

Japanese  
multinational  
corporation has been  
chosen management  
essay



**ASSIGN  
BUSTER**

Toshiba, a successful Japanese multinational corporation has been chosen to be the topic in this research. This research is focus on how Toshiba develop in China which is a country with many competitors. The marketing strategies that Toshiba used in China have become the main focus in this research. As the research being conducted, the researcher tries to compare Toshiba with main competitors and analyze the development path that Toshiba go through. Besides that, the researcher also briefly discuss about the current state of Toshiba in China.

First of all, the researcher will discuss the performance of Toshiba compared to its main rivals. This is because it is the best way to find which company's marketing strategies is better than the other.

Furthermore, the researcher will outlines and discuss about the development path of Toshiba in China market. In order to clearly determine the path, the researcher decides to outline Toshiba's performance in China for the last ten years. This is the best way to determine that Toshiba is continuing growing in the last ten years.

Lastly, the researcher will state several suggestions and recommendations in term of applying the most suitable marketing strategies in the China market so that all other multinational company can benefit from the largest market.

As a conclusion, the researcher thinks that Toshiba is continue growing and the future of Toshiba in China is still remain bright as long as the Diaoyu Island is resolved.

## **Acknowledgement**

First of foremost, the researcher would like to appreciate people who guided his to complete this task especially friends, and course mates who have been helped he and taught he in order to complete this study. Without their contributions and supports, the researcher will not able to complete this study on time. Therefore, the researcher decided to take this opportunity to acknowledge them.

Through this opportunity, the researcher also would like to thank his respected lecturer because his lecturer gave his a lot of valuable information and guidance throughout this research. The researcher's lecturer spent precious time to explain the requirements and contents of this study. Also, the researcher's lecturer is patient and willing to answer all of the questions and clear the researcher's doubts. Once again, the researcher devotes his thanks to the lecturer as the lecturer is a very helpful and kind lecturer. The author cannot repay lecturer's kindness unless he does the best in this study.

Lastly, the author has to admit that he learnt a lot from this study especially from the lecturer. From his point of view, this study is very useful. The author would like to thank the lecturer again for giving him an opportunity to discover the usefulness of marketing strategies.

## **1. 0 Introduction**

### **1. 1 Company Background**

Toshiba was originally called Tokyo Shibaura Electric K. K, merged by Corporation Shibaura Seisakusho and Tokyo Electric Co. Ltd in 1939.

<https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

Originally, Toshiba was only focus on household appliances and heavy electrical machinery. However, they started to involve in communications, electronics and electric products since 1980s. In the 1990s, Toshiba started to involve in the field of digital technology, mobile communication technology and network technology. In the 2000s, Toshiba managed to secure the position of world number two in semiconductor's sales which is only after INTEL.

When talk about business expansion in China, Toshiba had gone through three decades of ups and downs. Toshiba (China) Co. Ltd was established in order to strengthen the management functions and strategy formulations in China. Until now, Toshiba has invested over billion dollars in China. China's local talents and strategic partners are the main driving force to the rapid development of Toshiba in China.

## **1. 2 Research Purpose**

Nowadays, China has become a magnet of international business. Many multinational corporations have taken an initiative to expand their business into China from manufacturing to services sectors. Therefore, it is important to learn about the development of Toshiba, a successful Japanese multinational corporation in China. To learn about how a corporation developed, it is necessary to look into their marketing strategies. This is because marketing strategies can drive a corporation to the top of world and it also can make a corporation comes to an end. Therefore, this research is to determine and understand the marketing strategies used by Toshiba in China and understand how they implement the marketing strategies correctly to meet local consumer's demands.

<https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

### **1. 3 Research Objectives**

This research is aimed to enhance people's understanding about the paths of become a successful multinational corporation in China so that it will help to generate marketing plans in the future. Therefore, this research try to discuss and understand the marketing strategies of Toshiba used in China and how these marketing strategies can drive Toshiba in China into a successful multinational corporation. A good marketing strategy is very important for a multinational corporation to develop in foreign market. This is because a corporation without a good marketing strategy will never move.

