教育部高校工商管理类教学指导委员会双语教学推荐教材

工商管理经典教材·核心课系列

BUSINESS ADMINISTRATION CLASSICS

战略管理：概念与案例

英文版·第10版

迈克尔·A·希特 (Michael A. Hitt)
R·杜安·爱尔兰 (R. Duane Ireland) 著
罗伯特·E·霍斯基森 (Robert E. Hoskisson)
刘　刚 改编

THE MANAGEMENT OF STRATEGY
CONCEPTS AND CASES

Tenth Edition

全新版

中国人民大学出版社

CENGAGE Learning
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总　序

随着我国加入 WTO，越来越多的国内企业参与到国际竞争中来，用国际上通用的语言思考、工作、交流的能力也越来越受到重视。这样一种能力也成为我国各类人才参与竞争的一种有效工具。国家教育机构、各类院校以及一些主要的教材出版单位一直在思考，如何顺应这一发展潮流，推动各层次人员通过学习来获取这种能力。双语教学就是这种背景下的一种尝试。

双语教学在我国主要指汉语和国际通用的英语教学。事实上，双语教学在我国教育界已经不是一个陌生的词汇了，以双语教学为主的科研课题也已列入国家“十五”规划的重点课题。但从另一方面来看，双语教学从其诞生的那天起就被包围在人们的赞成与反对声中。如今，依然是有人赞成有人反对，但不论是赞成居多还是反对占上，双语教学的规模和影响都在原有的基础上不断扩大，且呈大发展之势。一些率先进行双语教学的院校在实践中积累了经验，不断加以改进；一些待进入者也在模仿中学习，并静待时机成熟时加入这一行列。由于我国长期缺乏讲第二语言（包括英语）的环境，开展双语教学面临特殊的困难，因此，选用合适的教材就成为双语教学成功与否的一个重要问题。我们认为，双语教学从一开始就应该使用原版的各类学科的教材，而不是由本土教师自编的教材，从而可以避免中国式英语问题，保证语言的原汁原味。各院校除应执行国家颁布的教学大纲和课程标准外，还应根据双语教学的特点和需要，适当调整教学课时的设置，合理选择优秀的、合适的双语教材。

顺应这样一种大的教育发展趋势，中国人民大学出版社同众多国际知名的大出版公司，如麦格劳－希尔出版公司、培生教育出版公司等合作，面向大学本科生层次，遴选了一批国外最优秀的管理类原版教材，涉及专业基础课，人力资源管理、市场营销及国际化管理等专业方向课，并广泛听取有着丰富的双语一线教学经验的教师的建议和意见，对原版教材进行了适当的改编，删减了一些不适合我国国情和不适合教学的内容；另一方面，根据教育部对双语教学教材篇幅合理、定价低的要求，我们更是努力区别于目前市场上形形色色的各类英文版、英文影印版的大部头，将目标受众锁定在大学本科生层次。本套教材尤其突出了以下一些特点：

● 保持英文原版教材的特色。本套双语教材根据国内教学实际需要，对原书进行了一定的改编，主要是删减了一些不适合教学以及不符合我国国情的内容，但在体系结构和内容特色方面都保持了原版教材的风貌。专家们的认真改编和审定，使本套教材既保持了学术上的完整性，又贴近中国实际；既方便教师教学，又方便学生理解和掌握。

● 突出管理类专业教材的实用性。本套教材既强调学术的基础性，又兼顾应用的广泛性；既侧重让学生掌握基本的理论知识、专业术语和专业表达方式，又考虑到教材和管理实践的紧密结合，有助于学生形成专业的思维能力，培养实际的管理技能。

● 体系经过精心组织。本套教材在体系架构上充分考虑到当前我国在本科教育阶段推广双语教学的进度安排，首先针对那些课程内容国际化程度较高的学科进行双语教材开发，在其专业模块内精心选择各专业教材。这种安排既有利于我国教师摸索双语教学的经验，使得双语教学贴近现实教学的需要；也有利于我们收集关于双语教学教材的建议，更好地推出后续的双语教材及教辅材料。

● 篇幅合理，价格相对较低。为适应国内双语教学内容和课时上的实际需要，本套教材进行了一定的删减和改编，使总体篇幅更为合理；而采取低定价，则充分考虑到了学生实际的购买能力，从而使本套教材得以真正走近广大读者。

● 提供强大的教学支持。依托国际大出版公司的力量，本套教材为教师提供了配套的教辅材料，如教师手册、PowerPoint 讲义、试题库等，并配有内容极为丰富的网络资源，从而使教学更为便利。

本套教材是在双语教学教材出版方面的一种尝试。我们在选书、改编及出版的过程中得到了国内许多高校的专家、教师的支持和指导，在此深表谢意。同时，为使我们后续推出的教材更适于教学，我们也真诚地期待广大读者提出宝贵的意见和建议。需要说明的是，尽管我们在改编的过程中已加以注意，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，望读者在阅读时注意比较和甄别。

徐二明
中国人民大学商学院

改编者的话

管理大师彼得·德鲁克曾经说过这样一段话：我们走进一片丛林，开始清除矮灌木林。当我们千辛万苦，好不容易清除完一片灌木林，直起腰来，准备享受一下成功的喜悦时，却猛然发现，旁边的一片灌木林才是我们要去清除的！有多少企业在市场竞争过程中，就如同这些砍伐灌木林的工人，常常只是埋头砍伐，却没有意识到要砍的并非那片丛林。当企业一味追求做大、做强的时候，或许需要冷静下来反思一下，是否已经迷失了方向，而这也正是我们学习战略管理的意义之所在。

