

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**)?

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■ Questions

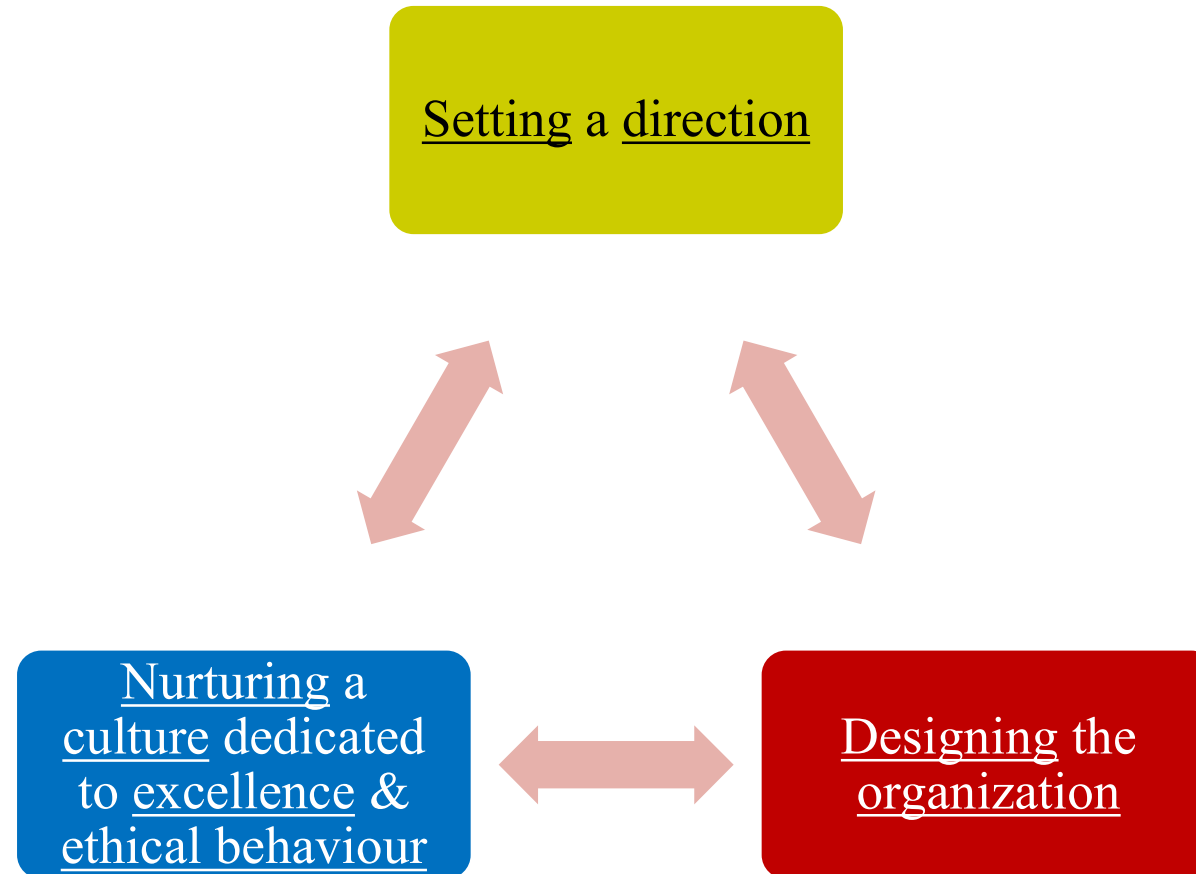
- ❖ **How much autonomy** should a subsidiary have in a high-growth market like China, & **how** can **HQ** maintain oversight without stifling entrepreneurship? (**Alessandra Beretta**).

- ❖ **How** should Levendary Café apply a **transnational strategy**, **balancing** global brand consistency & local market adaptation in its Chinese expansion? (**Aurora Zenoni**).

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■ 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**.
- ❖ Leaders must **integrate every level of employees into a vision of what the organization could become** & (2) **have 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'.