As such the research questions are as follow:

- What strategies Toshiba has applied to face the competition of local Chinese companies in the past decade?
- What are the advantages and disadvantages of all the strategies that Toshiba has applied in the past ten years?
- What do we learn from the Toshiba case and what strategy does the research suggests for the future development.

### **1. 4 Significance of Study**

The study of successful marketing strategies can be a learning paradigm for multinational company to enhance the strategy formulation and goal oriented as well. The research's goal is designed to help multinational company to improve their skills in formulating marketing strategy as well as improve their competency. This goal can only be achieved if multinational companies learn from the mistake which made by Toshiba in China and

make sure the same problem would not happen on their companies. The output of this research is a source of material that managers can refer and learn by reading and implementing the skills that is discussed.

## **1. 5 Scope of Study**

This research only focuses on Toshiba's development in China rather than other multinational company in China or Toshiba's development in other countries. This is because Toshiba's development in China is one of the most successful among all other multinational companies invested in China. This can be proved by the semiconductor's sales of Toshiba. It is ranking number two and only loses to INTEL, the giant of semiconductors producer in the world. Only Toshiba's marketing strategies will be discussed in this research. This is because marketing development strategies can determine the direction and goal for a company to pursue on.

## **1. 6 Definition of Terms**

**Database Marketing:** Customer information is stored in electronic database and it is utilized for targeting marketing activities. The information can be a mixture of what is learned from previous interactions with customer and so on.

**Export Marketing:** The marketing of products or services to foreign markets.

**Ethical Marketing:** Marketing strategy that takes into account of moral aspects.

**FAST Marketing: Focused Advertising Sampling Technique:** an approach concentrating promotions into a short space of time to saturate the market.

<https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

**Field Marketing:** The step of sending representative to retail stores in order to build brand and support sales. The representatives may conduct in-store promotions, set up point of sale displays, and ensure that products are displayed to best advantage.

**Marketing Strategy:** The set of objectives which an organization allocates to its marketing function in order to support the overall corporate strategy, together with the broad methods chosen to achieve these objectives.

**Niche Marketing:** The marketing of a product to a small and well-defined segment of the market place.

**Offensive Marketing:** A competitive marketing strategy, the purpose of this strategy is to gain more market share from the rivals within the market.

**Relationship Marketing:** The strategy of establishing a good relationship with the customer so that they can come back in the future.

Source: <http://www.mshmgj.com/index.html>

## **1. 7 Limitation of Study**

This research only limited to Toshiba's development in China which is an emerging market. Comparison from different country markets will provide a better picture about to what extent the particular marketing strategy works. In other words, marketing strategy that works and success in China would not guarantee the same outcome if it is implemented in other country.

Besides that, Toshiba is only an electric and electronic appliances producer.

More research on different multinational company from different sectors will

also provide more evidence about the validity of the marketing strategy. For example, a marketing strategy that works flawlessly on Toshiba China may not works on other multinational company in China.

## **1. 8 Chapter Outline**

### Chapter 1: Introduction

This chapter discuss about the company background (Toshiba). It also discuss about why this research is conducted and what the limitations of this research are. Besides that, it also explains some specific marketing terms and what the significance of this study is.

### Chapter 2: Literature Review

This chapter has summarized thirty article and journal and tries to anticipate the fact that what finding will discuss in the later chapter.

### Chapter 3: Research Methodology

This chapter explains about how this research is conducted. The details discussed such as research design, source of data, measures used, the variables, method of collect data, data analysis and so on. In other words, this chapter is a guideline for author to conduct the research from start to the end.

### Chapter 4: Results

This chapter present the author's finding. It is important to note that only result is presented but not analysis and discussion about the finding.