首先，战略管理关注企业发展的方向，追求企业的长期生存、发展和战略竞争力的提高，重视企业的长远利益和发展潜力。它为企业确定长期生存与发展的目标以及实现该目标的途径和手段提供了理论框架。因此，在现代企业管理中，战略管理越来越成为最高层次的综合性管理学科，越来越成为企业成功的关键所在，而企业高层管理者战略管理的水平和能力关系着企业的生死存亡。所以，战略管理不仅是现代企业管理者所必须具备的管理知识和能力，更是企业建立和提高竞争优势、获得生存和发展的必备条件。

其次，战略管理从企业整体、全局的角度出发，综合运用相关学科和各种职能管理理论，服务于企业的可持续发展。日常经营管理中的生产管理、财务管理、市场营销管理等，都属于职能性管理，是从企业局部的角度来进行的。尽管这种职能性管理是企业必不可少的，但企业是由执行不同职能的部分所组成的统一整体，要使企业的各个职能协调一致，有机地结合起来运作，就需要战略管理来发挥作用。

再次，战略管理以复杂多变的经营环境为前提，注重监测企业环境的动态变化，制定有效的战略规划，利用有限的资源，保证企业在动荡环境中的生存和发展。因此，战略管理强调对内外部环境的分析，并根据环境的变化以及战略实施结果的反馈信息等，进行新一轮的战略管理。这是一个不断循环、不断调整和不断自我适应的过程。

最后，战略管理不仅涉及战略的制定过程，而且强调将制定出的战略付诸实施并进行有效的控制，因此是全过程的管理。在该过程中，战略的制定、实施和控制各环节前后衔接、密不可分，对任何一个环节的忽视都将导致整个战略的失败。所以，企业决策者应从全局的角度出发，着眼于企业的长期发展，在复杂多变的环境下，对企业战略实施全过程管理。

认识战略管理的地位和作用，不断重视企业的战略管理，有助于决策者从琐碎的日常事务中解脱出来，及时发现和解决那些关系企业生死存亡、前途命运的重大战略问题；有助于用战略眼光将企业经营管理活动放在全方位的未来发展和

广阔的市场竞争中，以获得更大、更快、更好的发展。尤其是在后金融危机时代，我国企业要想打造自身的核心竞争力，应对日益激烈的竞争环境和不断加剧的贸易保护主义趋势，对战略管理的学习和研究也就显得愈发重要。

正是在这样一个竞争白热化、国际化的大背景下，国内商学院的学生、经理人渴望更好地掌握战略管理的必备知识及最新发展趋势之际，迈克尔·A·希特等人所著的这一最新版的《战略管理：概念与案例》引入了中国。与国内读者比较熟悉的第 8 版相比，读者现在看到的第 10 版教材无论在整体结构设计上，还是在具体章节的安排上都有一些明显的变化。而所有这些变化都使得第 10 版教材不仅继承了前几版的优点，而且更具时代特色，可读性、指导性和实践性也更强。

（1）整体结构清晰合理。第 10 版教材以战略管理过程的各个环节为主线贯穿始终，结构科学、合理，条理清晰、明确，易于读者学习和掌握战略管理的基本知识，并从整体上掌握战略管理的全过程。

（2）理论与实践相结合。第 10 版教材的每一章都以引导案例来展开内容的讲解，中间穿插了“战略聚焦”案例专栏，从全新的视角深入剖析了战略管理在知名企业中的实际运作情况，其中既包括西方发达国家的大型跨国公司，又涉及众多在新兴市场中崭露头角的中小型公司，弥补了以往几个版本理论多于实践的不足，并且对发展中国家的企业也具有较强的实践意义。

（3）更具时代特色。相比前几版，第 10 版教材中的所有案例都是全新的，能够反映当今现实世界中企业的真实情况，对指导企业的实践更具有现实意义。这些案例中不乏对后金融危机时代企业战略选择的关注，以期能给这一时期的企业在战略选择时提供一定的参考。

（4）深入浅出，可读性更强。无论是对战略管理基本理论的阐释，还是对案例的分析、讲解，第 10 版教材都试图以最简洁易懂的行文风格贴近读者，从而具有更强的可读性。因此，对于广大商学院的学生，尤其是 MBA，EMBA，EDP 学员来说，第 10 版教材是学习战略管理基础知识的必备书籍。对于从事战略管理的商界精英们来说，第 10 版教材可以帮助他们了解战略管理的前沿理论、最新发展以及运用现状，为其进行战略决策提供理论依据和实践借鉴。