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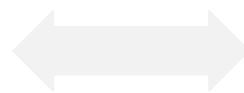


■ Leadership: '3' Interdependent Activities

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**.

Nurturing a culture dedicated to excellence & ethical behaviour

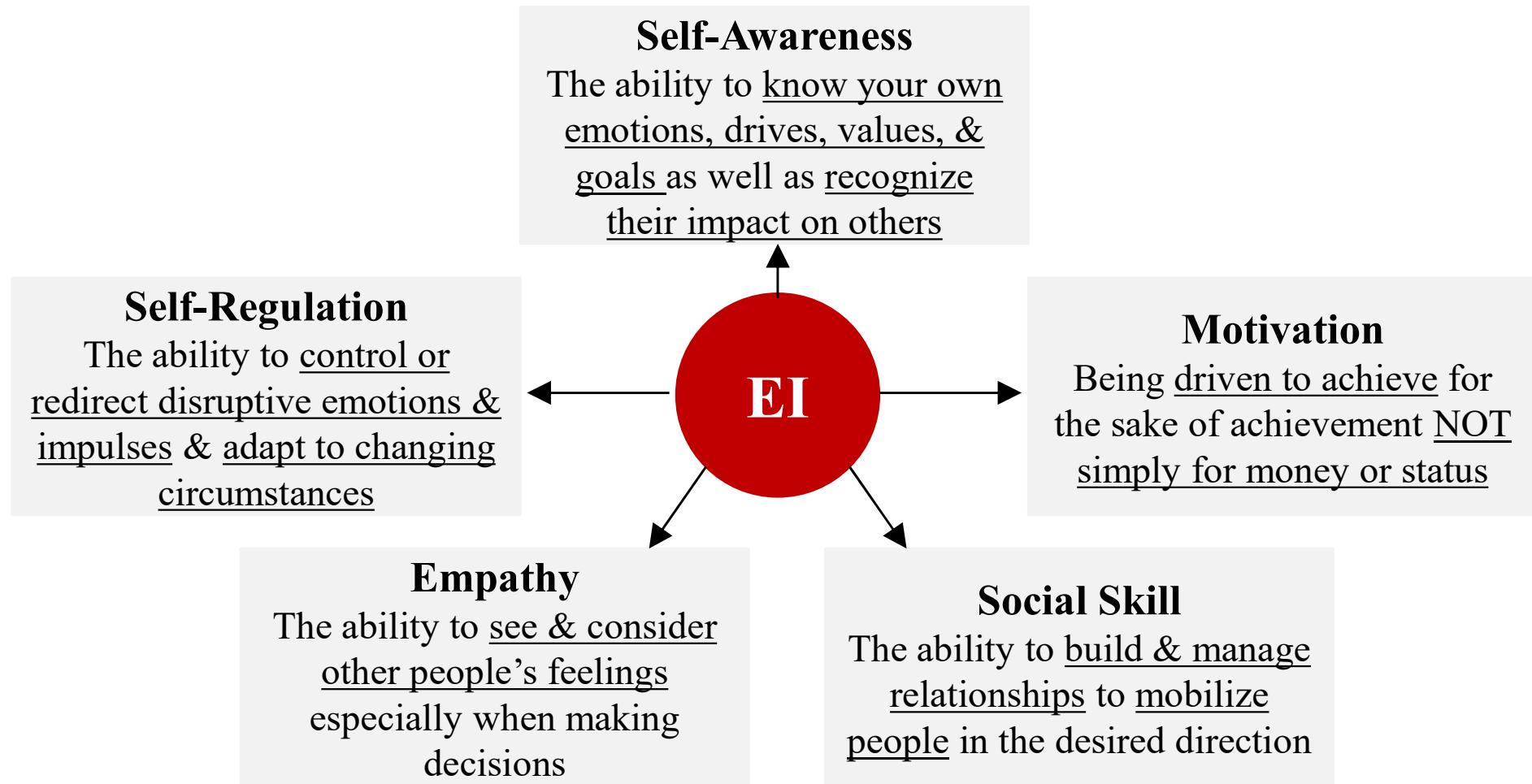


Designing the organization

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■ Emotional Intelligence (EI): A Key Leadership Trait