## Chapter 5: Analysis and Discussion

This chapter presents the major finding. Besides that, it also analyzes and discusses about the major finding and tries to relate the finding with the fact in the literature review in chapter 2. Lastly, it makes a conclusion and recommendation according to the finding.

## **2. 0 Literature Review**

### **2. 1 Foreign direct investment in China**

Japan is one of the biggest foreign direct investments (FDI) in China. There are two extreme situations of Japanese investment that can be discussed. Firstly, it is in the mid-1990, the Japan's electronics industry. Secondly, it happen after 2003, the Japan's automotive industry. Cross-border production network used in the electronics industry is different from the conventional global productions industry networks (GPN) theory. Small and medium enterprise can dominate in building of production networks. For example, the know-how of SME to operate production bases in Southern China made them to lead the top tier firm such as Toshiba to build cross-border production networks.

Rare earth materials are the most important component in modern technology including green technology. China has growing into the main supplier of these materials in the world. However, in recent years, the Beijing government is planning to reduce its export of these materials. This is because the Beijing wants to control illegal mining which has driven up the price and causes environmental pollution. Because of reducing in China's export, many green technology based firm has moved their R&D to China to

take advantages of using those rare earth materials. On the other side, Japan which has no reserves of rare earth materials is looking for alternatives sources. The Japanese government announced a set of “ comprehensive rare earth measures” to stabilize the supply. The government support japan companies which want to acquire rights to rare earth outside China. China’s action in reducing export of rare earth material has given India an opportunity to take advantages of these materials. This can be seen when Japan and India come to agreement on supply of this materials.

In recent years, the rapid growth of China has caught much attention from all over the world. Some scholars claim that East Asia is rising especially for China. In the financial crisis of 2008 in the US, knowledge-based-economy (KBE) still characterizes the global economy. China does not lead the game in term of research and development activities when it is compared with Japan, South Korea, and Taiwan. In contrast, they are moved away from China. So, it is hard to say that China is the new twenty-first-century economy at the center of the East Asian interstate system. After the economic reformation in 1978, China has gained many foreign exchange reserves. This is mainly from exporting manufacturing goods while intellectual properties are still controlled by the West. Therefore, locating China as twenty-first-century knowledge-based economy, the answer is remaining positive in term of gross domestic product, foreign direct investment and total manufacturing output.

Based on the study, it can conclude that global R&D network is hard to manage and challenging. There are three type of barrier in China for foreign R&D operations. Among the barrier are relational distance (both institutional <https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

and cultural distance) between the parent company and China, the overall power, strength and experience of a company and lastly the ethnicity of site manager. All of these barriers will lead to problems in foreign R&D operations in China. For example, issues related to labor management like increasing labor cost and mobility, lack of experience and creativity and cultural differences among staff. In contrast, China's institution and infrastructure do not raise any serious issues for foreign companies to conduct R&D operations.

After economic reformation, China has become a must-win market for many multinational corporations. However, things begin to change when many local brands starts gaining market shares. Therefore, multinational corporations need to imply new strategies for continuous growth in China. In order to search for new strategies, a large scale survey was conducted. The result shows that Chinese consumer's purchase behavior differs across local market and product categories. Firstly, the level of economic development and local cultures affects the purchase behavior. For example, first tier cities like Shanghai and Beijing have more purchase power and larger market. However, these cities are less likely to buy foreign brand compare to second tier cities like Xi'an and Chengdu. Besides that, in term of durable goods like televisions, Chinese consumer prefer local brand. Therefore, local brand has relatively larger market share. In addition, the result also shows that dominance of foreign brands in China remain an urban legend. There are few factors that made China's domestic brand to rise. Most importantly, recent years, local companies have improved the quality of their products.

Moreover, as economic continue to grow, there are consumers can now

afford quality goods and became less infatuated with foreign brands.

Furthermore, domestic firm targeted value-conscious consumer rather than small minority of wealthy consumer which usually targeted by foreign brands. Therefore, many Chinese consumers begin to realize that domestic goods are “ good enough” as an alternative for foreign brand’s goods.