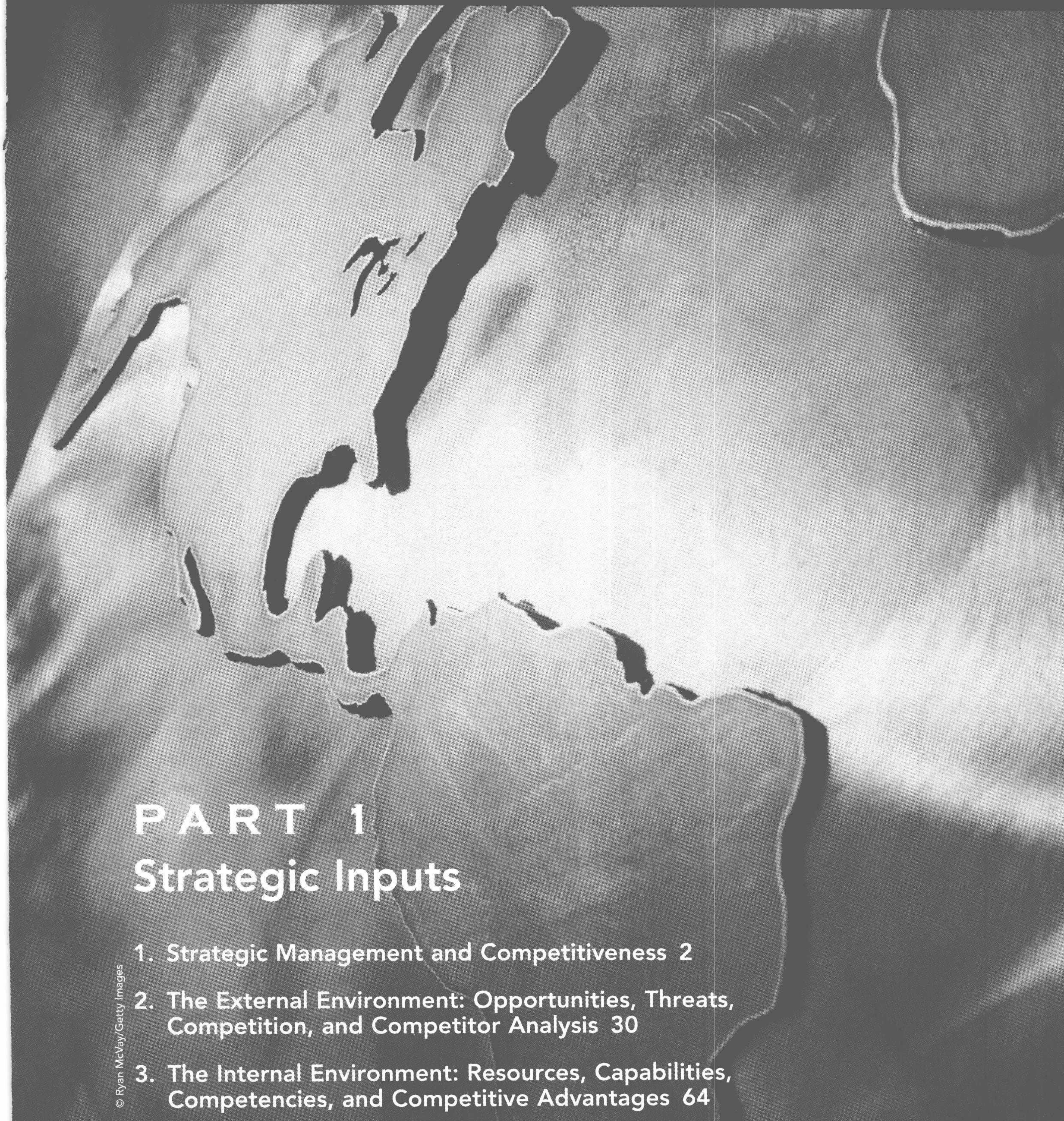
（5）更具代表性的案例。为了便于我国读者理解，此次在我国出版发行的英文版教材对原版案例部分进行了适当的删减，所选择的 6 个案例涵盖的是我国读者较为熟悉的公司，涉及的情境更具典型性，囊括了战略管理理论在实践中运用的主要知识点，对我国企业战略管理的推进具有直接的借鉴意义。

总之，第 10 版教材涵盖了当今世界最前沿的战略管理知识，汇聚了全球最具代表性的公司的典型案例，深入剖析了发达国家和发展中国家的公司在战略管理过程中的经验及教训。因此，第 10 版教材不仅能够增强广大读者的理论知识功底，而且对我国企业参与全球竞争，在复杂多变的环境下正确把握方向，获取竞争优势，也具有极其重要的指导和启示作用。相信读者一定能够学有所获，学有所成！

