

Schuh, A. (2011).

“ESET: From Living Room to Global Player in Antivirus Software”

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

Special Topics in Internationalization

Università degli Studi di Bergamo

Dipartimento di Scienze Aziendali

Bergamo, ITALY

Schuh, A. (2011). The Case of ESET



■ Schuh, A. (2011). “*ESET: From Living Room to Global Player in Antivirus Software*” (pp. 550-554).

❖ ALESSANDRO BETTINELLI

❖ JACOPO BELOTTI

❖ ALANA MARIE DATEL

■ Chang, S. J. (2008). “*Wannabe Global*”. In *Sony vs Samsung: The Inside Story of the Electronics Giants’ Battle for Global Supremacy*. John Wiley & Sons.

❖ ELISA BOLIS

❖ CARLA GRIEBL

❖ ETHAN MARSHALL



■ Questions

- ❖ “(1) ***What** were the reasons behind ESET’s decision not to seek external funding in its early years, & (2) **how** did this choice contribute to the company’s growth & success in the global market?*”(JACOPO BELOTTI)
- ❖ “In a market like cybersecurity do you think sustainability is relevant? If you say so **in which ways** could a company like ESET be more sustainable in their operations?” (ALESSANDRO BETTINELLI)
- ❖ “Focusing on the case study & **Dunning’s OLI framework**, specifically location, **what** were the main advantages for ESET choosing the USA as their first host country when expanding into the global market?” (ALANA MARIE DATEL)



■ Key Questions

❖ You should be able to:

- Explain the **core argument** of this case study;
- Discuss **how** ESET achieved **a rapid growth**;
- Clarify **how** ESET overcame its **negative country-of-origin images**; &
- Discuss **major sources** of **ESET's competitive advantages** from the resource-based view of the firm (**RBV**).

Sea-Jin Chang (2008).

Wannabe Globals, In Sony vs Samsung: The Inside Story of the Electronics Giants' Battle for Global Supremacy, US: Wiley.

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“Wannabe Globals”



■ Questions

- ❖ “(1) *What were the main obstacles that Sony faced in managing its international subsidiaries*, (2) *How could it have dealt with them more effectively* & (3) *What method of global expansion would have been a better solution for a company like Sony?*”(ELISA BOLIS)
- ❖ “(1) *Under what circumstances should MNCs delegate more decision-making power to their local subsidiaries*? (2) *When is it more effective to retain strategic control at the headquarters?*”(CARLA GRIEBL)

“Wannabe Globals”



■ Questions

- ❖ (1) “*What aspects of Sony’s global strategy contributed to its failure to achieve global leadership prior to the adoption of ‘Transformation 60’?*” (2) “*What lessons can modern companies derive from the rapid ascent of Samsung & the slower adaptation of Sony with regards to Globalisation Strategies?*” (ETHAN MARSHALL)

“Wannabe Globals”



■ ‘2’ Key Quotes

- I. *“I will set **global localization** as our future principle from now on. This is a new way for Sony; **Sony will suffice local demands through localization & develop globalization & technologies at the same time.**”* – The late Akio Morita, co-founder of Sony

- II. *“The problem Samsung Group is facing can be summarized in one line: **Samsung Group’s speed of globalization exceeds that of Samsung Group’s globalization capability.**”* – Yong-Wook Jeon, Jung-Hwa Han, Authors of Toward a First-class Enterprise

“Wannabe Globals”



