- The three leading perspectives guiding our exploration are industry-based, resource-based, and institution-based views, which collectively form a strategy tripod.

5. Participate in the debate on globalization
   - Some view globalization as a recent phenomenon, while others believe that it has been evolving since the dawn of human history.
   - We suggest that globalization is best viewed as a process similar to the swing of a pendulum.
   - Strategists need to know themselves (including their own biases) and know their opponents.

CRITICAL DISCUSSION QUESTIONS

1. A skeptical classmate says: "Global strategy is relevant for top executives such as CEOs in large companies. I am just a lowly student who will struggle to gain an entry-level job, probably in a small company. Why should I care about it?" How do you convince her that she should care about global strategy?
2. ***ON ETHICS:*** Some argue that globalization benefits citizens of rich countries. Others argue that globalization benefits citizens of poor countries. What are the ethical dilemmas here? What do you think?
3. ***ON ETHICS:*** Critics argue that MNEs, through FDI, allegedly both exploit the poor in poor countries and take jobs away from rich countries. If you were the CEO of an MNE from a developed economy or from an emerging economy, how would you defend your firm?

TOPICS FOR EXPANDED PROJECTS

1. The 2008 global financial crisis and the Great Recession since then have been devastating. However, not all industries and not all firms have suffered. Some may have profited from these events. Why have some industries and some firms profited from the crisis and the recession?
2. As the CEO of an MNE from an emerging economy, use the strategy tripod to analyze what the leading challenges for your firm's internationalization will be.
3. ***ON ETHICS:*** What are some of the darker sides associated with globalization? How can strategists make sure that the benefits of their various actions outweigh their drawbacks?

CLOSING CASE 1.1

Emerging Markets: Microsoft's Evolving China Strategy

Microsoft's first decade in China was disastrous. It established a representative office in 1992 and then set up a wholly owned subsidiary, Microsoft (China), in 1995. The firm quickly realized that it didn't have a market share problem—everybody was using Windows. The problem was how to translate that market share into revenue, since everybody seemingly used pirated versions. Microsoft's solution? Sue violators in Chinese courts. But Microsoft lost such lawsuits regularly. Alarmed, the Chinese government openly promoted the free open-source Linux operating systems. For security reasons, the Chinese government was afraid that Microsoft's software might contain spy-ware for the US government. Internally, Microsoft's executives often disagreed with this confrontational strategy. Its country managers came and went—five in a five-year period. Two of them later wrote books criticizing this strategy. These books revealed that Microsoft's antipiracy policy was excessively heavy-handed. Their authors' efforts to educate their bosses in headquarters in Redmond, Washington (a Seattle suburb), were deeply frustrated.

Fast forward to 2007. President Hu Jintao visited Microsoft and paid Bill Gates a visit at his house as a dinner guest. "You are a friend to the Chinese people, and I am a friend of Microsoft," Hu told Gates. "Every morning I go to my office and use your software." Starting in the mid-2000s, the Chinese government required all government agencies to use legal software and all PC manufacturers to load legal software before selling to consumers. Prior to these requirements, Lenovo, the leading domestic PC maker, had only shipped about 10% of its PCs that way. Many foreign (and some US) PC makers in China sold numerous machines "naked," implicitly inviting their customers to use cheap illegal software. From a disastrous start, Microsoft today is in a sweet spot in China. So, what happened?

In a nutshell, Microsoft radically changed its China strategy in its second decade in the country. In China, it became the "un-Microsoft": pricing at rock bottom instead of insisting on one very high "global price," abandoning the confrontational, litigious approach in defense of its intellectual property rights (IPR), and closely partnering with the government as opposed to fighting it (as it was doing back home when it was sued by the US government).

To be sure, the strategic changes were gradual. In 1998, Gates sent Craig Mundie, who headed the firm's public policy group, to Beijing. Mundie urged for strategic changes. He brought 25 of Microsoft's 100 vice presidents for a week-long "China Immersion Tour." Also in 1998, in part as a gesture of goodwill, Microsoft set up a research center in Beijing, which emerged to become the premier employer for top-notch software talent in China.