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■ 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)

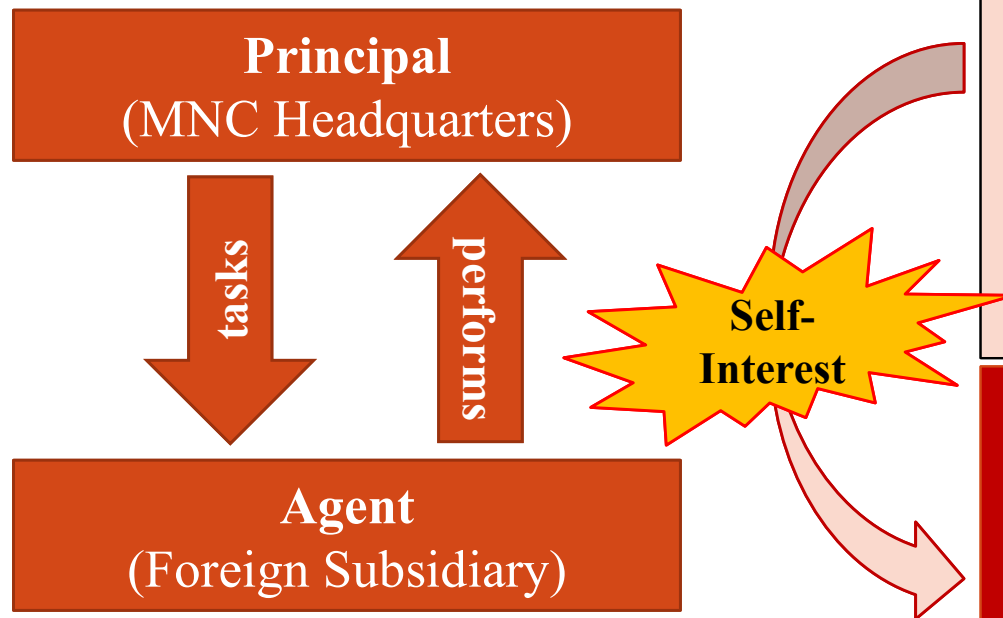
How to strike the optimal balance ?

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■ 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.

