Asia LINK

The newsletter of the Asian Management Institute

Richard Ivey School of Business / Asia
The University of Western Ontario
IVEY

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New Book Series Published

The very first Legal – Business Management Cases series has been completed. Each book was co-edited by Ivey and CUPL (China University of Political Science & Law) faculty members. The most recent books were publishd in November 2013. The Co-chief Editors were Paul Beamish (the Director of Ivey's Asian Management Institute) and Sun Xuanzhong (Dean of the Business School of CUPL). The themes of the four latest published books are: Private Businesses, State Owned Enterprises, Foreign Enterprises and Emerging Industries.

Recent Workshops Completed in China

1. Jinan Dec 12, 2013 at Jinan University.
2. Dalian Dec 9-10, 2013 at Dalian University of Technology.
3. Beijing Dec 6-7, 2013 at Beijing Chiao-Tong University.
4. Guangzhou Nov 5 -6, 2013 at Sun Yat-Sen University.
5. Hong Kong Nov. 12-13, City University
6. Shanghai Oct 23 – 25, Shanghai National Accounting Institute

❖ All but one by Ivey Professor Shih-Fen Chen

New MOU Signed

In January 2013, University of International Business and Ecnomics (UIBE) and the Richard Ivey School of Business Foundation (RISB) signed an agreement on Joint Case Development & Training Collaboration. UIBE faculty and the faculty designated by RISB will jointly develop 5 cases over a 2-year period and all cases will be registered with Ivey Publishing.

Professor Shih-Fen Chen with workshop participants in Beijing (Dec, 2013) and in the classroom of Case Teaching & Writing at Jinan University, Guangzhou (Dec, 2013).

SELECTIVE ASIA – RELATED RESEARCH ARTICLES BY IVEY FACULTY

Choi, C-B., Beamish, P.W., 2013, "Resource Complementarity and International Joint Venture Performance in Korea", *Asia Pacific Journal of Management*, 30(2): 561 - 576.

The resource-based view of joint ventures (JVs) posits that JV performance is driven by JV partners' ability to create synergy by joining complementary resources. We examine the synergy generated from resource complementarity in the context of JVs formed between developed market firms and local Korean firms. Besides the independent effects of both partners' complementary resources on JV performance, we examined whether a joint effect on JV performance existed. We found that both technology-related resources and local knowledge-related resources affect JV performance independently and simultaneously. The impact of local knowledge-related resources on JV performance increased with the level of technology-related resources, and the impact of technology-related resources on JV performance increased with the level of local knowledge-related resources. Technology- and local knowledge-related resources are thus not simply additive; mutually enhancing synergies exist between the two resources. This finding further suggests that the synergistic effect of both partners' complementary resources on JV performance can be substantive.

Choi, S.B., Williams, C., 2013, "Innovation and Firm Performance in Korea and China - A Cross-Context Test of Mainstream Theories", *Technology Analysis* and *Strategic Management*, 25(4): 423 - 444.

We investigate the relationship between innovation and firm performance in two divergent emerging economy contexts: Korea and China. Mainstream innovation theories make disparate claims for how (1) intensity of innovation, (2) scope of innovation, and (3) spillovers impact firm performance. Using a comparative institutionalist approach we hypothesize how these relationships apply to firms in Korea and China. Analysis of 897 firm-year data points over a four-year period provides broad support for our hypotheses. Intensity of innovation (patent intensity) is a strong cross-contextual argument. Scope and spillover arguments appear to be more context-sensitive. Firms with innovation depth in specific technological fields enjoy better performance in Korea, while diversified innovation is more beneficial for firms in China. Spillovers have a stronger impact in Korea than China. The findings underline the importance of incorporating change in institutional context when developing policy and theory relating to firm innovation and performance in emerging economies.

Chung, C.C., Lee, S-H., Beamish, P.W., Southam, C., Nam, D., 2013, "Pitting real options theory against risk diversification theory: International diversification and joint ownership control in economic crisis", *Journal of World Business*, 48(1): 122 - 136.

