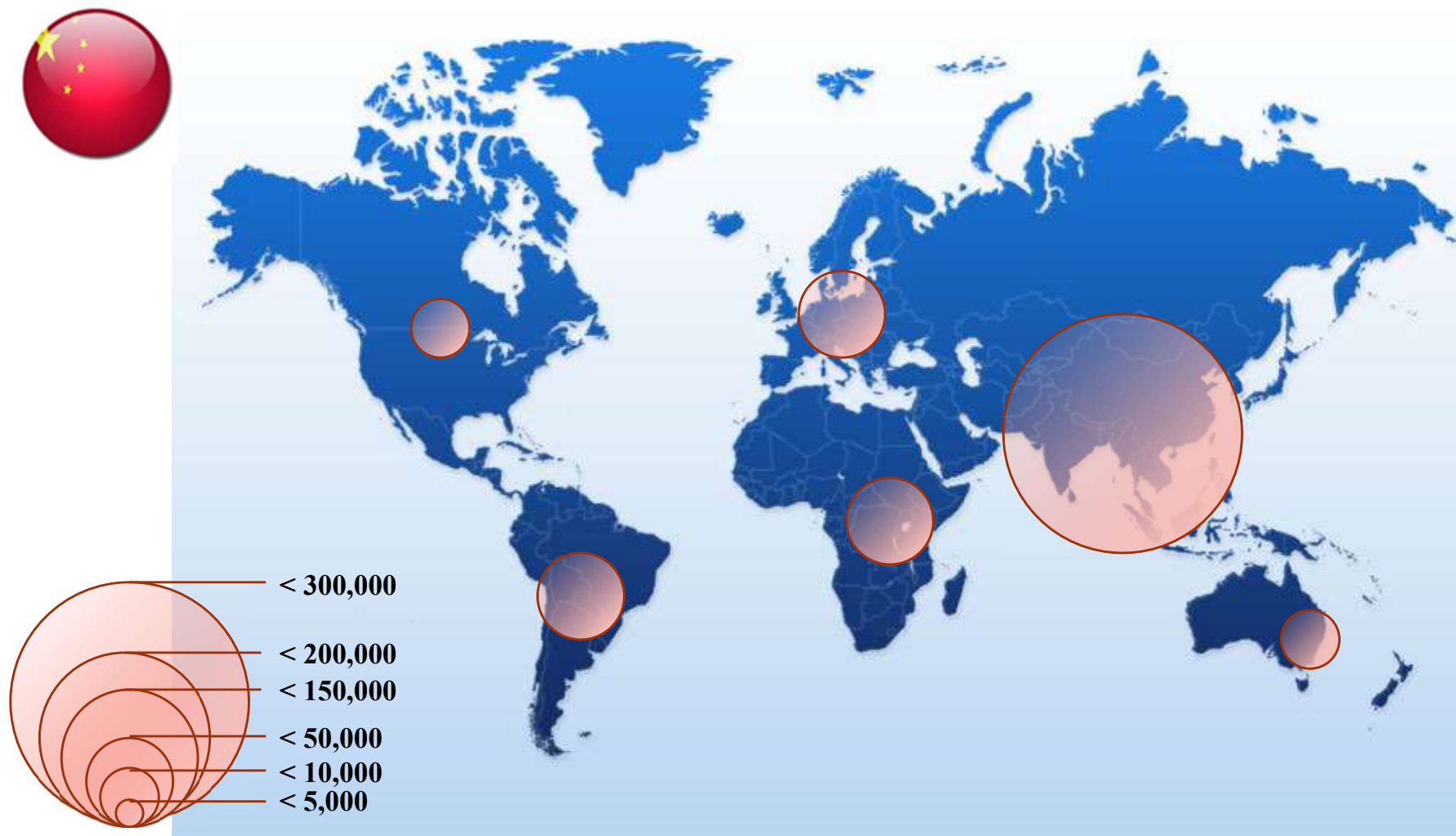


■ Japanese Outward FDI in the World (Unit: US\$ millions)





■ Chinese Outward FDI in the World (Unit: US\$ millions)





■ Contextualizing Motivations of International Expansion

WHY did **Japanese firms** internationalize?

WHY did **Chinese firms** internationalize?

Are there any **SIMILARITIES & DIFFERENCES** between Chinese firms & Japanese firms in terms of **path to internationalization**?



■ The Growth of Japanese MNEs



Stage	Period	Major Characteristics
One	1950-78	<ul style="list-style-type: none">> This period was characterized by natural resource-seeking investment.> Combined with other incentives (<i>e.g.</i>, subsidies, preferential tax measures & the supply of low interest loans), the Foreign Capital Law of 1950 facilitated transfer of technology & provided protection to still uncompetitive domestic firms.> The introduction of floating exchange system in 1973 => OFDI (↑)
Two	1979-85	<ul style="list-style-type: none">> Japanese FDI outflow began to surge in the late 1970s.> Institutional adjustments: The revision of the Foreign Exchange & Foreign Trade Control Law in 1979, namely away from the period of “prohibition” of FDI> Market expansion was cited as the number one reason for Japanese FDI in the USA.
Three	1986-Present	<ul style="list-style-type: none">> This period experienced a combination of cost reduction & market penetration FDI.> The appreciation of the yen forced Japanese firms to invest in Asia to maintain their cost competitiveness.> The MITI consistently rejected applications by foreign investors to set up wholly-owned subsidiaries or foreign majority-owned JVs in Japan.