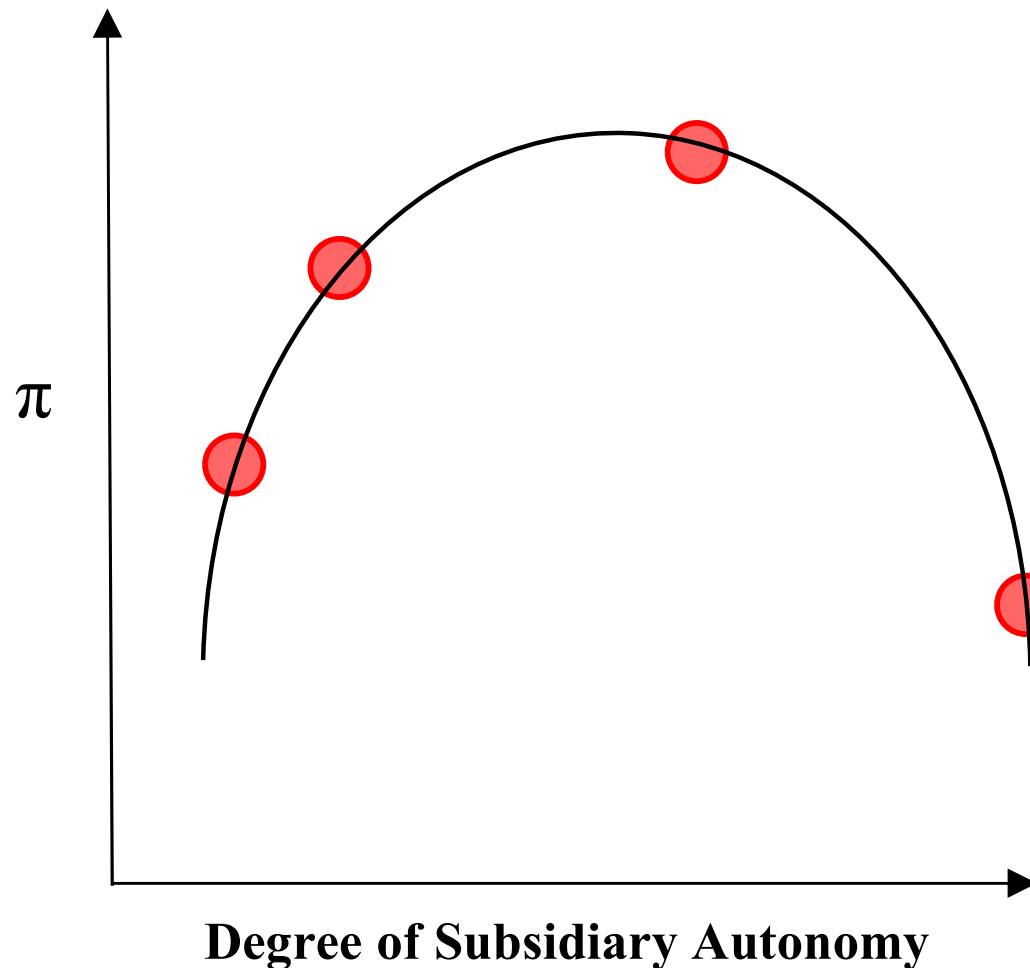
Solution

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

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■ 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**?

Silvio Napoli at Schindler India



■ Questions

- ❖ Did the headquarters **fail to support** Silvio Napoli, or did Napoli **mismanage the autonomy** he was given? And in this context, was his leadership style **effective** within the cultural & organizational context of India? (**Filippo Paganoni**).
- ❖ Given the significant cost increases from import duties & transfer pricing, should Napoli **have immediately abandoned** the standardized S001/S300P strategy & **changed to local customization**, even if it contradicted his original business plan? **Why or why not?** (**Marco Fumagalli**).



■ 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%**
 - $HHI = 0.4^2 + 0.3^2 + 0.15^2 + 0.15^2 = \underline{\underline{0.295}}$
- Consider the following hypothetical industry with **1 firm**:
 - **Firm 1** market share = **100%**
 - $HHI = 1.0^2 = \underline{\underline{1.000}}$ (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 & expertise** 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

- Expatriates accumulate knowledge of foreign operations & learn effective best practices in different cultural & market environments.

