

# Taiwan's rampaging dragon essay



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Acer Inc. is originally known as Multitech, the company founded in Taiwan in 1976. Shih, the CEO of Multitech, served \$25,000 of capital and 11 employees. The first mission of Multitech was "to promote the application of the emerging microprocessor technology".

During the company began to mature, Stan Shih also faced a number of challenges which is the rapid expansion of international subsidiaries, competition of PC manufactures and personal management philosophy of having to adapt to the international environment in the different markets. To give you a better understanding I will explain through the below questions.

1. a. What accounts for Acer's outstanding startup? Provide examples.
- b. How was Acer able to outpace other Taiwanese PC companies?

I personally think, Acer do not lose any opportunities, the product they sell to the local companies including engineering, product design advice and electronic components, also offering technological training courses, and publishing trade journals.

On the other hand, Shih had the "poor man's philosophy" and frugality which means leasing enough space for current needs, paid their employees the modest salaries, offered key employees equity, gave them substantial ownership positions in subsidiary companies and high-tech products had to be priced with a low margin to ensure turnover, receiving cash payment quickly and to avoid the use of debt. Moreover, the customers always are the first in Acer's principle.

Patriarch-dominate was a tendency in Taiwan but Shih want to against this culture. Shih said “ It tends to generate options which are neither balanced nor objective”.

Shih not only delegated substantial job to his employees but also trusted employees to act in the best interests of the firm, also the development of the teaching relationships between manager and subordinate was encouraged by marking the cultivation and grooming of one's staff a primary criterion for promotion. These close-knit cultures which employees treated each other like family, and do whatever is good for the company.

In 1978, Shih targeted smaller neighboring market for his early expansion. At first, response to Shih's letter was poor due to the fact that few foreign distributors believed that a Taiwanese company could supply quality high tech product. But through persistence, Multitech established partnership with dealers and distributors in Asia countries such as Indonesia, Singapore, Malaysia and Thailand.

When company expends, Shih decide to experiment with joint ventures, because joint venture can provide increase in sale without raising more capital and hiring more people. Shih was trying to outpace other Taiwanese PC companies by joining forces with “ commoners”, which are mass-market customers, local distributors, owner-employees, small investors and supplier-partners.

In 1981, Multitech recognizes that there is a huge potential of the developing PC market when they introduced the “ Microprofessor” computer. In 1986,

Multitech entered the European market by establishing a marketing office in Dusseldorf and a warehouse in Amsterdam.

After the success of the European market and American market, their sales doubled every year by the mid-80s. Shih started to emphasize the importance of potential overseas acquisition, and he started to seek foreign partner and distributors while setting up offshore companies.

2. a. After such a strong decade, why did Acer's growth and profitability tumble in the late 1980s?

Acer's growth and profitability tumble in the 1980s because of the company's expansion plan and price problem from other competitors. In 1985, Shih worried about the problem of management shortage, therefore when the employees grew, Shih brought in about 12 top-level executives and 100 managers.

But for those executives he bought in were didn't understand Acer's culture. In late 1987, they thought the low-end minicomputer could have a higher margin than the original personal computers; therefore they introduced the new product called "Concer" to support this new business entry, and ended up with a big failure and generating huge losses. On the other hand, Acer's competitors Packard Bell made department and discount store into major computer retailers, while Dell customary its direct sales model.

Those moves led to a dramatic price drop in PC business, Acer's gross margin has also dropped from historical 35% to a 10%. In 1989, Shih signed Leonard Liu who was a senior IBM executive and hand over his management

role to Liu, Liu became CEO and Chairman of Acer's North American subsidiary.

In August 1990, Liu purchased Alto for \$94 million for its technology and distribution network, in his personal interest to position Acer in High-end products. Within a year of purchase Alto lose 20 million, which increased ACC's losses.

b. Evaluate Stan Shih's response to the decline? Was it appropriate? Explain

I personally think Shih took was not appropriate because when the "paratroopers" and Leonard Liu were introduced to the company, the new iron-fisted management style challenged Acer's traditional culture plus that the "Paratroopers" didn't know the company's culture. Although Shih's was trying to help Acer's financial situation at first, but then they made the situation worse.

c. How do you evaluate Leonard Liu's performance? Explain

On the other hand, Leonard Liu did not carefully evaluate the purchase on Altos Company, although Altos' \$30 million in cash reserves and \$20 million in real estate made it an attractive acquisition, the losses of \$3 million and \$5 million in the previous two years could be harmful to Acer's financial situation.

3. a. How effective has Shih been in rebuilding Acer in the early/mid-90s?

I think Shih rebuild Acer very effectively. In the early 1990's Shih started to rebuild Acer by linking the company more closely to its national market. He

wanted Acer evolve from a Taiwanese company with offshore sales to a truly global organization with deeply planted local roots that Shih called "Global Brand, Local Touch" philosophy. Moreover, Shih invited Computec to form a joint venture company which is responsible for all Latin America.

After that, Shih began to articulate a new objective which is called "21 in 21", and this divide Acer Group as a federation of 21 public companies, each company with significant local ownership. For the client-server organization model, Shih said the role of the Taiwan headquarters as a "server" that used its resources to support "client" business units. The function was to reinforce the more networked approach of this new management philosophy, under this model business units could initiate their ideas without having to go through the corporate center.

b. Evaluate his new business concept and his new organization model.

Shih has also explained the new business model concept which worked very well and brings the company's profit back from the e years of losses. The first concept is the fast food business concept, which provides responsiveness and flexibility by moving more assembly offshore; this concept focusing on component development, in component and marketing focusing on add value with employees' brains.

4. a. as Stan Shih, what action would you take on the Aspire? Support your answer.

b. Should he approve its continue development?

c. Should he allow AAC to continue to lead the project? Why? Why not?

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d. Should Aspire become a global product? If so, who should manage the worldwide rollout?

In October of 1994, Mike Culver started the Aspire project. A computer consist the new multimedia capabilities, which is very innovative but risky to bring it to the market at that moment. As Stan Shih, I would approve the Aspire

project because of the growth from 26 million people in 1993 to a projected 29 million people in 1994, long distant would diverse customer and competitive situation around the global. And I personally think he should allow AAC to continue to lead the project because America still is the most powerful country in the world, not only capability of market but also population therefore I think the profits and chances are more than other countries.

In my point of view, I think Aspire should become a global product, undoubtedly, profits will evidence everything and if Aspire will become, I think Mr. Stan Shih should manage the worldwide rollout because Mr. Shih still is a more influential, more powerful and more experiential.