■ The Growth of Chinese MNEs



Stage	Period	Major Characteristics
One	1978-90	<ul style="list-style-type: none">> The first OFDI project was a joint venture between Beijing Friendship Commercial Service Corporation & Japan Commercial Conglomerate, named <u>Jin He Sharing Holding Limited Company</u> in 1979 in Tokyo, Japan.> The Chinese government only granted permits to large state & provincial trading houses to set up overseas subsidiaries. Many OFDI projects took place in Southeast Asia.
Two	1991-00	<ul style="list-style-type: none">> The government further liberalized the economy & granted permits to large SOEs.> The government's motivation to promote OFDI was driven by the recognition of natural resource constraints to further development & the desire to shift mature technologies & industries to other developing countries to maximize profits.> CMNCs aimed to overcome their low brand recognition & to raise capital abroad.
Three	2001-Present	<ul style="list-style-type: none">> The acceleration of overseas expansion activities in the form of M&As.> The increased size of OFDI was triggered by the intensification of foreign competition in China after China's entry to the WTO in 2001.> In 2004, CMNCs engaged in 13 cross-border M&As (Lenovo's acquisition of IBM's PC division at US\$1.75 billion) as a response to the government policy to go global.

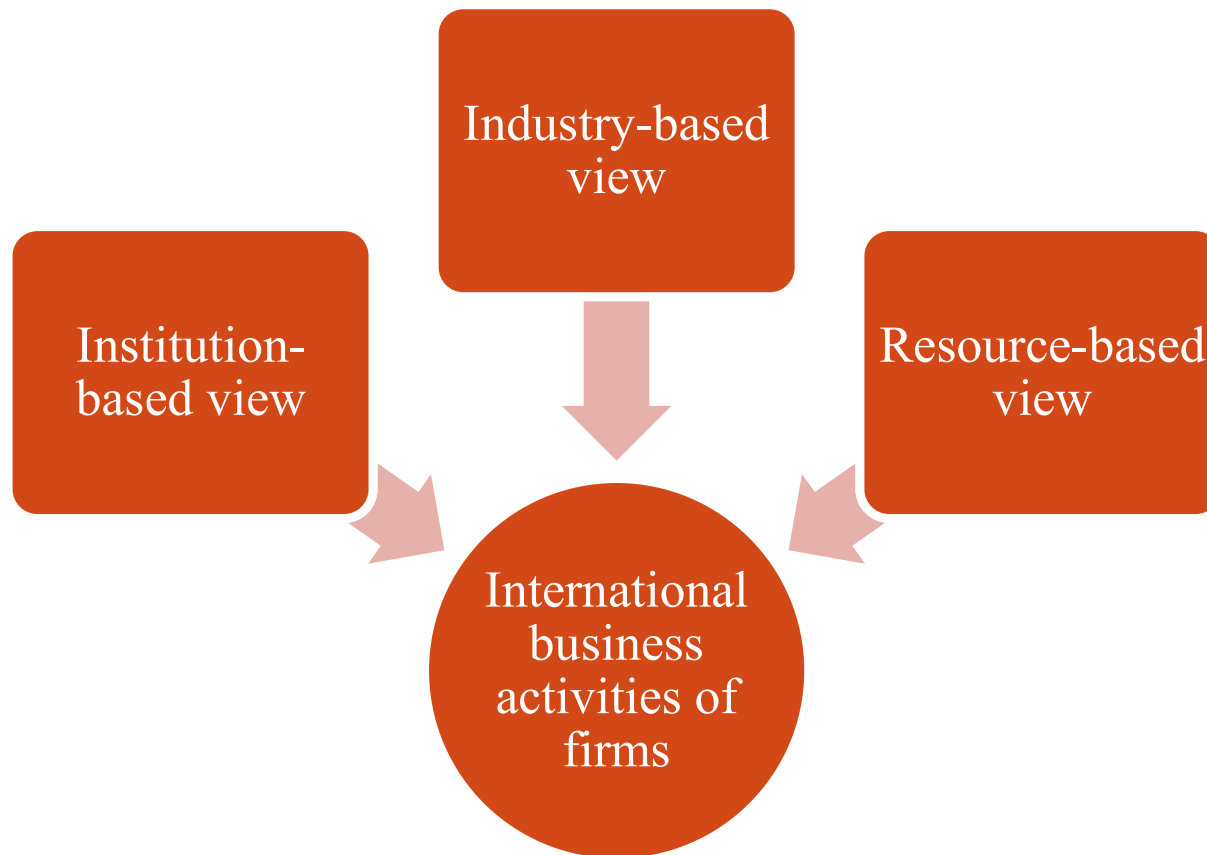


■ Is a “Case Study” Approach Useful?