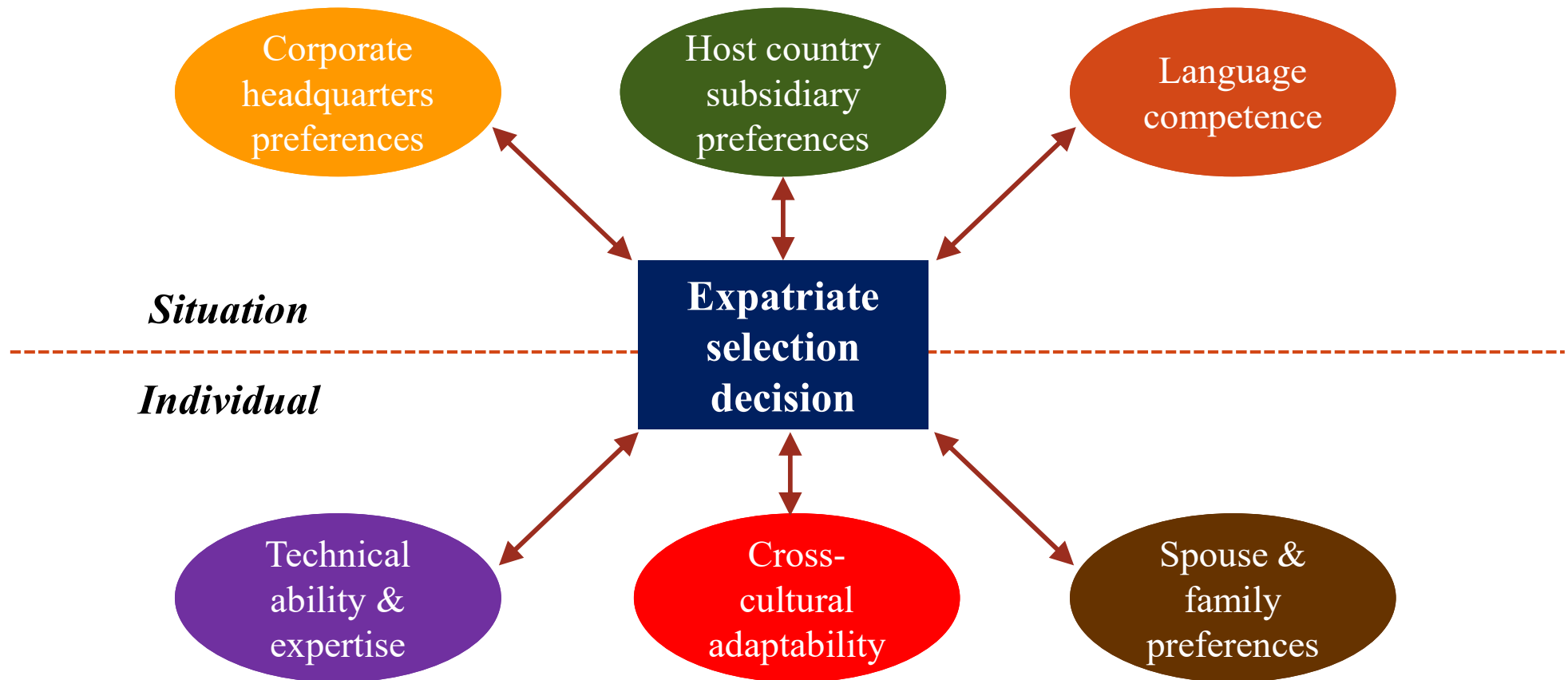
❖ Cross-Border Communication

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

Source: Oki (2017).