■ General Information

Companies	Sony	Samsung
Global Strategy	<ul style="list-style-type: none"> ▶ Global Localization Strategy ▶ Americanization (Local managers) ▶ Individuals' ability regardless of their nationality. ▶ Influential people (<i>e.g.</i>, Henry Kissinger & Peter Peterson). 	<ul style="list-style-type: none"> ▶ New Management Movement in 1993 (Establishment of five complexes)
Where to Enter	<ul style="list-style-type: none"> ▶ TV factory in California (1972) ▶ Colour TV factory in Wales (1974) ▶ Factory to produce laser pick-ups for CD players in Singapore (1987) ▶ Acquisition of a semiconductor factory in San Antonio (1989) ▶ A CRT & colour TV factory in Pittsburgh (1993) 	<ul style="list-style-type: none"> ▶ Relocation of subsidiaries to Tijuana ▶ Why? (1. Sharing local knowledge; 2. saving labor costs; 3. jointly purchase some components; 4. quickly diagnosing management problems) ▶ Other complexes in Selamban (Malaysia), Winyard (UK), Tianjin (China), & Manaus (Brazil)
Operation Headquarters (OHOs)	<ul style="list-style-type: none"> ▶ 4 regions (Japan, the US, Europe & SA) ▶ Sony HQ as the world headquarters. ▶ Delegated most decisions to the OHQs regarding production, sales, logistics, technology & financing. 	<ul style="list-style-type: none"> ▶ 5 regional headquarters (1996) ▶ Japan, China, Europe, America, & Southeast Asia ▶ 3 smaller regional HQs in Central/Southern America, Russia & CIS



■ Discussion Questions

- ❖ Compare **Sony’s global strategy** with **Samsung’s global strategy** in terms of **nature, rationality & motive**.
- ❖ Identify **what problems Sony faced** in **internationalizing their business**.
- ❖ Clarify **why losing control over overseas subsidiary is NOT so good** in general. What happened to the cases of Sony & Samsung in terms of **tradeoff** between **centralization & decentralization** in the multinational business network.
- ❖ Draw **‘3’ managerial implications** based on this paper.



■ Centralization vs Decentralization

❖ Increasing Internationalization



Subsidiary Autonomy (Decentralization):

the degree of strategic & operational decision-making authority delegated to foreign affiliate management (McDonald et al., 2008; Newburry & Zeira, 1999)

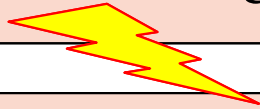


■ Centralization vs Decentralization

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 (Subsidiary autonomy)

Subsidiary strategies aligned with host market conditions

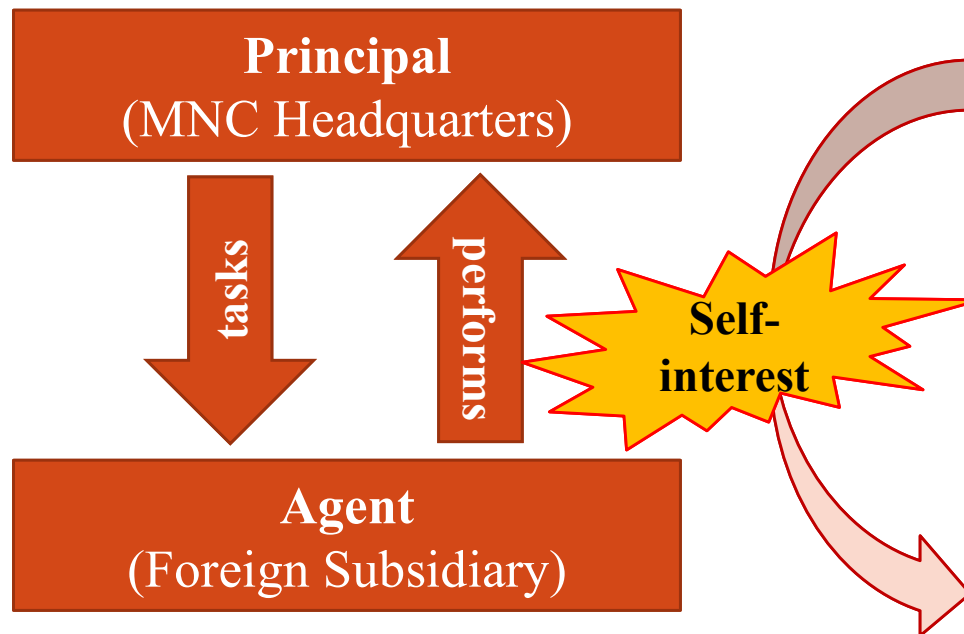
- Facilitates production differentiation & adaption.
- Rapid, flexible response to customers & competitors.
- Enhances access to local resources & human capital.
- Learning opportunities from local innovation systems.
- Advantages of embeddedness (network as valuable asset).