## **2. 2 The economic situation of China**

In recent years, the rapid growth of China has caught much attention from all over the world. Some scholars claim that East Asia is rising especially for China. In the financial crisis of 2008 in the US, knowledge-based-economy (KBE) still characterizes the global economy. China does not lead the game in term of research and development activities when it is compared with Japan, South Korea, and Taiwan. In contrast, they are moved away from China. So, it is hard to say that China is the new twenty-first-century economy at the center of the East Asian interstate system. After the economic reformation in 1978, China has gained many foreign exchange reserves. This is mainly from exporting manufacturing goods while intellectual properties are still controlled by the West. Therefore, locating China as twenty-first-century knowledge-based economy, the answer is remaining positive in term of gross domestic product, foreign direct investment and total manufacturing output.

In the past four decades, the economic reform of China has dramatically reduces poverty. However, the unified social stratum is not managed to materialize, therefore it is remain uncertain that the reform system is able to accommodate middle class demands. The imbalance of growth and reform

brings many implications for economic prospects, energy consumption,  
<https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

education system, housing plan, and so on. In the year of 2015, Asian middle class will be similar to those in Europe and North America. Therefore, scholars can forecast China can be at the front place of transformation of world economy.

Recently, there has a lot of management localization in multinational companies established in China. There are few reasons that many multinational companies to pursue this practice. Firstly, management localization can help to cut management cost. Secondly, it also can help the companies to gain an in depth knowledge of local market. Thirdly, it helps the companies to avoid of expatriation drawbacks. Fourthly, management localization also helps the companies to develop and retain local managerial talents. Finally, it helps the MNC to maintain good relationship with China government. This is because management localization is required by local government regulations.

During recent years, China has become a major economic player in international business. Although China is not completely immune from the global economic crisis, China is still managed to contribute to world economic growth. The Beijing government is continued to focus on rising living standard and foreign policy that is economically driven. These have made the Chinese benefited from foreign direct investment. In order to remain its competitiveness, China has to move up its value chain, process that requires innovation leading to independent product development. The technology transfer and managerial expertise from foreign companies will eventually enhance the position of China as a global economic player. Lastly,

as the increasing of outward investment, a Chinese management style may eventually emerge.

There are important impacts on China's admission into World Trade Organization (WTO). First of all, China's independent foreign policy of peace was launched in order to achieve the long term objectives which to secure a suitable international environment for China economic development. It also promote economic exchange and to reduce the wrong perception of the "China threat". Lastly, to further strengthen China's status as a regional and international power. On the other sides, both Japan and Thai prime minister also agreed that China's economic growth is not a regional threat.

Meanwhile, they mention that a rich China mean a prosperous Asia and these will give Asia the greater bargaining power in any trade forum. From the Asian financial crisis and the recent economic difficulties, Asian countries still can believe that they can cope with the expansion of China Economy. Many Asian countries would not threaten the five peaceful coexistences as long as they still can maintain their economic growth in the region.

In the last two decades, China economy has gone through a phenomenal growth after the economic reformation. Income per capita of China has quadrupled. Besides that, China's gross domestic product also reaches a record high which is nearly a double-digit growth rate. Moreover, the export performance also has extraordinary performance which has made China the largest exporter among emerging East Asian economies and the seventh largest exporting nation in the world. China is able to produce high quality yet inexpensive goods. Furthermore, China also became member of World Trade Organization. Because of this, many ASEAN countries were losing their

<https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

foreign direct investment, as most of the company moved their plant to China. However, the rise of China economy should be seen as an opportunity rather than a challenge. ASEAN countries should take advantage from China's economic growth through enhancement of trade and investment linkages.

Based on this research, when organizations adopt free enterprise system of the West, the business will result in adoption of Western value too.