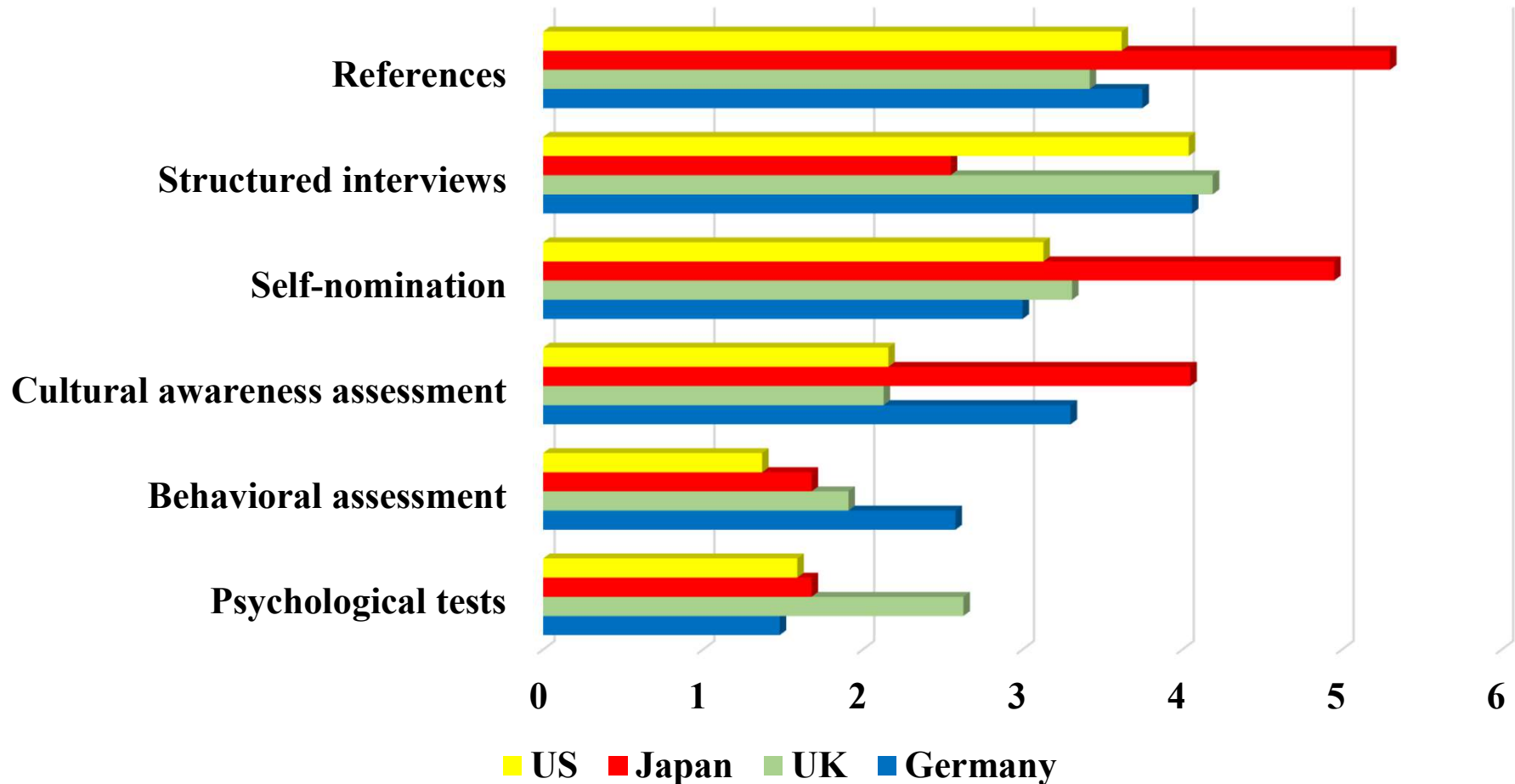


■ Key Factors in Expatriate Selection?





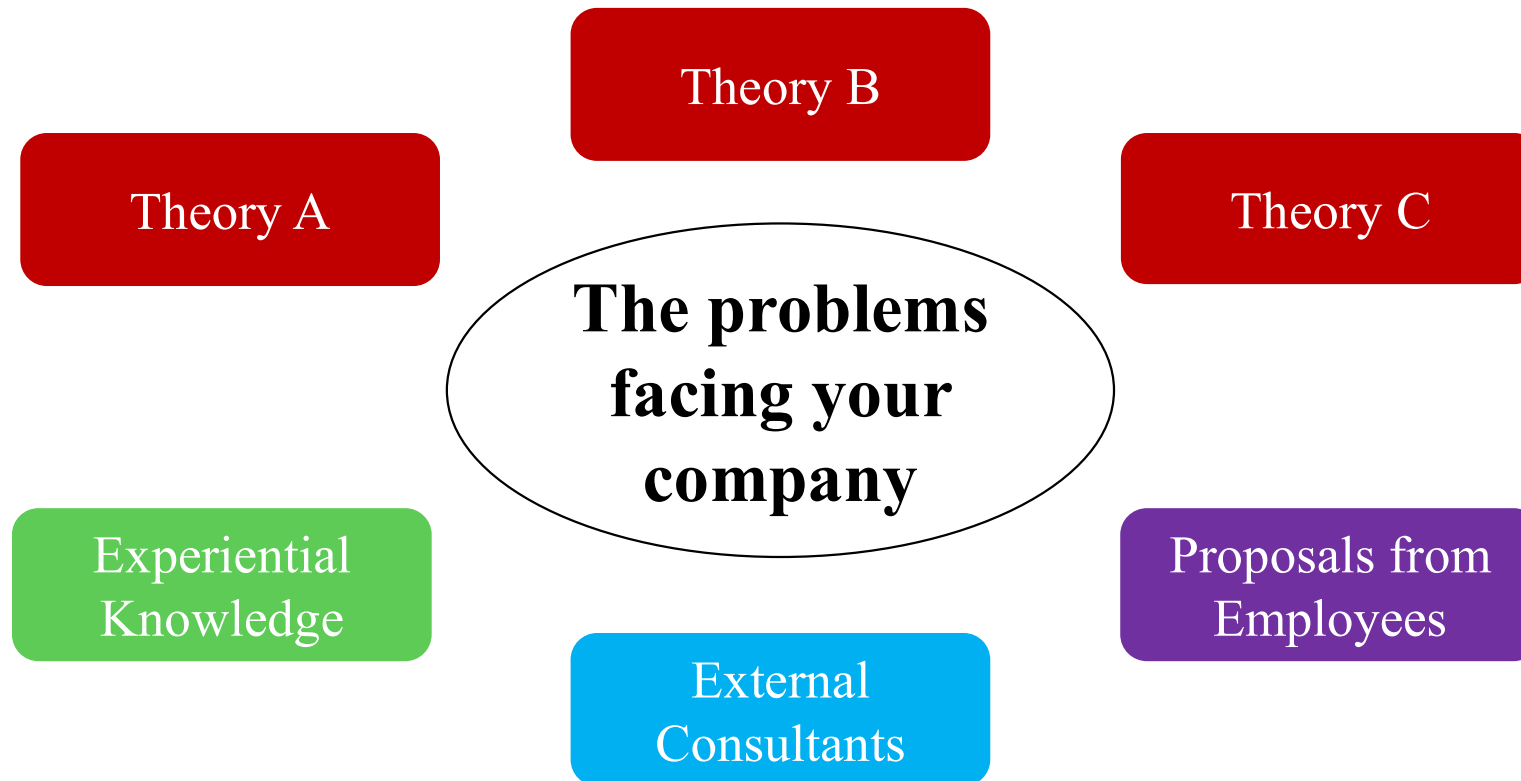
■ Regularity of Using the Following Selection Methods?