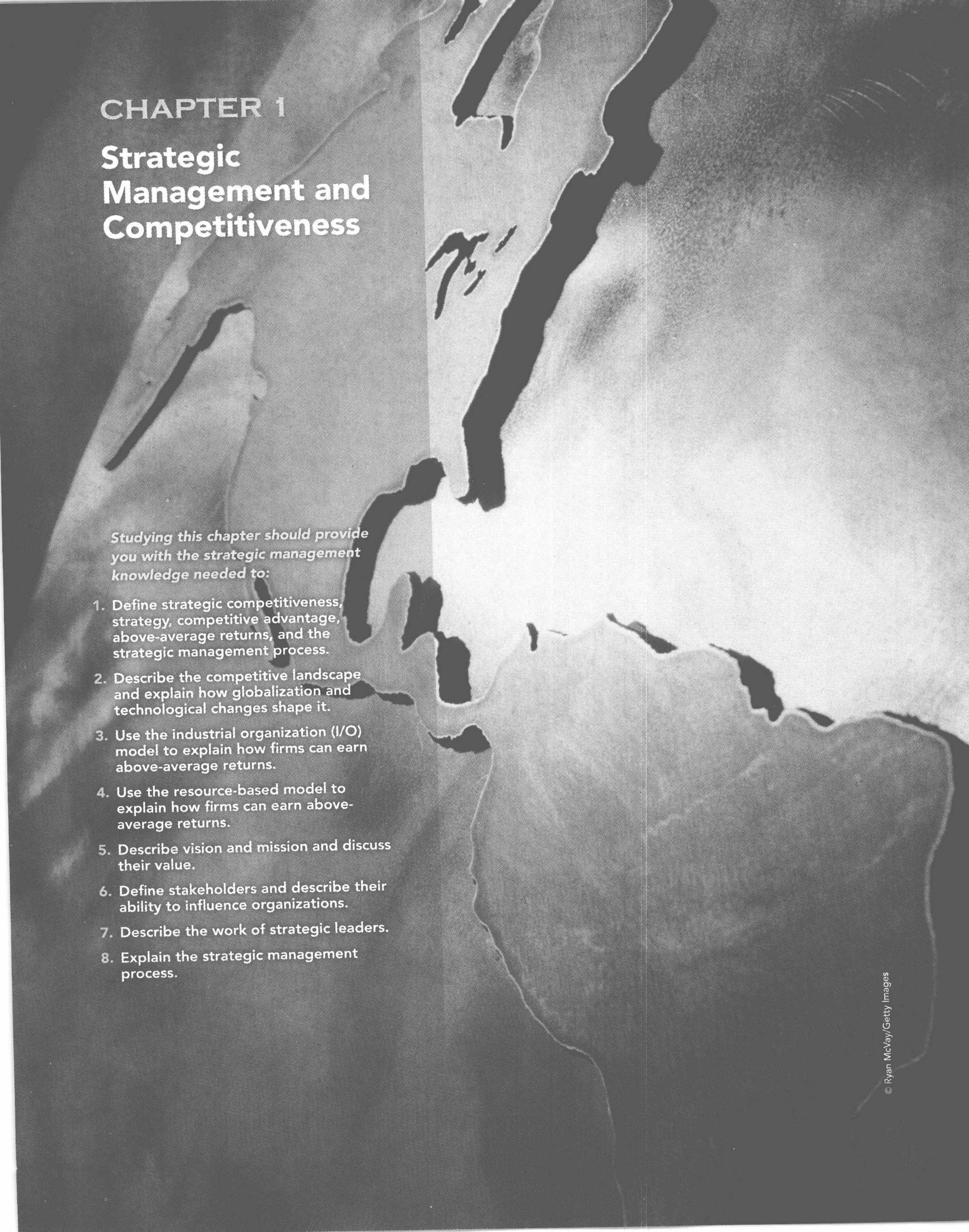
刘　刚

于中国人民大学商学院

简明目录



PART 1
Strategic Inputs



CHAPTER 1

Strategic Management and Competitiveness

Studying this chapter should provide you with the strategic management knowledge needed to:

1. Define strategic competitiveness, strategy, competitive advantage, above-average returns, and the strategic management process.
2. Describe the competitive landscape and explain how globalization and technological changes shape it.
3. Use the industrial organization (I/O) model to explain how firms can earn above-average returns.
4. Use the resource-based model to explain how firms can earn above-average returns.
5. Describe vision and mission and discuss their value.
6. Define stakeholders and describe their ability to influence organizations.
7. Describe the work of strategic leaders.
8. Explain the strategic management process.

ONCE A "GIANT," BORDERS BECAME A "WEAKLING" ON ITS KNEES

Borders changed the way books were sold and became the largest book retailer in the world. At one time, it had more than 1,300 large stores and approximately 35,000 employees. But, in February 2011, Borders declared bankruptcy. When it did so, it had shrunk to 674 stores and about 19,500 employees. Borders experienced hard times and paid for the ineffective strategies employed by its executive leadership teams. At its peak in the 1990s, Borders stock sold for more than $35 per share. On the day it declared bankruptcy, Borders stock sold for 23 cents per share.

What went wrong? Many goods are now sold by large chain store retailers. However, the way people buy and what they buy is beginning to change—especially in retail sales of books. Since 1995 and the founding of Amazon.com, books have been sold over the Internet. But with the rise of digital technology, electronic books and devices to read them have become highly popular. Quite obviously, they do not require large "brick-and-mortar" stores to sell them. Borders simply did not adjust quickly or effectively to these changes in the marketplace. Of course, it had to compete against Barnes & Noble, Walmart, Costco, and other large retailers selling books. It did not adjust quickly to Amazon's appearance in the market. It was much slower than Barnes & Noble, and that company required almost two years to launch Barnesandnoble.com. One of Borders' early mistakes was to develop an agreement with Amazon to handle its Internet sales instead of establishing its own Web presence.

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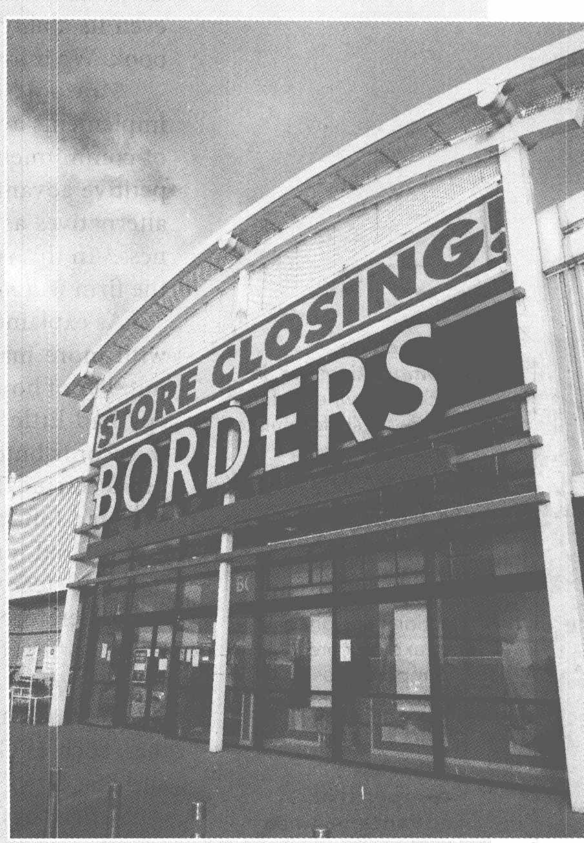
Learn more about Barnes & Noble's web-based retailing.
www.cengagebrain.com

Web-based retailing is growing in popularity, especially for electronic books. With eReaders such as Amazon's Kindle, Barnes & Noble's NOOK, and Apple's highly versatile iPad, the old way of selling books is rapidly becoming a dinosaur. While these changes were occurring in the retail book market, Borders invested heavily to enhance the marketing for traditional book selling. Borders tried to lure customers to its stores with promises of an enriching experience. Borders was also harmed by chaos in its executive ranks, having three regular CEOs and an interim CEO within a period of about two years. As a result of poor strategic decisions and ineffective strategic leadership, Borders suffered net losses of $344 million for 2008 and 2009. It also had compiled a massive debt in a campaign to buy back its stock while trying to keep the price high. All of its actions had the opposite effect.



Joseph Clemson/Alamy

While Border's primary competitor, Barnes and Noble, beefed up its online presence and created the Nook eReader, Borders chose instead to focus on expanding its physical plants, refurbishing its stores and outsourcing its online sales operation to Amazon. This proved to be the wrong strategy.