Within Microsoft, debates raged. Given the size of the country, changing the China strategy would inevitably lead to changing the global strategy, which was centered on a globally "one-size-fits-all" set of pricing (such as $560 for the Windows and Office toolset as in the United States). The heart of the question was: "Does Microsoft need China?" As late as in 2004, its CFO John Connors argued "No" publicly. Connors was not alone. On the face of it, nobody needed China less than Microsoft, which became a dynamo without significant China sales. However, in the long run, China's support of Linux could pose dangers to Microsoft. This was because a public infrastructure for a software industry built around Linux could generate an alternative ecosystem with more low-cost rivals that break free from dependence on Windows. By the early 2000s, concerned about this competitive threat, Gates increasingly realized that if the Chinese consumer were going to use pirated software, he would rather prefer it to be Microsoft's.

In 2003, Tim Chen, a superstar China manager at Motorola, was hired as Corporate Vice President and CEO of Greater China Region for Microsoft. Led by Chen, Microsoft quit suing people and tolerated piracy. Instead, it worked with the National Development Reform Commission to build a software industry, with the Ministry of Information Industry to jointly fund labs, and with the Ministry of Education to finance computer classrooms in rural areas. Overall, it elevated its R&D presence, trained thousands of professionals, and invested close to $100 million in local firms. In response to Chinese government concerns about the alleged US government spyware embedded in Microsoft's software, in 2003 the firm offered China (and 59 other countries) the fundamental source code for Windows and the right to substitute certain portions with local adaptation—something Microsoft had never done before. Only after such sustained and multidimensional efforts did the Chinese government bless Microsoft's business by requiring that only legal software be used by government offices and be loaded by PC makers. Although Microsoft never disclosed how deep the discount it offered to the Chinese government, a legal package of Windows and Office could be bought for $3 (!). In Chen's own words:

> *With all this work, we start changing the perception that Microsoft is the company coming just to do antipiracy and sue people. We changed the company's image. We're the company that has the long-term vision. If a foreign company's strategy matches with the government's development agenda, the government will support you, even if they don't like you.*

Microsoft now has its own five-year plan to match the Chinese government's. But not all is rosy when working closely with the Chinese government. Problems have erupted on two fronts. First, Microsoft continues to be frustrated by the lack of sufficient progress on IPR. While not disclosing country-specific sales numbers, CEO Steve Balmer complained in an interview in 2010 that thanks to IPR problems, "China is a less interesting market to us than India ... than Indonesia." Second, Microsoft has been criticized by free speech and human rights activists for its "cozy" relationship with the Chinese government. While largely unscrutinized by the media, the Chinese version of Microsoft MSN has long filtered certain words such as "democracy" and "freedom." In 2010 Google butted heads with the Chinese government and openly called for Microsoft (and other high-tech firms) to join its efforts. Microsoft refused. Instead, Microsoft took advantage of Google's trouble. It set up an alliance with Google's number one rival in China, Baidu, to provide English-language search results for Baidu from its Bing search engine. Such search results, of course, would be subject to political censorship. In 2011, anyone in China searching "jasmine," in either Chinese (on Baidu) or English (on Baidu and routed through Bing), would find this term to be unsearchable—thanks to the Jasmine Revolution (otherwise known as the Arab Spring).

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Questions

1. From an industry-based view, why does Microsoft feel threatened by Linux in China and globally?
2. From a resource-based view, what valuable and unique resources and capabilities does Microsoft have in the eyes of the Chinese users and the government?
3. From an institution-based view, what are the major lessons from Microsoft's strategic changes?
4. From a "strategy as theory" perspective, why is it hard to change strategy? How are strategic changes made?
5. ***ON ETHICS:*** As a Microsoft spokesperson, how do you respond to free speech and human rights critics?

CLOSING CASE 1.2

Emerging Markets: Samsung's Global Strategy Group

Founded in 1938, Samsung Group is South Korea's leading conglomerate. It has 420,000 employees in 510 units in 80 countries, with US$327 billion in annual revenues in 2014. The flagship company within Samsung Group is Samsung Electronics Corporation (SEC). With US$226 billion revenues in 2014, SEC is the largest electronics firm in the world. In addition to SEC, other major Samsung Group companies include Samsung Life Insurance (the 13th-largest life insurer in the world), Samsung C&T Corporation (one of the world's largest developers of skyscrapers and solar/wind power plants), and Samsung Heavy Industries (the world's largest shipbuilder). Samsung's performance has been impressive. Despite the Great Recession of 2008–2009, SEC's profits have been higher than those of its five largest Japanese rivals: Sony, Panasonic, Toshiba, Hitachi, and Sharp combined.