Source: Tungli & Peiperl (2009: 161).

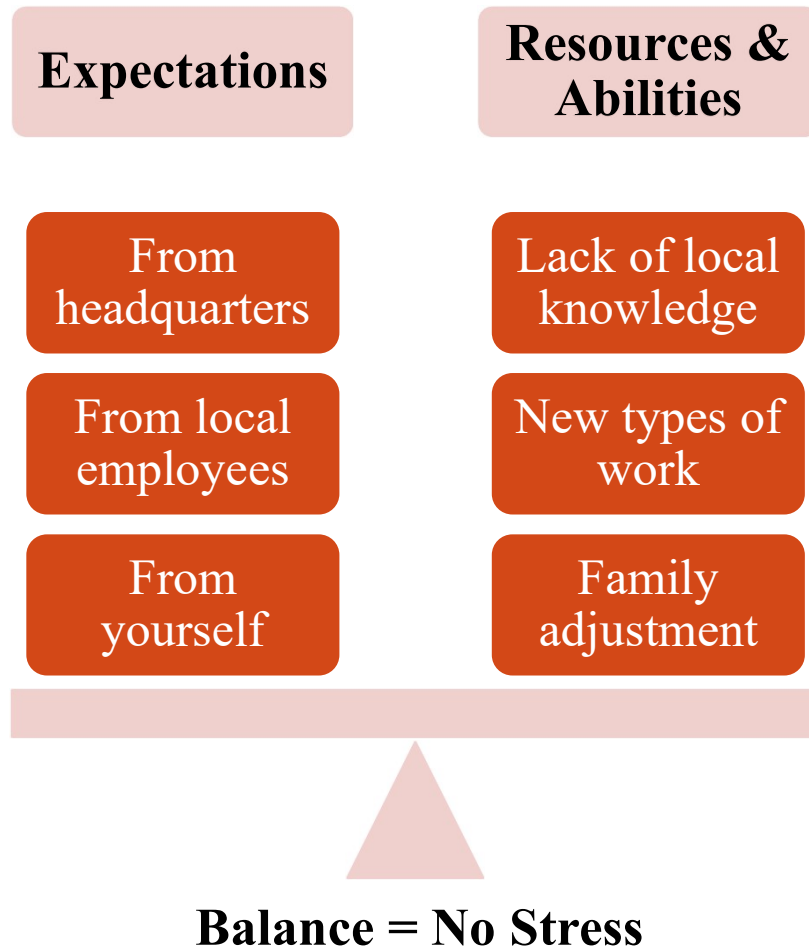


- **Be a Great Strategist who Makes Efficient Use of Different Theoretical Frameworks !**





■ Sources of Stress for Expatriates?