With the bankruptcy, Borders wants to stay in business if it can reach agreement with its debtors. It plans to close about 200 more stores, and obtain reduced rent by renegotiating its current long leases. But it must do much more and quickly if it is to survive in the new book retail market. At the present time, it is difficult to see how Borders can survive without the capabilities to navigate in this new competitive landscape.

Sources: C. Caldwell, 2011, A fate written in the stores, *Financial Times*, http://www.ft.com, March 4; Borders' publishers, landlords band together in bankruptcy, 2011, *The Wall Street Journal*, http://www.wsj.com, February 25; S. Rosenbaum, 2011, Inside the world of local books—a bright future, *Fast Company*, http://www.fastcompany.com, February 21; Borders bankruptcy: What went wrong? 2011, *The Wall Street Journal*, http://www.wsj.com, February 16; M. Frazier, 2011, The three lessons of the Borders bankruptcy, *Forbes*, http://www.forbes.com, February 16; M. Spector & J. A. Trachtenberg, 2011, Chapter 11 for Borders, new chapter for books, *The Wall Street Journal*, http://www.wsj.com, February 12.

As we see from the Opening Case, Borders was highly unsuccessful because of its inability to compete against other major book retailers, especially in the area of Internet book sales. Therefore, we can conclude that Borders was not competitive (unable to achieve *strategic competitiveness*). It clearly was unable to earn *above-average returns.* In fact, it suffered significant net losses and eventually had to declare bankruptcy because of inadequate cash flow and assets that were valued less that its liabilities. Its competitors, Barnes & Noble and Amazon, were more competitive and adjusted more effectively to changes in the book retail market. For example, both firms had eReaders (the NOOK and Kindle, respectively) to sell along with electronic books. They used the strategic management process (see Figure 1.1) as the foundation for the commitments, decisions, and actions they took to pursue strategic competitiveness and above-average terms. Obviously, Borders did not use this process and it cost the firm in major ways, perhaps even its ability to survive. The strategic management process is fully explained in this book. We introduce you to this process in the next few paragraphs.

Strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy. A **strategy** is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage. When choosing a strategy, firms make choices among competing alternatives as the pathway for deciding how they will pursue strategic competitiveness.[1] In this sense, the chosen strategy indicates what the firm *will do* as well as what the firm *will not do.*

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A **strategy** is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.

A firm has a **competitive advantage** when it implements a strategy that creates superior value for customers and competitors are unable to duplicate or find too costly to try to imitate.

Above-average returns are returns in excess of what an investor expects to earn from other investments with a similar amount of risk.

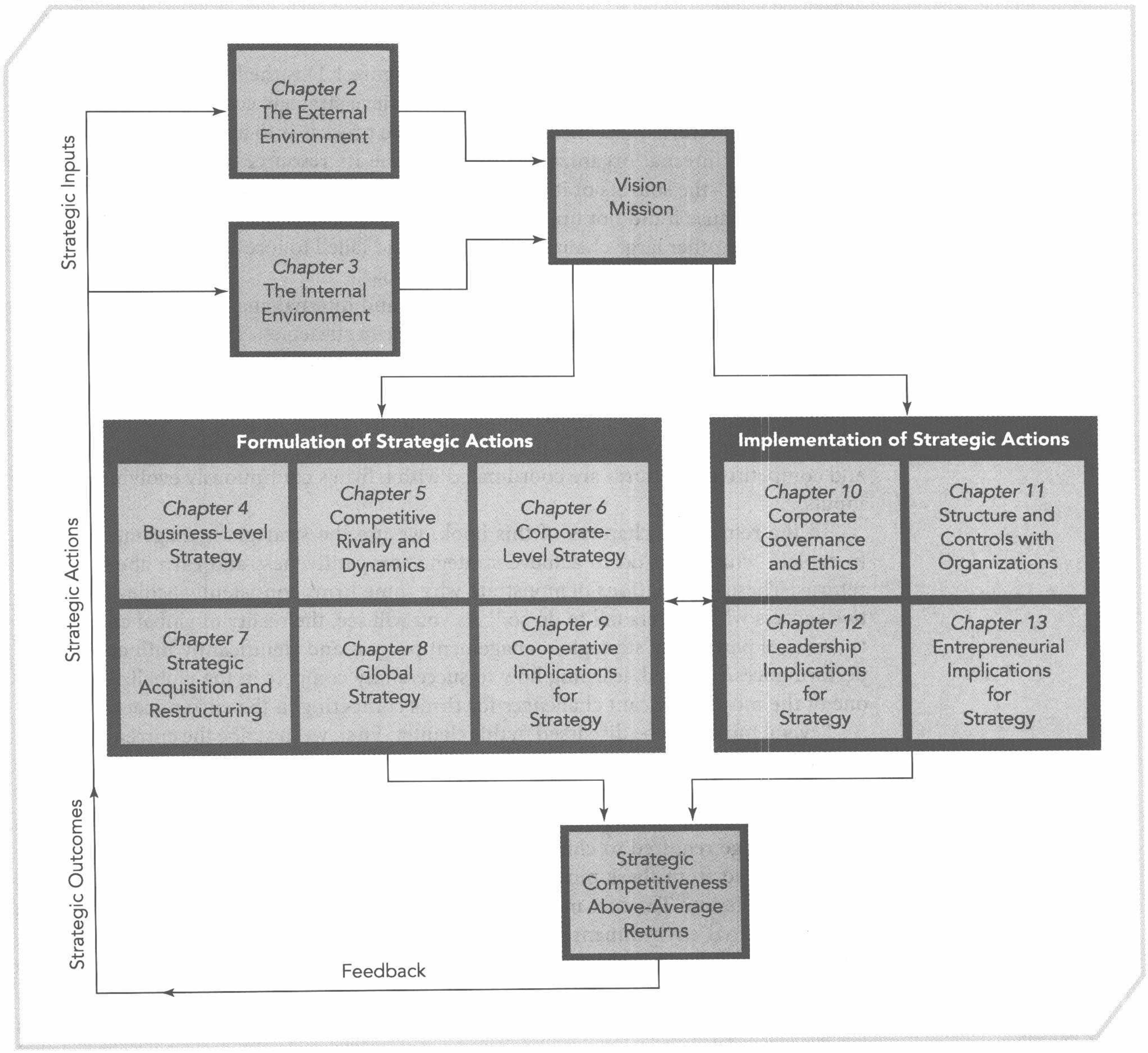
Risk is an investor's uncertainty about the economic gains or losses that will result from a particular investment.