Meanwhile, culture is a force to make managerial value remain different from different countries. In the cases of COOs, socio-political and economic systems are supporting fast adaption to foreign organizational systems and management styles. There are only two approach of managerial values in an organization; convergence approach and divergence approach. Convergence approach means that managers will stick to attitudes and behavior common to managers rather than make changes according to cultural difference.

Meanwhile, divergence approach means that managers will make changes according to cultural differences. China is a mix of socialism and Confucianism, and it remains a mirror to US and other Western nations.

Based on the study, it can conclude that many of Japanese products are positioned as a global culture brands. Underlying consumer ethnocentrism and cosmopolitanism, both influential and purchase behavior in China are forecasted and conducted of the Japanese product diffusion strategy.

However, there are Chinese firms that already implement the modern branding techniques and eventually close the gap to global brand. The popularity also not only reflects Chinese consumer behavior and it shows that Chinese consumers will evolve into a localized brand profile. Japan's <https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

company has to look for an answer to the nascent ethnocentrism paired with changes in attitudes toward brands with a foreign culture positioning. As the China market is continuing growing, Japan's MNC has to monitor the unique product diffusion patterns carefully. Japan's corporation can further uphold their market positions in China, if they start adapt and extend local brand presence to evolving shifts in local innovativeness.

The lessons from China's leap into information age are depending on three questions. " Who makes investment decisions, what types of investments they make, and how investment returns are distributed". The study shows that scientists and engineers is the one who had good understanding of main technological disciplines and are willing to transform their knowledge into a final product. Types of investment involved include R&D, manufacturing and marketing. The scientists and engineers partner with Chinese state agencies and foreign companies in order to learn new technology, but still remain control over strategic decisions for their firms. At last, the revenue was distributed by sharing with employees so that they will find themselves better remunerated.

## **2. 3 The economic relationship between China and Japan**

Japanese investment and business in China has been in modest period of recovery in the mid-2000s. This can be seen from the resumption of foreign direct investment as compared to earlier years. In addition, Japanese FDI regional coverage in China has become wider. This is because there are more investment has been made in the interior provinces of China. Japan's investment is focus in the East, mid-South and North. However, it is a

changing nature because of the decreasing cost competitiveness of the <https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>



operating environment and also the highly skilled labor market. Therefore, Japan's MNC begin to emphasize on high value added activities such as offshoring and outsourcing in Eastern seaboard in China. At the same time, low value added activities has been moved to other hinterland region.

Japan and China mobile phone market each stand at the opposite ends of a spectrum. In Japan, mobile phone is sold as a bundle with a telephony services. In contrast, in China, mobile phone is sold independently of service operators. In other words, entry barrier in Japan is very high while in China is very low. The reasons why Japan phone manufacturer failed in Chinese market are the difference of distribution structure and demand conditions between Japan and China. The common approach that used by Japan phone manufacturer is centralized organization and innovation process. However, these approaches are hard to adapt to China. In China, they required a more decentralized approach or more allocation of resource for oversea market development within centralized organization. The start of 3G services is treated as the new opportunity for Japanese phone makers as service operators can bundle sales of handset and services to promote the 3G services. Therefore, Japanese phone makers can stand a better position in China market.

Asian multinational company tends to provide more training in services sectors. This is because in recent years, Asia economy is shifting from manufacturing sector to services sectors. Therefore, it is reasonable service sector has higher demand of highly skilled labor which resulted from training practices. However, in order to achieve better performance, both

manufacturing and service sector also require more training. Most Asian  
<https://assignbuster.com/japanese-multinational-corporation-has-been-chosen-management-essay/>

multinational companies provided externally training program to managerial and professional staff. However, these staff has found that the training is irrelevant and lacking in quality which would not help in their career advancement. This study also suggests that training program should take into account about the structure, culture, managerial philosophy and global business strategy so that a better training program is conducted. However, for non-Asian MNC, training program must address the local employees' training needs instead of following their human resource strategy blindly. By doing so, non-Asian MNC will be able to compete with local companies.

