# Book Reviews

Shih, Stan, **Growing Global: A Corporate Vision Masterclass**, Singapore: John Wiley & Sons, 2002, $ 29.95.

Stan Shih is an important figure in contemporary entrepreneurship and international business. The company he co-founded in 1976 with $25,000 is now the globally renowned Acer group with revenues of $9.4 billion in 2000 and 35,000 employees. Acer is arguably Taiwan's best known multinational corporation and a possible model for budding Indian multinationals. This book offers the reader some insights into the philosophy and strategy that enabled the rapid growth of Acer in the last 25 years. It covers a wide range of issues but the most interesting and insightful parts of the book are about how to build a global brand from outside the major markets of the United States, Europe, and Japan.

Shih argues that given the size of the local market, companies in a country like Taiwan have no option but to look to large external markets if they wish to grow fast. However, performing well in large foreign markets is far from easy – Acer's experience of selling PCs in the US market taught Shih that expanding market share does not necessarily result in increase in profits. To the contrary, the more PCs Acer sold in the US the more it lost. Acer ultimately withdrew from the US PC market, realizing that it did not have anything unique to offer that market and that it lacked a strong enough brand to pull in the customers as well as the supply chain, delivery and service capability required. Shih's learning from this experience is that small companies entering the global market should target niche markets where there is greater scope for differentiation and less direct rivalry. He advocates a "peripheral" approach focusing on products and markets (geography/location) where such differentiation-led entry is possible. He believes that a company pursuing this strategy must have enough wins in different niches because success in a single niche does not carry the prestige and significance of success in a major market. Shih advocates using internal startups to establish new niches as this can overcome the problem of conflicting managerial requirements of different businesses.

For the future, Shih sees China as a large market that can provide the growth and volumes that Acer requires. With cultural similarities and proximity working in their favour, he believes that companies like Acer will have a natural advantage over US, European, or Japanese multinationals in the Chinese market. Shih emphasizes the benefits of proximity – understanding customers and their needs better, scope for experimentation, and getting quick feedback. Companies like Acer have positioned themselves to make the best of the Chinese market – according to Shih, Taiwan's information technology industry has already completely integrated into mainland China.

Shih stresses the distinction between OEM (original equipment manufacturing) and ODM (original design manufacturing) as a strategy for Taiwanese manufacturing firms in the global market. Manufacturing on an OEM basis to someone else's design prevents the integration of design and manufacturing and thereby limits the extent to which costs can be controlled. However, by integrating design and manufacturing through ODM, Taiwanese companies have been able to continue to be cost leaders, albeit with declining margins. The next important transition is to own brand manufacturing (OBM). Moving from OEM to OBM involves changing from simple to complex management, from large scale to small, from short time frames to long, from few customers to many. Both the timing and sequence are critical. It is easier to establish a brand when a new industry arises. According to Shih, while, if a company establishes its own brand and is still willing to do OEM, other companies will work with it, it might not work the other way around.

Shih believes that the key to building a brand is service. In fact, he goes so far as to say that finding a product that does not require service may be the decisive factor in determining whether a company can establish an international brand. Shih also advocates care in pricing – while a price war is the surest way of ruining a brand, high prices based on an overestimation of a brand's value can cost a company precious sales and profits. Acer learnt the latter the hard way in China and had to change its strategy to "international brand, local pricing." In this context, Shih sees the principal advantage of a brand as the ability to lower costs thanks to a better bargaining position with suppliers, and need for less advertising, while maintaining a reasonable level of value.

Companies in small and developing markets face the problem of finding employees with an international outlook and experience. Acer's experience has been that the only effective way of training in internationalization is actually assigning people to overseas posts. But (like Indians!) Taiwanese are often willing to be posted in advanced markets, not elsewhere. It is difficult to hire foreigners and, even if one is successful, it is difficult to communicate and establish trust with them. In Shih's view, for Asian companies establishing foreign operations, capital is not the main problem. The biggest problem is effective management, particularly in local markets. This can sometimes be overcome through acquisition: for example, through the purchase of Texas Instruments' notebook division in Italy, Acer inherited a strong sales team.

Like many other leaders of successful companies, Shih emphasizes the importance of people and organizational culture in the growth of the Acer group. A belief in the ability of human beings to perform to their potential if given the right conditions underlies his people philosophy. Organizationally, Acer has moved from what Shih calls a "client-server" organization to an "internet" organization so that it can be more adaptable to the fast-changing environment. In the internet organization, different parts of the organization communicate and work with each other without passing through hierarchies. Their interaction is governed only by company-mandated protocols on themes such as brand usage, corporate culture, information system architectures, and business ethics. This adaptability helps the organization to be both diverse and focused at the same time which, according to Shih, is essential for knowledge-based industries. Shih believes in decentralization and small size for innovation and growth – he hopes to have 21 listed companies by the twenty-first century. He believes that being made of many ferociously competitive smaller companies gives Acer the competitive edge over Japanese and Korean multinationals.

Shih suggests that innovation must be based on already having assimilated considerable experience; only then should efforts be made to search for the breakthrough or seek a new approach. He stresses that innovation must be built on a base of discipline, which gives it more value. Innovation need not be only in technology; management innovation is definitely a way to create value. Some of Acer's management innovations have been its internal system for nurturing startups, its distributed management systems (client-server, followed by internet organization), and creative ways of raising finance.