As explained in the Opening Case, Borders tried to enrich its traditional approach with more marketing and making its stores more attractive. However, because the number of books sold through large chain store retailers has been declining, this strategy had little chance for success. A recent study conducted to identify the factors that contribute to the success of top corporate performers showed why Borders was unsuccessful. This study found that the top performers were entrepreneurial, market oriented (effective knowledge of the customers' needs), used valuable competencies, and offered innovative products and services.[2] Borders displayed none of these attributes. It clearly did not understand its market and customers and it was not innovative. Therefore, its lack of success is not surprising. A firm's strategy also demonstrates how it differs from its competitors. Recently, Ford Motor Company devoted efforts to explain to stakeholders how the company differs from its competitors. The main idea is that Ford claims that it is "greener" and more technically advanced than its competitors, such as General Motors and Chrysler Group LLC (an alliance between Chrysler and Fiat SpA).[3]

A firm has a **competitive advantage** when it implements a strategy that creates superior value for customers and that its competitors are unable to duplicate or find too costly to imitate.[4] An organization can be confident that its strategy has resulted in one or more useful competitive advantages only after competitors' efforts to duplicate its strategy have ceased or failed. In addition, firms must understand that no competitive advantage is permanent.[5] The speed with which competitors are able to acquire the skills needed to duplicate the benefits of a firm's value-creating strategy determines how long the competitive advantage will last.[6]

Above-average returns are returns in excess of what an investor expects to earn from other investments with a similar amount of risk. **Risk** is an investor's uncertainty about the economic gains or losses that will result from a particular investment.[7] The most successful companies learn how to effectively manage risk. Effectively managing risks reduces investors' uncertainty about the results of their investment.[8] Returns are often measured in terms of accounting figures, such as return on assets, return on equity, or return on sales. Alternatively, returns can be measured on the basis of stock market returns, such as monthly returns (the end-of-the-period stock price minus the beginning stock price, divided by the beginning stock price, yielding a percentage return). In smaller, new venture firms, returns are sometimes measured in terms of the amount and

Figure 1.1 The Strategic Management Process



speed of growth (e.g., in annual sales) rather than more traditional profitability measures[9] because new ventures require time to earn acceptable returns (in the form of return on assets and so forth) on investors' investments.[10]

Understanding how to exploit a competitive advantage is important for firms seeking to earn above-average returns.[11] Firms without a competitive advantage or that are not competing in an attractive industry earn, at best, average returns. **Average returns** are returns equal to those an investor expects to earn from other investments with a similar amount of risk. In the long run, an inability to earn at least average returns results first in decline and, eventually, failure. Failure occurs because investors withdraw their investments from those firms earning less-than-average returns. This is what happened to Borders when it was unable to earn returns. Indeed, it lost money and because of the investors' lack of confidence in the firm, its stock price fell perilously close to zero.

As we noted above, there are no guarantees of permanent success. This is true for Borders, which enjoyed a considerable amount of success in the 1990s. Even considering

Average returns are returns equal to those an investor expects to earn from other investments with a similar amount of risk.

Apple's excellent current performance, it still must be careful not to become overconfident and continue its quest to be the leader in its markets. (Apple is the topic of a Strategic Focus segment later in this chapter.)

The **strategic management process** (see Figure 1.1) is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns. The firm's first step in the process is to analyze its external environment and internal organization to determine its resources, capabilities, and core competencies—the sources of its "strategic inputs." Obviously, Borders' process failed at this point because it did not understand the market in which it competed. It performed poorly against other large chain-store retailers and failed to foresee the major changes in the market with increasing sales of electronic books.

With the information gained from external and internal analyses, the firm develops its vision and mission and formulates one or more strategies. To implement its strategies, the firm takes actions toward achieving strategic competitiveness and above-average returns. Effective strategic actions that take place in the context of carefully integrated strategy formulation and implementation efforts result in positive outcomes. This dynamic strategic management process must be maintained as ever-changing markets and competitive structures are coordinated with a firm's continuously evolving strategic inputs.[12]

In the remaining chapters of this book, we use the strategic management process to explain what firms do to achieve strategic competitiveness and earn above-average returns. These explanations demonstrate why some firms consistently achieve competitive success while others fail to do so.[13] As you will see, the reality of global competition is a critical part of the strategic management process and significantly influences firms' performances.[14] Indeed, learning how to successfully compete in the globalized world is one of the most significant challenges for firms competing in the current century.[15]

Several topics will be discussed in this chapter. First, we describe the current competitive landscape. This challenging landscape is being created primarily by the emergence of a global economy, globalization resulting from that economy, and rapid technological changes. Next, we examine two models that firms use to gather the information and knowledge required to choose and then effectively implement their strategies. The insights gained from these models also serve as the foundation for forming the firm's vision and mission. The first model (the industrial organization or I/O model) suggests that the external environment is the primary determinant of a firm's strategic actions. Identifying and then competing successfully in an attractive (i.e., profitable) industry or segment of an industry are the keys to competitive success when using this model.[16] The second model (resource-based) suggests that a firm's unique resources and capabilities are the critical link to strategic competitiveness.[17] Thus, the first model is concerned primarily with the firm's external environment while the second model is concerned primarily with the firm's internal organization. After discussing vision and mission, direction-setting statements that influence the choice and use of strategies, we describe the stakeholders that organizations serve. The degree to which stakeholders' needs can be met increases when firms achieve strategic competitiveness and earn above-average returns. Closing the chapter are introductions to strategic leaders and the elements of the strategic management process.