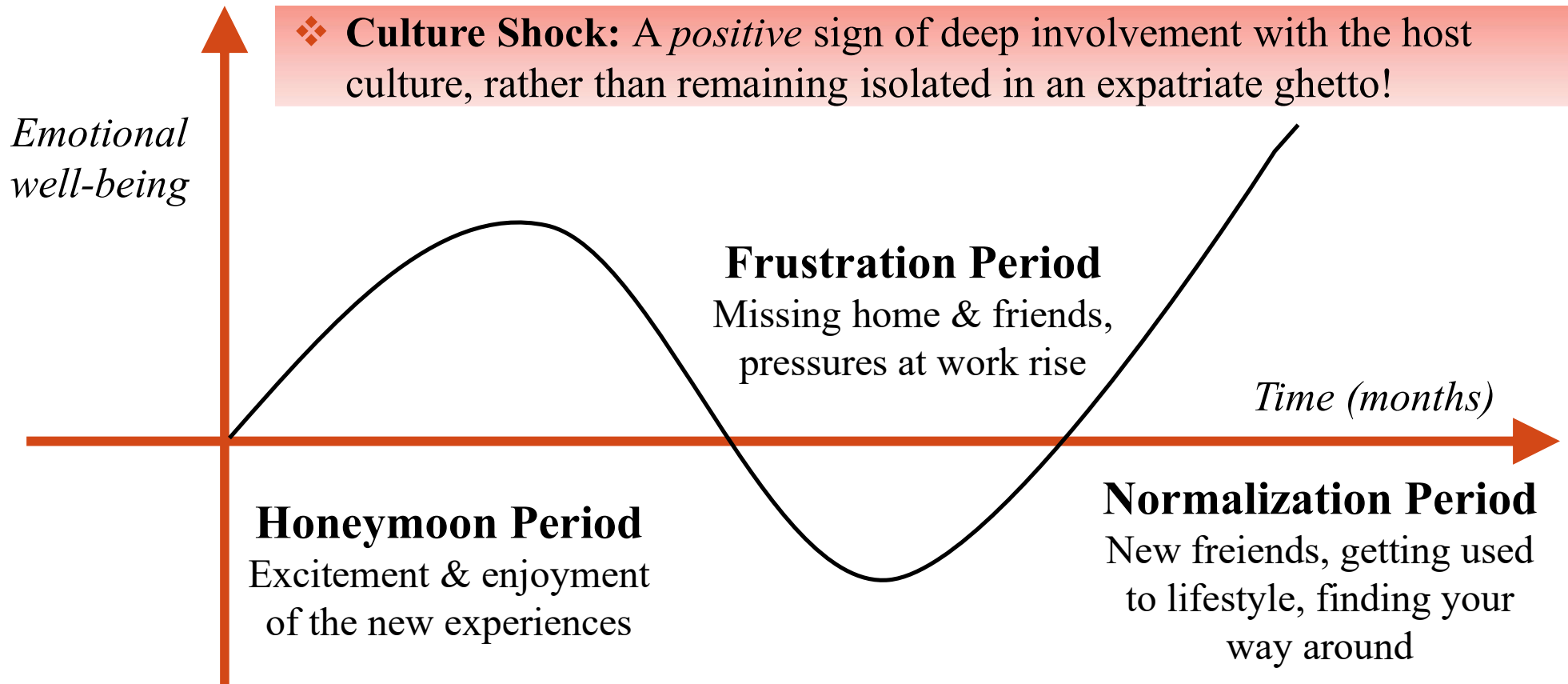


KEY COMMENTS

- > 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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