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.

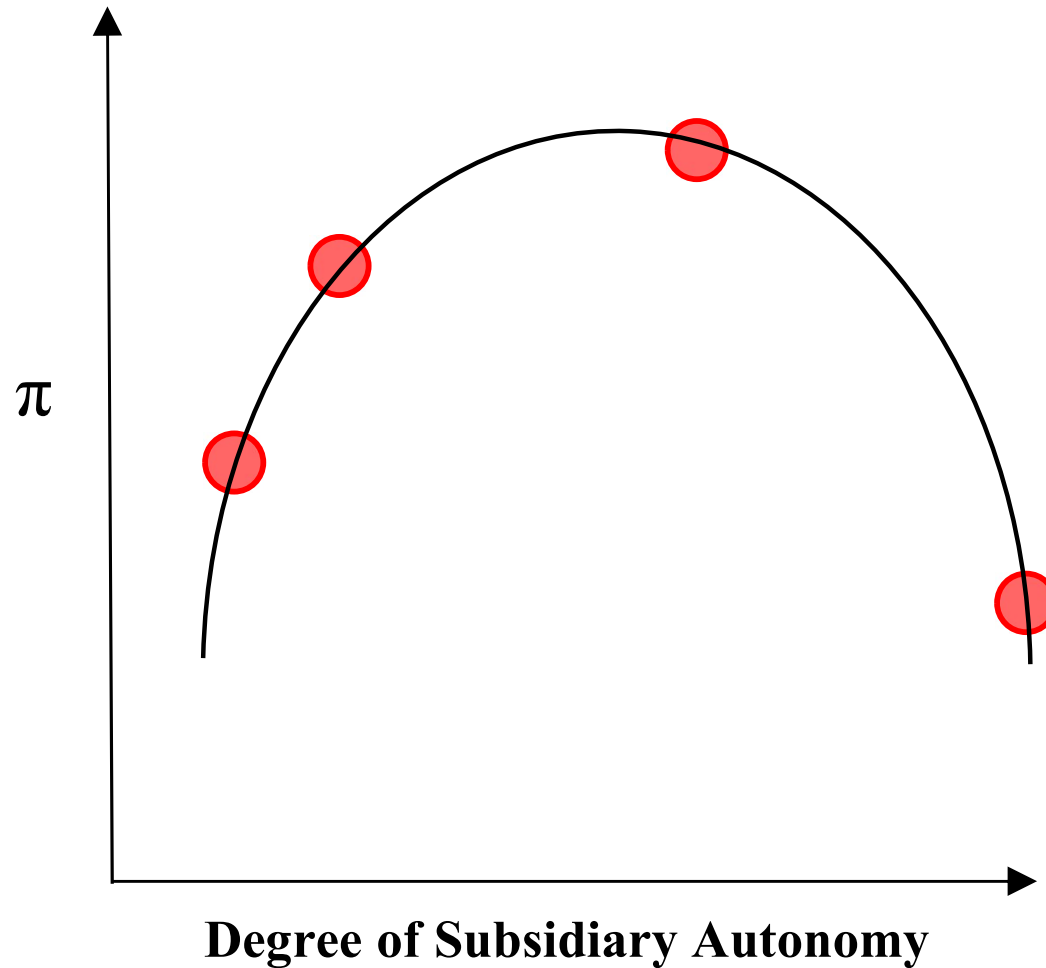
Solution

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

“Lundbeck Korea”



■ Reverse U-Shaped Curve?