The **strategic management process** is the full set of commitment, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average returns.

The Competitive Landscape

The fundamental nature of competition in many of the world's industries is changing. The reality is that financial capital continues to be scarce and markets are increasingly volatile.[18] Because of this, the pace of change is relentless and ever-increasing. Even determining the boundaries of an industry has become challenging. Consider, for example, how advances in interactive computer networks and telecommunications have blurred the boundaries of the entertainment industry. Today, not only do cable companies and satellite networks compete for entertainment revenue from television, but telecommunication companies are moving into the entertainment business through significant improvements in fiber-optic lines.[19] Partnerships among firms in different segments of the entertainment industry further blur industry boundaries. For example, MSNBC is co-owned by NBC Universal and Microsoft. In turn, General Electric owns 49 percent of NBC Universal while Comcast owns the remaining 51 percent.[20]

Other characteristics of the current competitive landscape are noteworthy. Conventional sources of competitive advantage such as economies of scale and huge advertising budgets are not as effective as they once were in terms of helping firms earn above-average returns. Moreover, the traditional managerial mind-set is unlikely to lead a firm to strategic competitiveness. Managers must adopt a new mind-set that values flexibility, speed, innovation, integration, and the challenges that evolve from constantly changing conditions.[21] The conditions of the competitive landscape result in a perilous business world, one in which the investments that are required to compete on a global scale are enormous and the consequences of failure are severe.[22] Effective use of the strategic management process reduces the likelihood of failure for firms as they encounter the conditions of today's competitive landscape.

Hypercompetition is a term often used to capture the realities of the competitive landscape. Under conditions of hypercompetition, assumptions of market stability are replaced by notions of inherent instability and change.[23] Hypercompetition results from the dynamics of strategic maneuvering among global and innovative combatants.[24] It is a condition of rapidly escalating competition based on price-quality positioning, competition to create new know-how and establish first-mover advantage, and competition to protect or invade established product or geographic markets.[25] In a hypercompetitive market, firms often aggressively challenge their competitors in the hopes of improving their competitive position and ultimately their performance.[26]

Several factors create hypercompetitive environments and influence the nature of the current competitive landscape. The emergence of a global economy and technology, specifically rapid technological change, are the two primary drivers of hypercompetitive environments and the nature of today's competitive landscape.

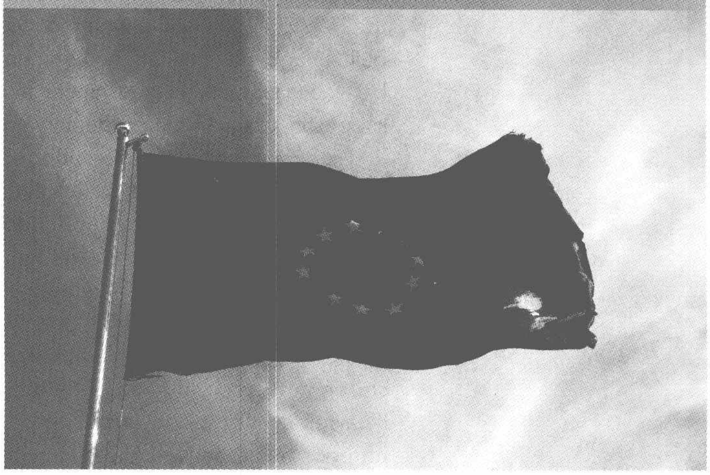
A **global economy** is one in which goods, services, people, skills, and ideas move freely across geographic borders.

The Global Economy

A **global economy** is one in which goods, services, people, skills, and ideas move freely across geographic borders. Relatively unfettered by artificial constraints, such as tariffs, the global economy significantly expands and complicates a firm's competitive environment.[27]

Interesting opportunities and challenges are associated with the emergence of the global economy.[28] For example, the European Union (composed of several countries) has become one of the world's largest markets, with 700 million potential customers. "In the past, China was generally seen as a low-competition market and a low-cost producer. Today, China is an extremely competitive market in which local market-seeking MNCs [multinational corporations] must fiercely compete against other MNCs and against those local companies that are more cost effective and faster in product development. While China has been viewed as a country from which to source low-cost goods, lately, many MNCs, such as P&G (Procter

The European Union is composed of more than 25 member states including Austria, Lithuania, and Ireland. While it began as a purely economic union, it has evolved into an organization that spans many areas from economic development to environmental policy.



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STRATEGIC FOCUS

GLOBALIZATION • GLOBALIZATION • GLOBALIZATION •

HUAWEI ALSO NEEDS GUANXI IN THE UNITED STATES

Building strong relationships is an important dimension of Chinese culture. In fact, "Guanxi" (strong relationships in which each party feels obligated to help the other) is a major element of doing business in China. Over time, U.S. companies operating in Chinese markets have learned this lesson. Huawei has learned that Guanxi is also important for doing business in the United States.

Huawei is the largest manufacturer of phone network equipment in China and second in global markets to Sweden's Ericsson AB. Huawei first invested in the United States in 2001 and has developed a sizable presence in global markets, yet the portion of its total sales revenue from North and South America is negligible. To help build its competitiveness in global markets, it hired John Roese, former Chief Technology Officer at Nortel Networks, to manage its North American R&D activities. It also hired Matt Bross, a former British Telecom executive, to serve as Chief Technology Officer for its U.S. operations. In 2010 it formed Amerilink Telecom Corp, based in Kansas, in an attempt to compete for large U.S. contracts.