- ❖ A series of **semi-structured interviews**.
- ❖ Explanatory power for **complicated factors**.
- ❖ The detail of **cause-effect relationships**, **hidden insights** & findings deviating from the expected & **better inferences**
- ❖ Yeung (1995: 314) emphasizes that “the beauty of [the case study approach] lies in its **validity** & **reliability**”.
- ❖ Firm strategy **cannot** be shaped by a ‘**one-size-fits-all**’ model.



■ The Underlying Concept of the ‘3’ Theories



COMMENTS

- > **Institution-Based View**
 - The rules of the game that affect firm strategic choices.
 - Antidumping penalties.
 - Enforcement of business laws.
- > **Industry-Based View**
 - Underlying industry structures.
 - National “diamond”.
- > **Resource-Based View**
 - Firm-specific resources are a source of sustained competitive advantage.
 - VRIO framework.
 - Global learning, international experience, subsidiary capabilities.

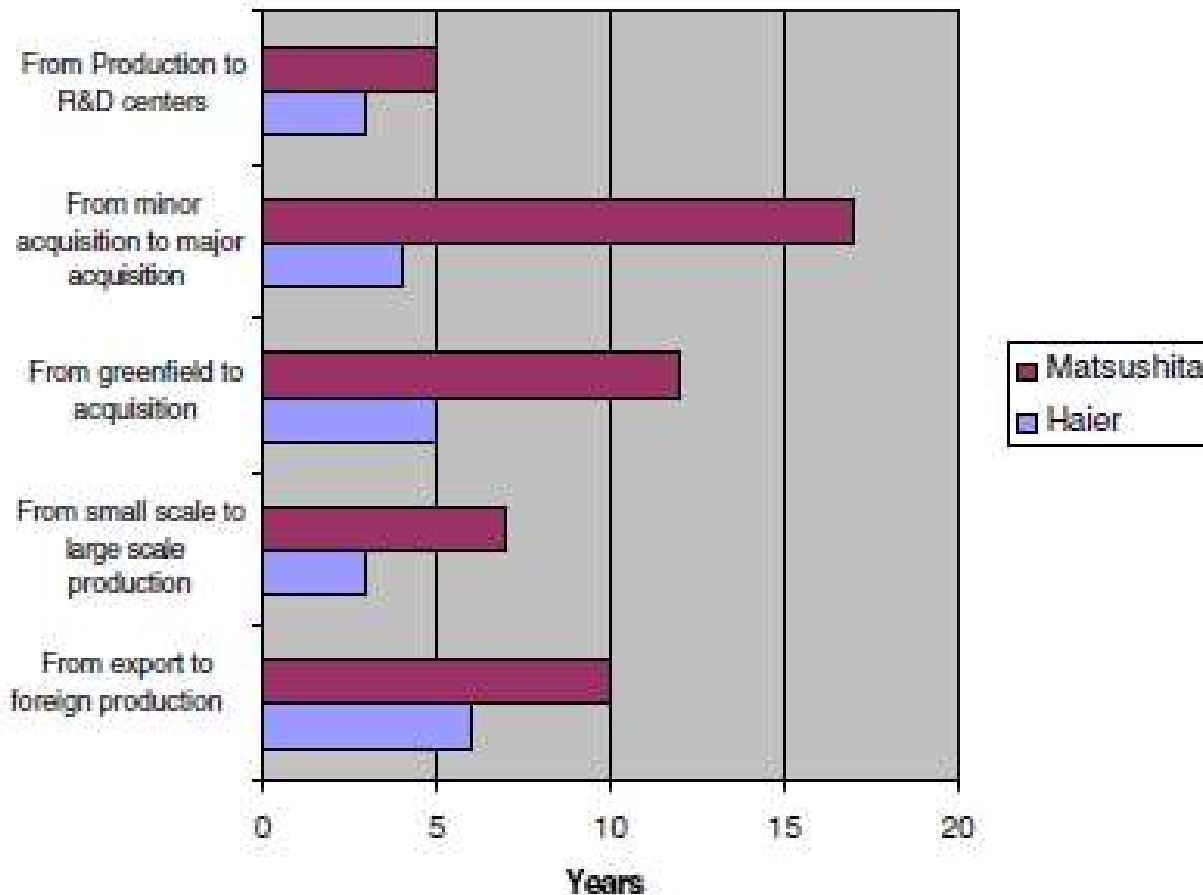


■ Are There Any Clear Differences & Similarities between Haier & Matsushita?