## **2. 4 Japanese multinational companies in China**

At China, both the Japanese PM theory of leadership and the western-developed theory of organizational culture can be put into practice. This is because there are huge impact on organizational performance is sought by the coexistence of the Japanese PM theory. Based on finding, the degree of affective attachment to organizational among employees of Japanese company is lower than employees in the Chinese company. Therefore, in the Japanese company, the sense of belonging to organization is significantly lower. Besides that, there is no positive relationship between nationality of the parent company and organizational performance. Therefore, as long as corporate management is conducted in proper way, organizational performance will eventually improve. In addition, the reality of investments by Japanese company in China is that China practice M function rather than P function. This is because intense routine work, M function is more effective than P function. This is because in manufacturing sites, efficiency and quality is required, employees are working under pressure. However, Umezawa says

that Japanese company should adopt a global perspective and operate in global scale which mean those Japanese companies have to value organizational culture.

TQM practices in Japanese-owned manufacturers in China have improved the customer's satisfaction. TQM is an operations management ways that focus on human resources and then motivating employees. Through TQM practices which are related to internal performance like cost reduction, profitability improvement and improvement of employee's satisfaction, overall organization performance can be improved. Therefore, it can be conclude that TQM is very effective in improving business performance as long as it is implemented correctly.

Consumer nationalism has three main components of self-definition through consumption, globalization, and symbolic national unification. The emotion of nationalism is from the symbols in the nation's history. Besides that, nationalism also provides a bridge to us and history. Therefore, consumption has become one of the social processes where the emotion of nationalism is expressed and communicated. In addition, consumer nationalism is also not an isolated case. It is expressed in many ways such as negative publicity and boycotts. In the case of global brand TOSHIBA, China's media and consumer have invoked and rediscovered a nationalistic sentiment which is underlined by past colonial occupation of Japan toward China. Lastly, there is reason to believe that consumer is the main character in the global marketplace. Therefore, in order to expand businesses into China, company need to develop a better understanding of China consumer behavior.

Firms that want to outperform its competitors in China need to know how to manage China's abundant and high quality human resource. However, these have created a major challenge for firms to achieve competitive advantages. Based on the interviews with the general manager or vice-general manager of top five Japanese multinational corporation operated in China, there are three main strategy orientations in the China market. There are cost reduction, differentiation, and quality enhancement strategies. Basically, these strategies are consistent with Porter's framework of competitive strategies. However, there is an independent strategy which is quality enhancement which Japanese MNC used in China. For companies that adopt cost reduction strategy, they usually adopt short term, flexible human resource policy. This is because it can reduce personnel expenses. The main idea of this cost reduction strategy is to 'buy' human resource and these companies rely on external labor markets. For companies adopt differentiation strategy, they usually emphasize human resource management in R&D section. The main idea of this strategy is to "buy" and "make" human resource and they are basically result-oriented. For companies adopt quality enhancement strategy, they usually emphasize on replicating HRM policies and practices used in their parent company. The main idea of this strategy is to "make" human resource within firm that can contribute to enhancement of product quality.

Based on this research, there are sixteen of the twenty-five MNC including their government affair manager in strategic management. The main responsibility of government affair manager is to align their business goals with the development of policies and regulations. There are four key roles of

government affair manager which are the business developer, expert prescriber, senior advisor and internal consultant. Moreover, this research also suggests that a good relationship between the participation of government affairs in strategic management and excellence in government affairs. However, there are still other factor can affect the integration of government affairs with the overall strategic management. The factors are organizational mechanism of management, organizational expectation and culture, and the nature of the MNC's industry.

Based on analysis with the diamond model, it can conclude that China's telecommunication industry has improved after China's admission into World Trade Organization. The improvement is not only caused by WTO commitment, the domestic and economic reform as well as technological development has made the changes. Therefore, the China government should abide by its commitment