AP Photos/Song fan

Huawei Technologies is entering the booming market for Internet-based computing, expanding its reach to Silicon Valley and beyond.

Huawei has become a highly innovative company, filing 1,737 patents in 2008 alone. In fact, Fast Company ranked Huawei as the fifth most innovative company in its 2010 listing. The development of major R&D centers (including one in Silicon Valley in the United States) and the development of innovative products are helping Huawei to gain respect from experts in the telecommunications field. It has become a major supplier of telecommunications products such as routers and fiber systems and also has a significant share of the wireless market with its LTE and WiMAX technologies.

Despite these significant successes, Huawei has experienced problems in the U.S. market and with the U.S. government. For example, it tried to acquire several U.S. businesses in 2010 and 2011 without success. In 2010, it bid for 2Wire, a consumer electronics and software firm, and also tried to acquire the business telecom unit of Motorola, but both were sold to other companies. The companies said that they did not believe that Huawei would gain the approval from the U.S. government to make the purchase. In 2011, Huawei tried to acquire 3Leaf, a U.S.–based company that developed networking technology. Despite the fact the 3Leaf was insolvent, the Committee on Foreign Investment in the United States recommended against the acquisition. Members of the U.S. Congress and government officials had concerns about Huawei. Thus, Huawei has not built Guanxi with the U.S. government. Some of the concerns stem from the original linkages between Huawei and the Chinese military and because of prior charges against the company suggesting that it stole proprietary technology. Thus, Huawei has barriers to overcome.

Huawei continues to seek better footing in U.S. markets. For example, the company has asked the U.S. government to conduct a formal investigation of its business with the intent to clear its reputation. In addition, Huawei had a major 10-year anniversary celebration for its U.S. operations. The celebration was held in Santa Clara, California, at its new large R&D center. In the invitation, Huawei described the firm as a local global company. The invitation also explained that it has deepened its commitment to the United States in its first 10 years of operations there, and is a consumer-oriented, responsible corporate citizen in the communities where it has operations. These are the right words to say, but Huawei must also convince U.S. government officials of its positive value to the country. It needs to proactively build relationships with federal and state government officials.

Some have recommended that it invest in lobbyists to help build and support its relationships as do many large U.S. corporations. Regardless, to achieve the level of success in U.S. markets desired by Huawei, it will need to build Guanxi with U.S. government officials, customers, and suppliers.

Sources: E. Woyke, 2011, Huawei holding 10-year U.S. anniversary event to refine reputation, *Forbes*, www.forbes.com, March 3; A. W. Goldberg & J. P. Galper, 2011, Where Huawei went wrong in America, *The Wall Street Journal*, www.online.wsj.com, March 3; D. Barboza, 2011, China telecom giant, thwarted in U.S. deals, seeks inquiry to clear name, *The New York Times*, www.nytimes.com, February 25; E. Lococo, 2011, Huawei says it's no threat to U.S. security, invites probe, *Bloomberg Businessweek*, www.businessweek.com, February 24; D. Ikenson, 2011, Despite Huawei's experience, America is increasingly open to Chinese investment, *Forbes*, www.forbes.com, February 23; K. Eaton, 2010, U.S. two-faced on China: Happy to spend there, blocks acquisitions here, *Fast Company*, www.fastcompany.com, August 5; S. Saitto & J. McCracken, 2010, Huawei said to have failed in U.S. takeover bid, Bloomberg *Businessweek*, www.businessweek.com, August 31; O. Malik, 2009, Huawei unveils grand ambition in naming Bross CTO, *Businessweek*, www.businessweek.com, September 30.

and Gamble), are actually net exporters of local management talent; they have been dispatching more Chinese abroad than bringing foreign expatriates to China."[29] China has become the second-largest economy in the world, surpassing Japan. India, the world's largest democracy, has an economy that also is growing rapidly and now ranks as the fourth largest in the world.[30] Simultaneously, many firms in these emerging economies are moving into international markets and are now regarded as multinational firms. This fact is explored in the Strategic Focus on Huawei. The discussion shows that barriers to entering foreign markets still exist, however. Essentially, Huawei must build credibility in the U.S. market, and especially build a positive relationship with stakeholders such as the U.S. government.

The statistics detailing the nature of the global economy reflect the realities of a hypercompetitive business environment and challenge individual firms to think seriously about the markets in which they will compete. Consider the case of General Electric (GE). Although headquartered in the United States, GE expects that as much as 60 percent of its revenue growth through 2015 will be generated by competing in rapidly developing economies (e.g., China and India). The decision to count on revenue growth in emerging economies instead of in developed countries such as the United States and European nations seems quite reasonable in the global economy. GE achieved significant growth in 2010 partly because of signing contracts for large infrastructure projects in China and Russia. GE's CEO, Jeffrey Immelt, argues that we have entered a new economic era in which the global economy will be more volatile and that most of the growth will come from emerging economies such as Brazil, China, and India.[31] Therefore, GE is investing significantly in these emerging economies, in order to improve its competitive position in vital geographic sources of revenue and profitability.

The March of Globalization

Globalization is the increasing economic interdependence among countries and their organizations as reflected in the flow of goods and services, financial capital, and knowledge across country borders.[32] Globalization is a product of a large number of firms competing against one another in an increasing number of global economies.

In globalized markets and industries, financial capital might be obtained in one national market and used to buy raw materials in another. Manufacturing equipment bought from a third national market can then be used to produce products that are sold in yet a fourth market. Thus, globalization increases the range of opportunities for companies competing in the current competitive landscape.[33]

Firms engaging in globalization of their operations must make culturally sensitive decisions when using the strategic management process.[34] Additionally, highly globalized firms must anticipate ever-increasing complexity in their operations as goods, services, people, and so forth move freely across geographic borders and throughout different economic markets.