■ Comparison of Internationalization Process in ‘2’ Firms



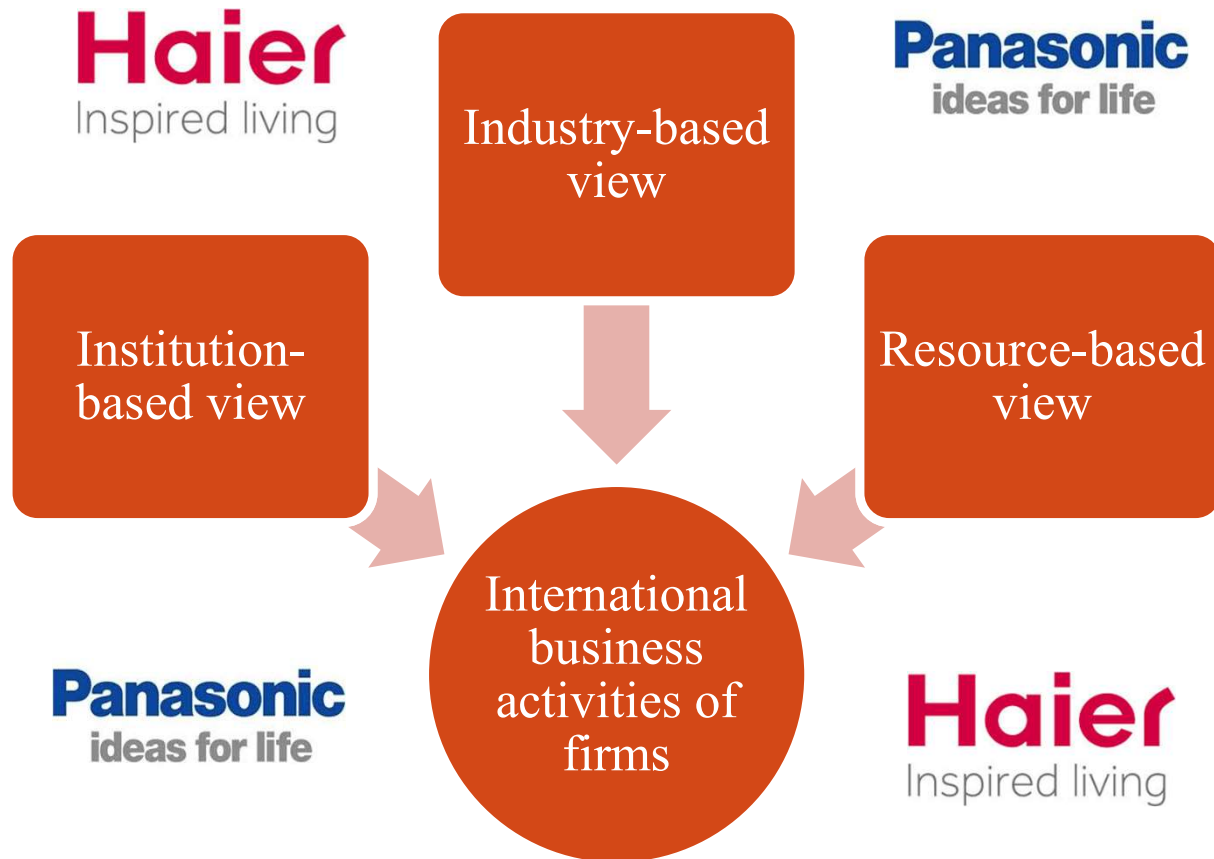
Note: Yang et al. (2009: 154).

COMMENTS

- > **Haier & Matsushita** started international expansion at **different times**.
- > The process was very **similar**, albeit the length of time to reach each stage varied a great deal.
- > Both firms: **Greenfield FDI** → **acquisitions**.
- > **Matsushita** spent **35 years** to establish its first **R&D center overseas**, while **Haier** spent **less than 10 years** after its first foreign venture to build **9 R&D centers**.
- > **Haier** as a “**latecomer MNE**” pursued accelerated internationalization through acquiring **global reach**.



■ Comparison of Internationalization Process in '2' Firms



COMMENTS

Institution-Based View

- Entered into **culturally close countries** (Southeast Asia).
- **Haier** as the **product** of the **institutional changes** & a **key driver** of the changes in China.