This study examines how MNE divestment decisions differ according to real options versus risk diversification perspectives. We develop competing hypotheses in relation to international diversification and joint ownership control. Empirical results give consistent support to the real options perspective. We find that large MNEs with greater international diversification are less likely to divest their subsidiaries during times of economic crisis. The negative effect of joint ownership control is however manifested in both crisis-stricken and non-crisis country subsidiaries as well as in their interaction effect.

Dutta, D., Beamish, P.W., 2013, "Expatriate managers, product relatedness and IJV performance: A resource and knowledge-based perspective", *Journal of International Management*, 19(2): 152 - 162.

Drawing from the resource and knowledge-based perspectives, we examine the role expatriates play as a critical managerial resource within the multinational's international joint-venture (IJV). Using a large sample (3772 IJV annual performance years) of Japanese IJVs in the USA from 1991-2001, we find that expatriate deployment shows a curvilinear (inverted-U) relationship with IJV performance. Further, this relationship is positively moderated by product relatedness between the parent and the IJV.

Fang, Y., Wade, M., Delios, A., Beamish, P.W., 2013, "An Exploration of Multinational Enterprise Knowledge Resources and Foreign Subsidiary Performance", *Journal of World Business*, 48(1): 30 - 38.

Successful international expansion requires that parent firms simultaneously transfer multiple MNE knowledge resources and their foreign subsidiaries effectively absorb and utilize the knowledge. In this study, we examine the relationships between multiple knowledge resources (technological and marketing knowledge), the relatedness between parents and foreign subsidiaries, and subsidiary performance. Relatedness is specifically linked to the type of knowledge being transferred from the parent (i.e., technological relatedness versus market relatedness). We hypothesize that subsidiary performance improves with (1) the integration of a parent firm's technological and marketing knowledge resources, (2) high technological (market) relatedness between a parent firm and subsidiaries for transfer of parent technological (market) knowledge and (3) the co-presence of high technological and market relatedness. We find general support in our analysis of pooled cross-sectional data on more than 4,000 observations of foreign subsidiaries from 572 Japanese MNEs across 47 countries. Theoretical implications and future research are discussed.

Su, N., 2013, "Internationalization Strategies of Chinese IT Service Suppliers", *MIS Quarterly*, 37(1): 175 - 200.

With China emerging as a new frontier of global IT outsourcing, many Chinese IT service suppliers are actively expanding in three major markets: Asia, especially Japan, the West, especially the United States, and the Chinese domestic market. Compared to multinational suppliers and established Indian suppliers, Chinese IT service firms are at a relatively early, but rapidly growing stage, which offers a unique opportunity to explore an understudied topic in the information systems literature: internationalization strategies of IT service suppliers from emerging economies. Through a three-part qualitative case study of 13 China-based IT service firms, including almost all of the Chinese suppliers recognized globally, this study elaborates the internationalization behavior and decision rationale of these suppliers. The findings show that these major Chinese suppliers include both firms that incrementally internationalize and firms that are 'born global.' For both types of firms, the entry and growth in different markets is a highly dynamic activity combining a strategically planned, resource-seeking process and a flexible, opportunistic bricolage process based on existing operation capabilities and client relationships. The suppliers dynamically oscillate between these processes to exploit and create opportunities while expanding in multiple markets.

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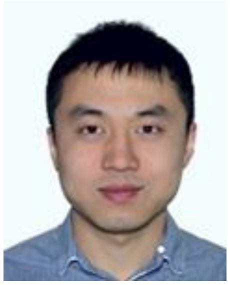
Current PhD Candidates at Ivey from Asia

Moeen Butt (Pakistan)
Marketing

Dwarkaprasad Chakravarty (India)
General Management

Kwiyoung Chung (Korea)
Organizational Behavior



Chongyu Dang (China)
Finance

Ying-Ying Hsieh (Taiwan)

Yanfei (Clara) Hu (China)
General Management

Yongsuhk (Jason) Jung (Korea)
Organizational Behavior

Dongkyu (Brian) Kim (Korea)
Organizational Behavior

Chya-Yi Liaw (Taiwan)
International Business

Diep Nguyen (Vietman)
Finance

Srikanth Ramani (India)
Finance

Asad Shafiq (Pakistan)
Operations

Duckjung Shin (Korea)
Organizational Behavior

Hongmei Sun (China)
Managament Science

Lucas Wang (China)
International Business

Megan Zhang (China)
International Business

AsiaLink is the quarterly newsletter produced by the Asian Management Institute at the Ivey Business School, Western University, Canada.
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A Happy New Year!