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

“Wannabe Globals”

■ MNE Autonomy & Subsidiary Performance ❖ Kawai & Strange (2014)

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Subsidiary autonomy and performance in Japanese multinationals in Europe

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ABSTRACT

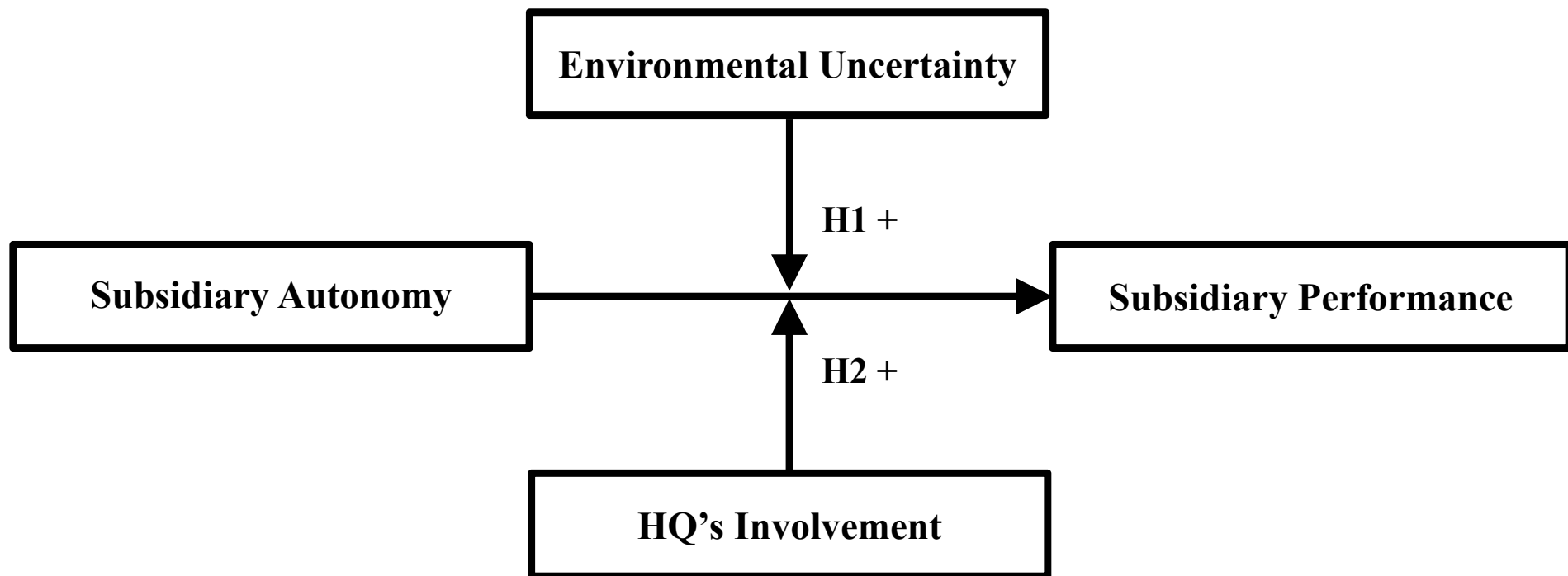
Notwithstanding the growing body of research on headquarters–subsidiary relationships, the conditions under which subsidiary autonomy leads to enhanced subsidiary performance is still a subject of debate. This study adopts a contingency approach and investigates the effects of external uncertainties and intra-MNE coordination on the performance benefits of subsidiary autonomy. The empirical analysis is based upon cross-sectional data collected from 88 European subsidiaries of Japanese MNEs. Our findings show that subsidiary autonomy has a greater impact upon performance (a) under conditions of technological uncertainty; and (b) when expatriate involvement is high, as the subsidiary can reap the full benefits of entrepreneurial capabilities and enjoy resource interdependencies through interactions with the parent simultaneously. MNC executives should aim for an appropriate balance between subsidiary autonomy and these internal and external factors so that the subsidiaries achieve superior performance.