Industry-Based View

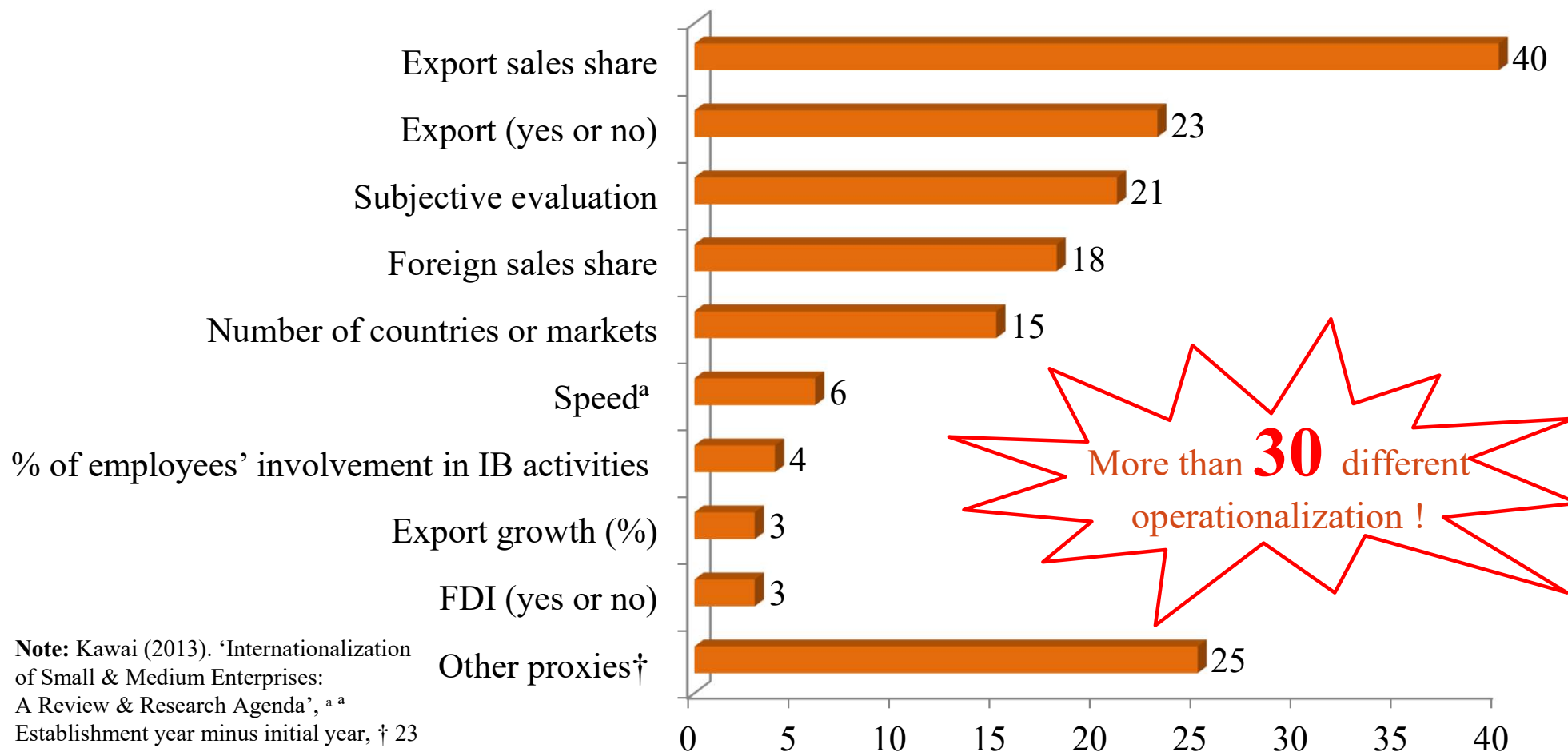
- Encountered **pressures to internationalize**.
- Japan's **saturated** domestic market & **strong Japanese yen**.
- Overcome poor brand image (Haier) / mini fridge in the US (niche areas).

Resource-Based View

- **Haier**: CEO Zhang Ruimin / American managers / **Reverse KT**
- **Matsushita**: Innovation in the domestic operation / expatriation.



■ How to Operationalize the Concept of ‘Internationalization’



Note: Kawai (2013). ‘Internationalization of Small & Medium Enterprises: A Review & Research Agenda’, ^{a a} Establishment year minus initial year, [†] 23 other indicators available

“Xiaomi Challenges Global Smartphone Leaders”

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“Xiaomi in the Global Smartphone Market”



■ Questions

- ❖ Given that Xiaomi offers products at lower prices while maintaining comparable or even superior quality, **what strategic approaches** should **its competitors adopt** to compete effectively in the market? (Pablo Jürgen Santiago).
- ❖ Once a company becomes successful in competing in global markets, it often seeks to replicate its winning strategies to diversify its offerings across industries. **What successful strategies** has Xiaomi replicated from its rise as a global smartphone leader to its recent expansion into the electric vehicle market? (Awais Muhammad)

“Xiaomi in the Global Smartphone Market”



■ Questions

- ❖ Clarify what **firm-specific advantages** Xiaomi enjoy to outperform global players in the smartphone market.
- ❖ Discuss **how Xiaomi** has been **more successful** than their key competitors (Samsung & Apple) in China from **an institutional perspective**.
- ❖ Specify what **weaknesses** would **ruin** Xiaomi's competitive superiority.
- ❖ Explain what **cultural & institutional barriers** prevented Xiaomi from gaining competitive advantage in **India**.
- ❖ Discuss whether **Xiaomi** would become the **global leader** in the future. If yes, why? If no, why not?

