



MASTERING
BUSINESS
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Strategies, Skills, Solutions



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STRATEGY FOR
SUCCESS IN
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About the Series

This exciting series provides comprehensive coverage of primary business functions, as well as vital business topics. Each subject is dealt with in a unique Asian context, making it an ideal addition to the business library of all business professionals and MBA students.

Each book is written by an Asian-based thought leader and includes the names of many top consulting companies, business schools and Asian corporate giants. The authors in the series draw on their wealth of experiences to provide a comprehensive overview of the subject and crucial strategic advice for Asia's next generation of leaders.

Preface

Conversations about business strategy in Asia have progressed through three periods of hyperbole. In the first period, the 1970s to mid-1980s, pundits extolled the virtues of the “Japanese model” of business. *Keiretsu*, industrial policy, the pursuit of product quality and operational excellence at all cost, the sacrifice of profits for growth, and lifetime employment were the elements of the Japanese model that firms from other countries strived to emulate. The second period, the mid-1980s to mid-1990s, was one of rapid growth in East and Southeast Asia that led to praise for the “Asian values” business model. Confucianism, hard-working, disciplined, loyal, and cooperative employees and managers, heavy savings and investments, and the prioritization of economic growth ahead of all alternatives were central elements of the Asian business model that analysts and politicians used to explain the success of many of Asia’s firms. In the third period, from 1997 to the present, experts now recognize that the cozy Asian business model in which tight inter-firm, intra-firm, and government–firm relationships prevailed had systemic deficiencies that ultimately led to the onset of the Asian economic crisis in 1997 and the downfall of many Asian firms.

Unquestionably, there are aspects of truth in these statements, but these viewpoints exaggerated selected aspects and ignored contradictory evidence. Both the positive and negative accounts overstate the unique aspects of the Asian business model, while making attributions to business success that are strongly grounded in anecdote or fable, but weakly anchored to facts. Unfortunately, many books on strategy in Asia have reflected these perspectives.

The difficulty in understanding the reasons why businesses succeed, and do not succeed, is not constrained to Asia. In all parts of the world, businesspeople, public policy-makers, and academics alike struggle with trying to identify and implement the drivers of business success. This struggle is captured by the idea of corporate and business strategy. The study of strategy is about trying to understand why firms have different levels of success. Strategy formulation and implementation is about identifying the outcomes a leader wants his or her firm to achieve, selecting the best course for achieving these outcomes, and undertaking all the actions necessary to actually achieve the outcomes.

These ideas about strategy are not new. That said, the application of mainstream strategic concepts to firms in Asia does require some new thinking and some understanding of the context of business in Asia. We wrote *Strategy for Success in Asia* with that in mind.

In developing this book, we bring the most current ideas on business and corporate strategy to the competitive environment that underlies strategic issues in Asia. We base our arguments on established theory and rigorous empirical research, while making this book accessible to the busy reader. These objectives mean that in this book we apply ideas on strategy to the analysis of competitive conditions in Asia, with the core notion that business in Asia does have some unique characteristics. This, however, does not mean we think that business in Asia is one of a kind.

Strategy and business share common characteristics regardless of whether a firm is located in North America, Africa, Europe, or Asia. What does differ across these regions, and across the countries within these regions, is the national institutional landscape. A country's institutions – its political, economic, societal, and technological environments, and its laws, rules, and regulations – define the conditions under which business occurs in that country. These institutions influence which strategies can be pursued successfully and which cannot. They define the level of government–firm interaction, the level of competition in a nation, the level of foreign participation in an economy, and so forth. As such, national

institutional environments influence strategy and the types of strategies that can be implemented for success.

With development, many countries in Asia are undergoing rapid evolution in their national institutional environments, some of which were catalyzed by the Asian economic crisis, and others which were part of long-term reform plans. These changes in institutional environments have required commensurate changes in the types of strategies a firm can pursue for success.

In developing this book, we bring the national institutional context to the forefront of the discussion on strategy in Asia, while maintaining an anchor in time-tested concepts and thinking about strategy. We have also remained faithful to the business context in Asia. This book is designed to be consistent with these goals. Each chapter contains illustrations and cases drawn from countries across Asia. The structure of the chapters also reflects these goals.

Chapter 1 introduces the core concepts on strategy thinking that underlie the discussion in the rest of the book. These core concepts apply to businesses operating everywhere, but their application needs to consider the context of the business environment. Chapters 2 and 3 introduce the context of strategy in Asia by identifying the key points of difference between Asia and the rest of the world, and between Asian countries. We pay special attention to the roles of governments, given their influence in Asia and the rapid changes in government-firm relationships in many countries in the region.

In Chapters 4 and 5, we discuss strategies for growth in Asia. Decisions about growth, and the reasons why a firm's management pursues growth, must withstand the scrutiny of a strategic analysis. Growth for its own sake has become more difficult since the Asian economic crisis, although opportunities for regional expansion in Asia have become more attractive since 1997.

In Chapters 6, 7, and 8 we look at specific decisions for achieving success. These decisions include alliances and acquisitions, and in which industries a firm should operate. The individual decisions need to be considered in the context of a firm's overall strategic intents, and we identify the means to do so in these chapters.

Chapter 9 presents our concluding thoughts on strategy in Asia. We make projections about future developments in national institutional environments in Asia, which in turn might alter the strategies and goals a firm pursues for its success. At the end, we return to several core ideas that we believe are fundamental to strategic thinking and consequently fundamental to the long-term success of any firm in Asia.

We believe that the core ideas of strategy are relatively simple, but easily overlooked in the complexity of running a business. A realistic description of strategy, adapted from a famous quote on war by the Prussian strategist Carl von Clausewitz, is that "everything in business strategy is simple, but the simplest thing is difficult." Leaders must maintain their awareness of the big picture of Asia as they develop their firms' strategies, but they must also combine this with a detailed understanding of their own firm and of the specific business challenges that they face. The integration of environmental, firm, and competitive contexts is central to the perspective of strategy we develop in this book.

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