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“Wannabe Globals”

■ MNE Autonomy & Subsidiary Performance

❖ Kawai & Strange’s (2014) Conceptual Framework



Note: Own illustration.

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■ MNE Autonomy & Subsidiary Performance

❖ Kawai & Strange’s (2014) Main Findings

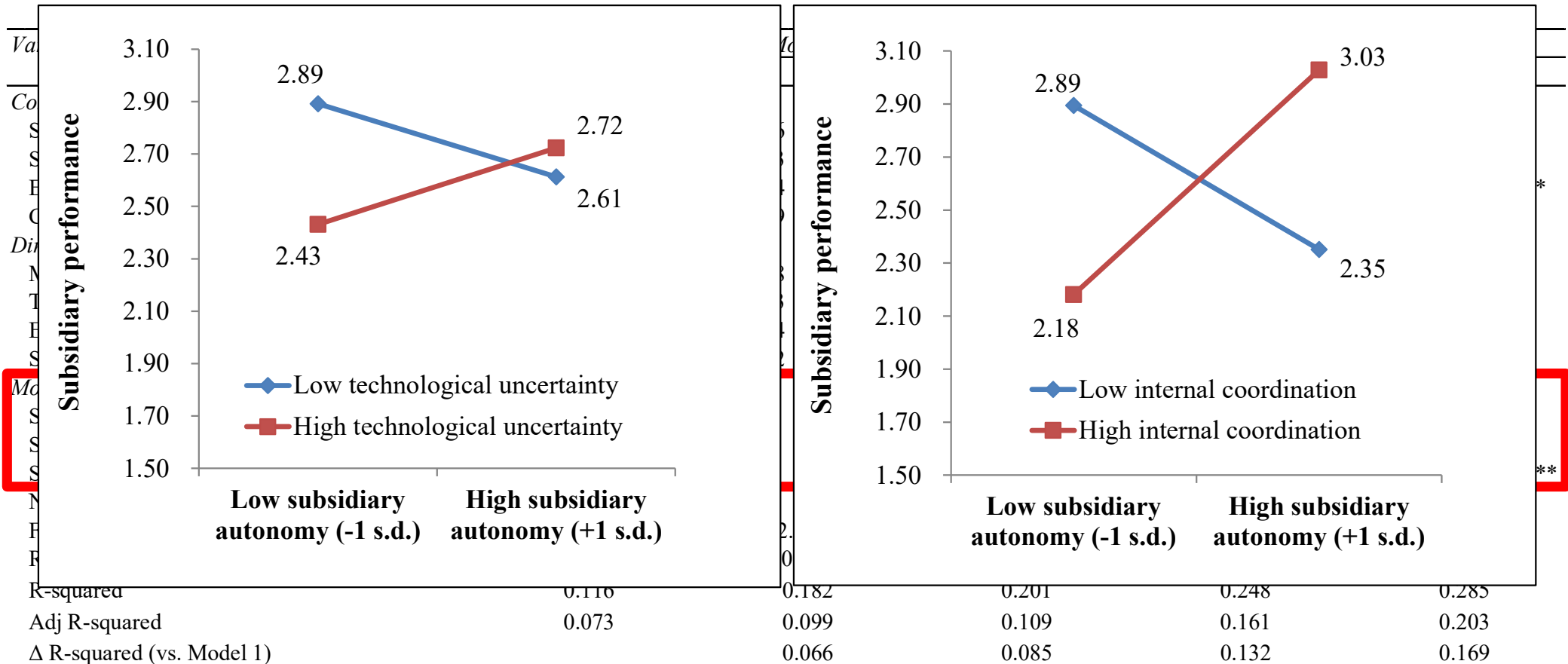
Variable	Prediction	Model 1		Model 2		Model 3		Model 4		Model 5	
		β	t-value	β	t-value	β	t-value	β	t-value	β	t-value
Control variables											
Subsidiary size (log)		0.181	1.74 *	0.196	1.54	0.218	1.70 *	0.232	1.87 *	0.226	1.88 *
Subsidiary history (log)		-0.027	-0.25	-0.043	-0.41	-0.051	-0.49	-0.051	-0.50	-0.033	-0.33
Establishment mode (dummy)		0.235	2.27 **	0.214	2.00 **	0.200	1.88 *	0.243	2.35 **	0.239	2.37 **
Cultural distance		0.209	1.97 *	0.219	2.08 **	0.176	1.61	0.219	2.16 **	0.195	1.97 *
Direct effect											
Market turbulence (MT)				-0.218	-2.06 **	-0.225	-2.13 **	-0.201	-1.96 *	-0.170	-1.69 *
Technological uncertainty (TU)				-0.093	-0.89	-0.083	-0.78	-0.079	-0.78	0.050	0.46
Expatriate involvement (EI) ^a				0.004	0.03	0.062	0.45	0.106	0.79	0.036	0.29
Subsidiary autonomy (SA)				-0.002	-0.02	-0.078	-0.66	-0.045	-0.44	0.067	0.66
Moderating effects											
SA × MT	(H1 +)					0.166	1.37				.
SA × TU	(H1 +)							0.276	2.61 **		
SA × EI	(H2 +)									0.370	3.36 ***
N		88		88		88		88		88	
F		2.72**		2.19**		2.18**		2.85***		3.46***	
Range of VIF value		1.07-1.60		1.06-1.69		1.07-1.87		1.07-1.85		1.07-1.70	
R-squared		0.116		0.182		0.201		0.248		0.285	
Adj R-squared		0.073		0.099		0.109		0.161		0.203	
Δ R-squared (vs. Model 1)				0.066		0.085		0.132		0.169	