“Beko Washes Clothes Across Europe”

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“Beko Washes Clothes Across Europe”



■ Questions

- ❖ Evaluate Beko performing a SWOT analysis (**Rim Abdou**)
- ❖ (1) How did Arçelik leverage strategic acquisitions to become a major player in the European white goods market? (2) What specific challenges did it face in different European regions? (3) How effective were Beko's brand positioning strategies in overcoming the perception of “Made in Turkey” as synonymous with inferior quality? (**Ziad Benrhazal**).

“Beko Washes Clothes Across Europe”



■ Questions

- ❖ What is the **central debate** of this case?
- ❖ From an institution-based view, how did the **institutional environment of Turkey** influence the growth strategy of Beko?
- ❖ From the RBV, what **capabilities** did Arcelik have to **develop market share** for Beko in different countries in Europe?
- ❖ How would you suggest **developing Beko's European & global operations** further from **a strategic point of view**?

“Beko Washes Clothes Across Europe”



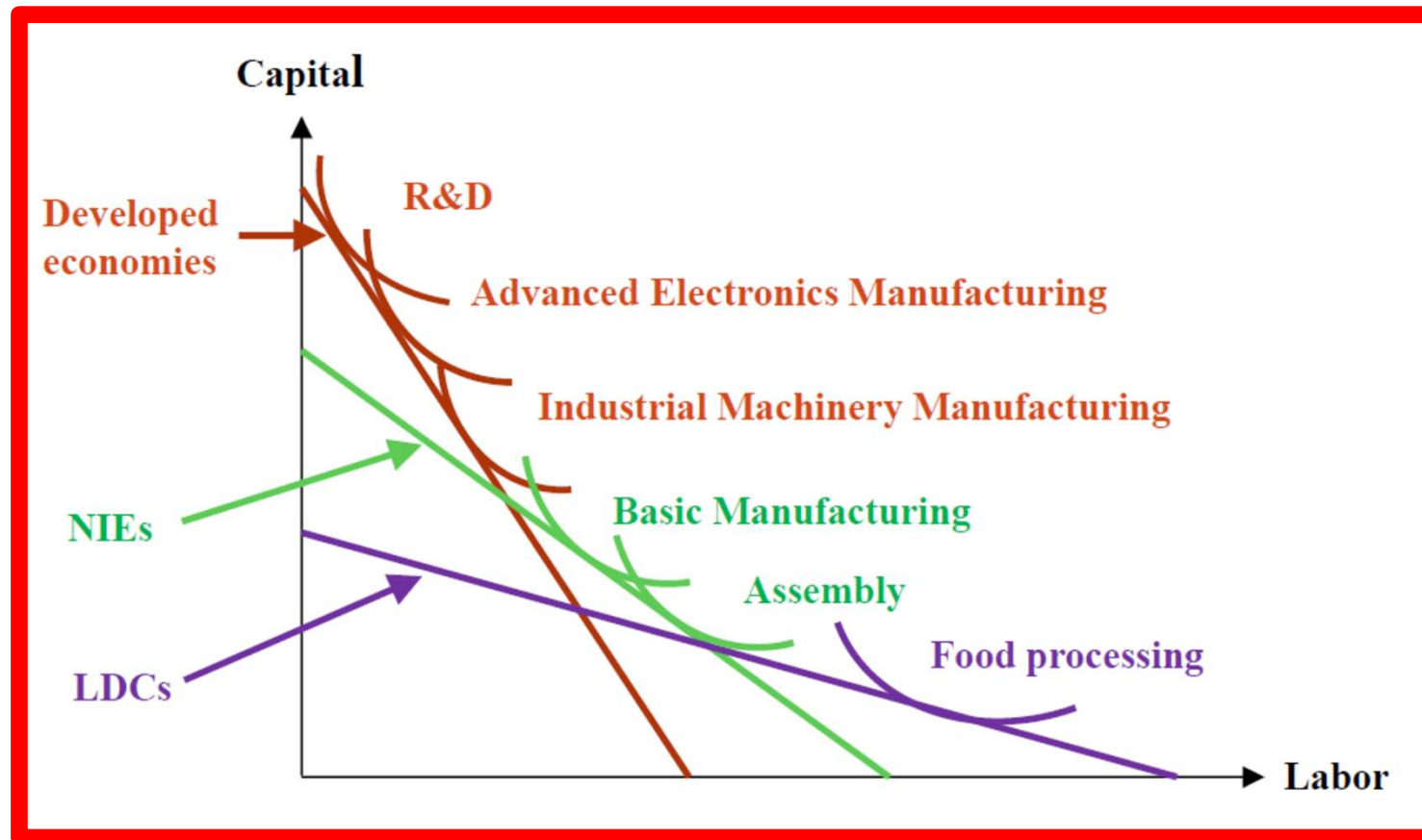
■ The Quality of Economic & Institutional Environments