FACULTY & STAFF AT IVEY WOULD LIKE TO WISH YOU AND YOUR FAMILIES A HAPPY, HEALTHY AND SAFE NEW YEAR

9B13B021

7-Eleven in Thailand

Sundaravaradhan Venkatesh , Sandhya Bhatia

CP 7-Eleven is a prominent retail chain in Thailand. The analysis of the financial statements for the year 2011 revealed that while the earnings per share increased, the return on equity (ROE) declined. The company had negative working capital. It exerted strong bargaining power over its suppliers and customers and had efficient inventory management. It had been accumulating cash and other liquid assets over the last few years and it expanded in a well-planned manner, with almost 500 new stores every year. However, the company was viewed as having a lot of "fat" on its balance sheet. It was necessary to trim the fat and enhance ROE. The company needed to focus on strategies for future growth.

9B13B022

Fly Ash Brick Project: Feasibility Study Using CVP Analysis

S.K. Mitra , Shubhra Hajela

A budding entrepreneur in India is planning to set up a fly ash brick manufacturing plant near a thermal power plant. Not only does making bricks out of the residue of coal power generation reduce the amount of fly ash waste dumped on the ground, but the government is actively supporting the fly ash brick industry as a way to meet the increasing demands for construction materials that are environmentally sustainable. On the basis of preliminary analysis, the entrepreneur decides to set up a plant that will have the capacity to manufacture four million bricks. Though actual production will depend on market demand, he and his potential partner estimate that 2.4 million bricks can be sold per year at an average Rs 7,000 per 1,000 bricks. He wants to ascertain the feasibility of the project using a cost-volume-profit analysis.

9B13E027

Sinofert Holdings Limited: Urea Distribution Planning

Peter C. Bell , Mehmet A. Begen , Duan Changshan , Fiona Yiu , Jeremy Cheng

Sinofert Holdings Limited, the largest comprehensive fertilizer enterprise in China, is trying to improve the profitability of its urea business. The company has invested a great deal of time and money but still reported losses in 2007 and 2009 and only a small profit in 2008. Sinofert both manufactures urea and purchases it from external suppliers, as well as distributing it to the provinces. Manufacturing costs, transportation costs, market prices, demand forecasts and manufacturing constraints are all known. An optimal distribution plan using linear programming can be compared to the plan derived by Sinofert management. Substantial profitability increases are shown to be possible, although the optimization reveals some issues with contract constraints. If the company is to make its urea business profitable, it needs a fresh look and a change in the way of doing business. The company's chief analytics officer has been asked to look at the urea business and to provide recommendations to increase profitability.

9B13M092

Cervus Equipment Corporation: Harvesting a New Future

Daniel Doiron , Davis Schryer

Cervus Equipment Corporation has grown its business substantially over the past 10 years through regional acquisitions and strong organic growth. The company was founded to manage and consolidate farm equipment dealerships in western Canada but, in partnership with original equipment manufacturers, has branched into the construction equipment and long haul trucking manufacturing industries and has moved into New Zealand and Australia. The board of directors is now looking for the new chief executive officer (CEO) to chart an innovative growth strategy that will see the company triple in size over the next five years. The market fundamentals to support this growth are quite strong and realistic; however, the growth opportunities in the company's traditional Canadian markets are not sufficient and its customers' requirements are being driven to new levels of complexity due to a technology revolution happening within the industry. At the same time, its experience overseas has ultimately provided an opportunity to develop a greater understanding of the differences in international markets and new cultures. The CEO needs to come up with a growth plan that puts Cervus Equipment into non-traditional markets or new industries while addressing the changes happening in the industry.

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