Note: Standardized regression coefficients are shown;*** 0.01 level of significance,** 0.05 level of significance,* 0.1 level of significance.

“Wannabe Globals”

■ MNE Autonomy & Subsidiary Performance

❖ Kawai & Strange’s (2014) Main Findings



Note: Standardized regression coefficients are shown;*** 0.01 level of significance,** 0.05 level of significance,* 0.1 level of significance.



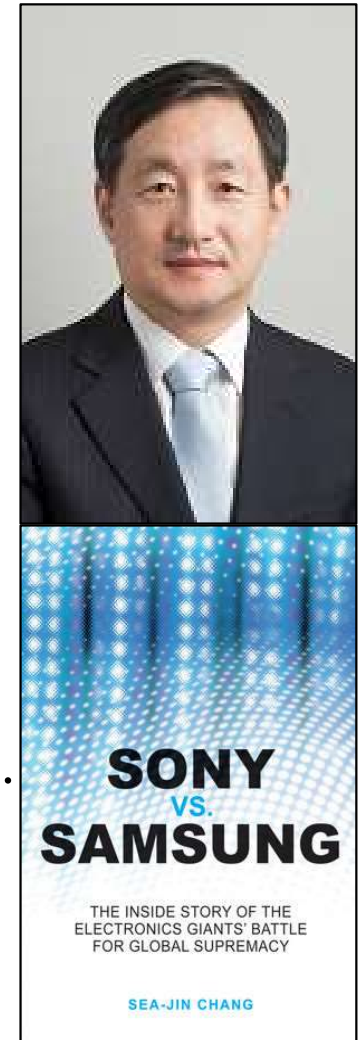
■ Critical Issues for Sony & Samsung

❖ Sony

- Charismatic founders (Mr. Morita & Mr. Ibuka) → Professional managers (Mr. Idei).
- “Short-term” performance orientation → “Long-term” investments in R&D (↓).
- Absence of a “focus & choice strategy”.
- Too much independence → “**Silos**” (↑).

❖ Samsung

- Departure from competitive imitation.
- A powerful owner-centered & rigid organization structure.
- A “military style” & “fear-based” management = Creativity (↓) & organizational fatigue (↑).
- Hubris & overconfidence.
- Korean-centric bias in the globalization process.



The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Merci beaucoup !

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

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