	Turkey	Spain	Italy	Hungary	Romania	Russia	India	China
Quality of education & research institutions	45.5	48.9	46.3	39.5	30.5	50.0	32.3	49.2
Quality of technology infrastructure	45.7	64.3	61.8	52.3	55.1	47.5	44.1	57.9
Openness & effectiveness of markets	47.8	59.0	52.6	41.5	44.2	47.1	51.9	54.7
Cost & time of procedures to start a business	87.6	86.7	89.4	87.6	89.7	93.0	75.4	85.5
Cost & time of procedure to enforce a contract	68.9	70.0	54.8	73.8	72.3	72.2	40.8	78.2
Strength of the legal protection of minority	71.7	70.0	58.3	50.0	60.0	61.7	80.0	48.3
Transparency (absence of corruption)	41.0	58.0	47.0	48.0	48.0	29.0	40.0	40.0
Constraints on political power	37.3	83.6	75.7	73.3	73.5	73.1	70.2	N/A

“Beko Washes Clothes Across Europe”



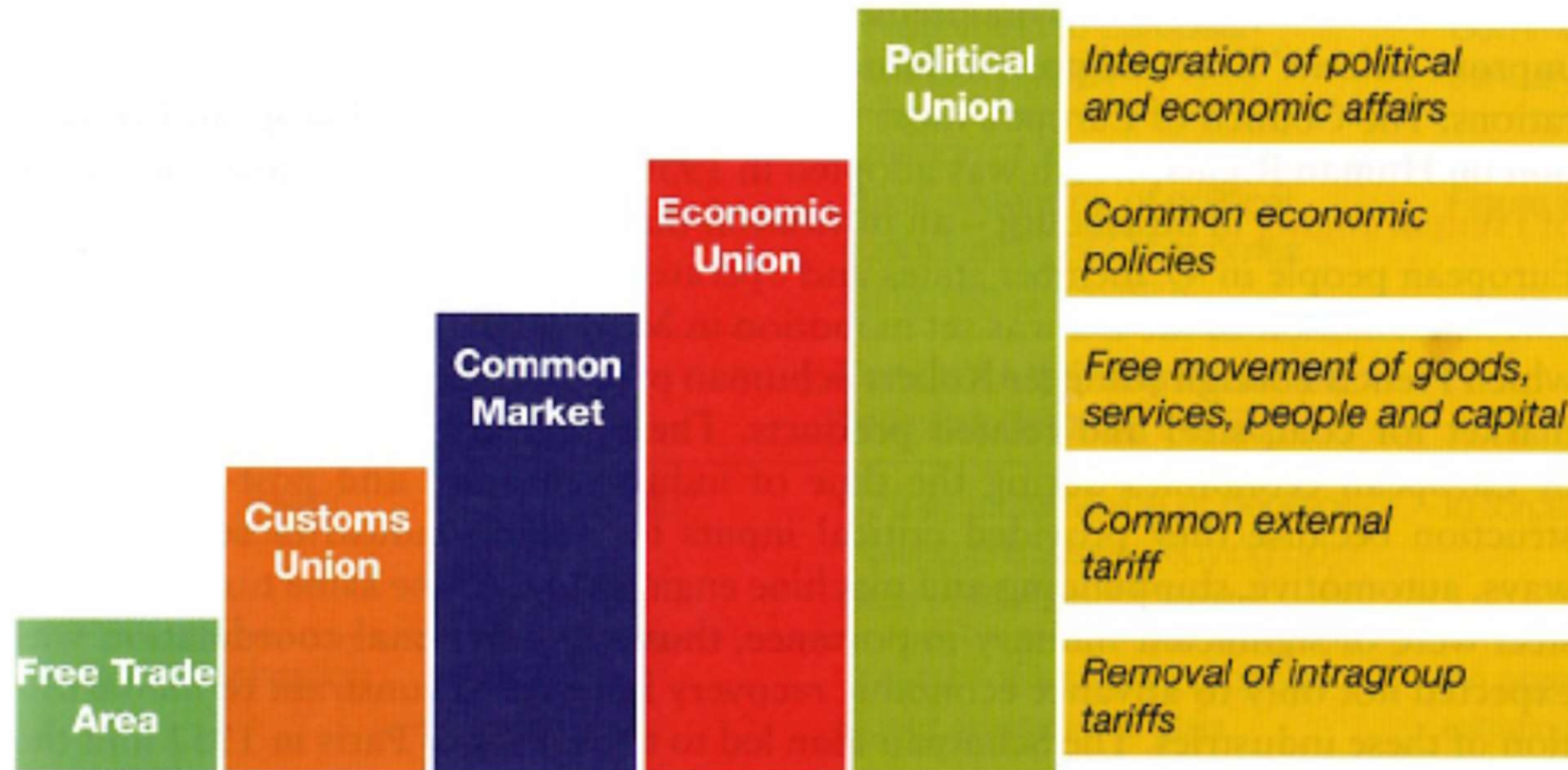
■ Labor Intensive vs Capital Intensive



“Beko Washes Clothes Across Europe”



■ Types of Regional Integration



Source: Peng & Meyer (2019:211).