In a fast changing market like the PC market, Shih observes that neither the Japanese nor the American strategies are particularly successful, but they certainly make life difficult for a new entrant. The fast pace of change means that the typical Japanese approach of squeezing out rivals does not work. American companies stick to their sales plan even if business conditions change and their inertia can make staying on in the market very resource-intensive for smaller competitors. For mass-market commodities such as the PC, Shih advocates a four-point agenda: end-to-end globalized logistical workflow; effective information system infrastructure; total brand management; and services (not products) for customers.

The book is strewn with a number of Shihisms on managing an organization such as:

- Speed sometimes is more important than dogmatically sticking to quality.
- There is an iron rule in running a business: the most effective approaches are the ones that can be repeatedly used.

  The technological competitiveness needed to maintain a company's business has to be in its own hands.

  The notion that the bigger a company the slower its growth is not necessarily correct. The key is whether you are doing the right thing and, if you are, growth is not limited.

  The ultimate objective of globalization is to effectively exploit worldwide industry disintegration and international resources to enhance business competitiveness.

Much of Shih's learning comes from his experience in the hyper-competitive computer industry. The product strategy-specific ideas may not be directly relevant to Indian companies as very few are in similar hardware businesses. But his general advice on internationalization, brand-building, innovation, and organizational culture is highly relevant to any Indian organization that has global aspirations. His ideas resonate well with several Indian success stories: decentralization has been an important feature of the HCL group; a belief in people and managerial innovation are cornerstones of the success of Infosys; and Wipro chief Azim Premji has been a strong advocate of discipline before innovation. However, it would have helped the reader if Shih had used more Acer-specific examples and short case studies to buttress his arguments. The book is

also surprisingly devoid of mention of other people with only a couple of other individuals mentioned specifically, and that that too towards the end of the book. This robs the reader of a feel for the flesh and blood of Acer. That is a pity, for this is otherwise a highly readable and thought-provoking book.

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Read, Cedric; Ross, Jacky; Dunleavy, John; Schulman, Donniel and Bramante, James, **eCFO: Sustaining Value in the New Corporation**, England, Chickester: John Wiley & Sons, 2001, pp 372, $ 33.95.

Since the emergence of the Internet, various business functions have undergone silent but rapid changes. Finance was earlier predominantly associated with managing physical assets, managing working capital, and accounting activities. It is now expected that most of these tasks would be conducted seamlessly via the Internet. This would allow the chief financial officer (CFO) to concentrate on more critical issues like managing intangible assets, conducting financial analysis using decision support systems, building newer type of assets, and adopting diagrammatically different business models, valuation techniques, systems, and tools.

In this changing environment, organizations are adopting new methods and improving their processes knowingly or unknowingly. But most of the business community is yet to fully understand the impact of these dynamic changes. As a result, they are not sure of the best practices that they should follow to come out as leaders in the coming times. The book under review could help senior level managers involved in financial activities to understand the changes in the environment, learn some of the best practices in current use, and comprehend financial management strategies.

There is no doubt that the Internet would fundamentally change business and most of these changes would be beneficial in the long run. But, there is lack of understanding of these changes and confusion regarding the future shape of business processes. This creates doubts in the minds of managers. The debacle of B2C is one such development, which has made managers wary of initial enthusiasm related to the possibilities of Internet-related business activities. Today, it appears that B2B would emerge as the champion among its peers. But, is the finance department capable of keeping pace with technological developments? Past records have shown that the procurement and supply functions have outperformed the finance function in integrating with the Internet.

Initial upheavals in technology shares and the debacle of a large number of e-commerce models have forced firms to rethink their business models. Increased customer relationship, individual empowerment, increased specialization, and new trading methods are acting as drivers of change in the networked enterprise. In this changed environment, CFOs are focusing on shareholder value, analysing customer value, identifying new pricing structures, and optimizing infrastructure among physical and intangible assets. Moreover, they are required to work as internal venture capitalists.

Traditionally, valuation techniques, though important, fail to present a full picture. The book introduces "e-business scorecard," designed around an emerging set of key performance indicators, as a useful technique for measuring value of firms in the Internet-enabled economy. Measuring and managing intangible assets like brand equity, R&D, human capital, and online intellectual assets are gaining importance since they increasingly drive shareholder value. Here accurate accounting figures are not as important as a comprehensive view of assets so that they are aligned to business strategy and promote maximization of shareholder value.

According to the authors, in the new economy, the funds allocation function of CFOs will be replaced by attraction of resources, which they call 'allo-traction.' Through Internet connectivity it is possible to externalize the value chain by outsourcing. In this disintegrated business model, services are available outside the firm and it is up to the organization to attract and link these resources. On similar lines, well-established functions like budgeting are questioned on account of their inflexibility and out-of-date data. We have already seen a transition towards activity-based budgets. But the authors profess that, in future, budgets would give way to key performance indicators (KPI) and rolling forecasts. KPI shifts focus from the head office to business units that implement and monitor KPI while CFOs take care of constructing measurements, implementing systems, and facilitating the whole process along with managing risks and returns associated with such system changes. It is imperative that the CFO should constitute a part of the