“Beko Washes Clothes Across Europe”



■ From OEM to ODM

OEM



ODM

FOXCONN



FLEXTRONICS

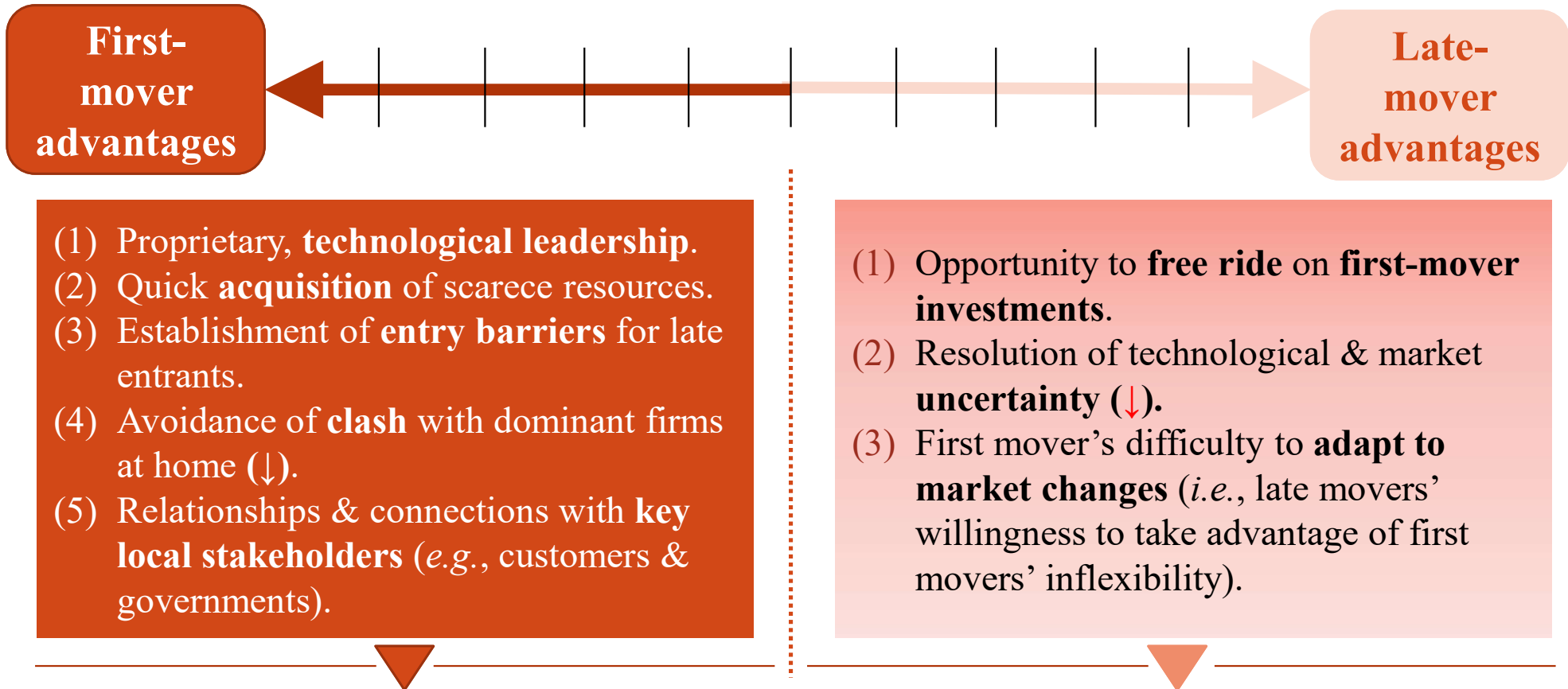
BenQ



“Beko Washes Clothes Across Europe”



■ First-Mover Advantages & Late-Mover Advantages



*“Entry timing per se is not the sole determinant of success & failure of foreign entries. It is through interaction with other strategic factors that **entry timing affect performance**”.*

“Beko Washes Clothes Across Europe”



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Business groups, entrepreneurship and the growth of the Koç Group in Turkey

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ABSTRACT

This article examines the emergence and development of what became the largest business group in Turkey, the Koç Group. This venture was an important actor in the emergence of modern business enterprise in the new state of the Republic of Turkey from the 1920s. After World War II it diversified rapidly, forming part of a cluster of business groups which dominated the Turkish economy alongside state-owned firms. This article examines how the founder of the Group, Vehbi Koç, formulated his business model, and analyses how his firm evolved into a diversified business group. Although the case supports prevailing explanations of business groups related to institutional voids, government policy and the importance of contact capabilities, this study builds on and extends the earlier suggestions that entrepreneurship needs incorporating as an explanatory factor. The article shows that Koç acts as both a Kirznerian and Schumpeterian entrepreneur to build his group, both in its formative stages and later in its subsequent growth into a diversified business group.

KEYWORDS

Business groups;
entrepreneurship; Turkey;
holding company;
organisational capabilities

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 !

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