

New IT Business Models in the “Asian Age” - Multilateral Collaboration and Business Innovation –

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National Innovation Initiative Final Report: Innovate America(December 2004) - Vision Statement -

- *Innovation fosters the new ideas, technologies, and processes that lead to better jobs, higher wages and a higher standard of living.*
- *The United States stands apart from the rest of the world in its record of sustained innovation over decades, across industries, and through economic cycles.*
- *But the United States now finds itself at a potential inflection point facing new realities that pose significant challenges to our global innovation leadership.*
- *How the United States responds to these realities is critically important and is the goal of the National Innovation Initiative.*

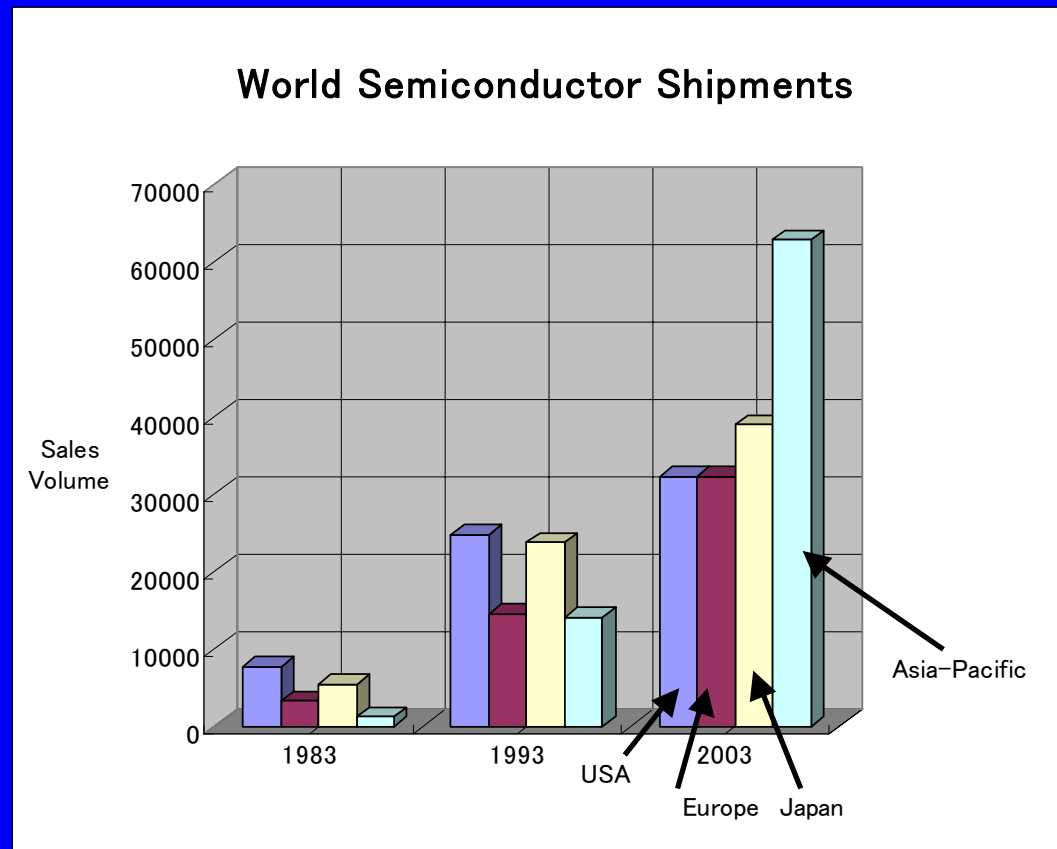
Major Challenges

- Two Unprecedented Shifts –

- Nature of global competition
 - *The world is becoming dramatically more interconnected and competitive. At the same time that economic interdependencies are growing, America is in the unfamiliar position of the world's sole superpower.*
- Nature of innovation itself
 - *Where, how and why innovation occurs are in flux.....the playing field is leveling, and the barriers to innovations are falling.*

Electronics Industry and the “Asian Age”

Market Shift to Asia-Pacific

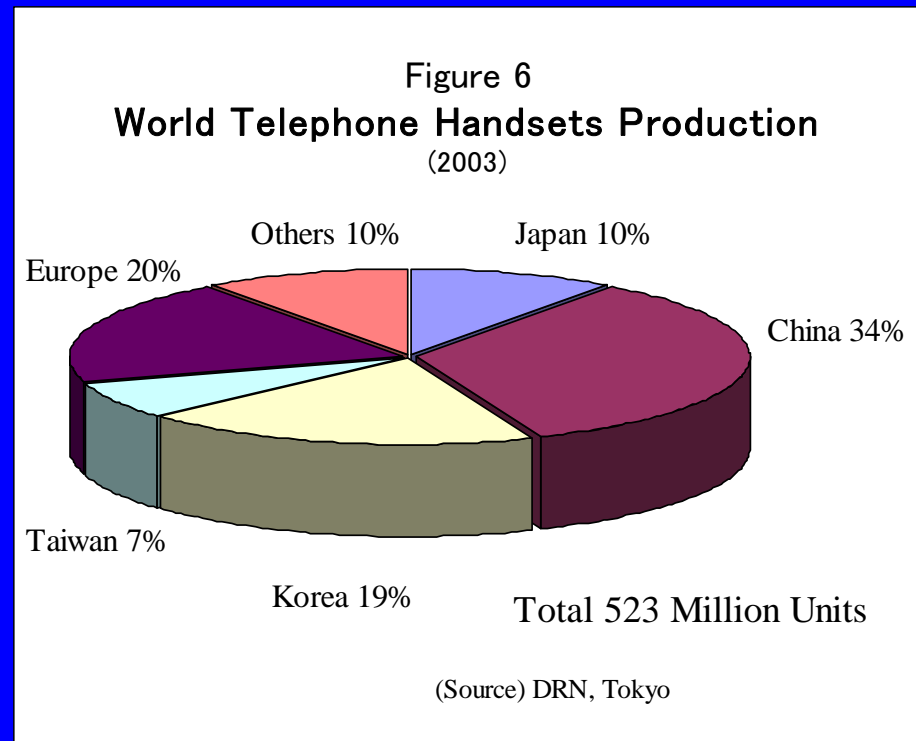


World PC Industry

- PC Market in 2004
 - Worldwide 189 M sets, U.S. 60 M sets, China 15 M sets, Japan 12 M sets
- 30% of world production in China
- 70% of world note PC produced by Taiwanese companies

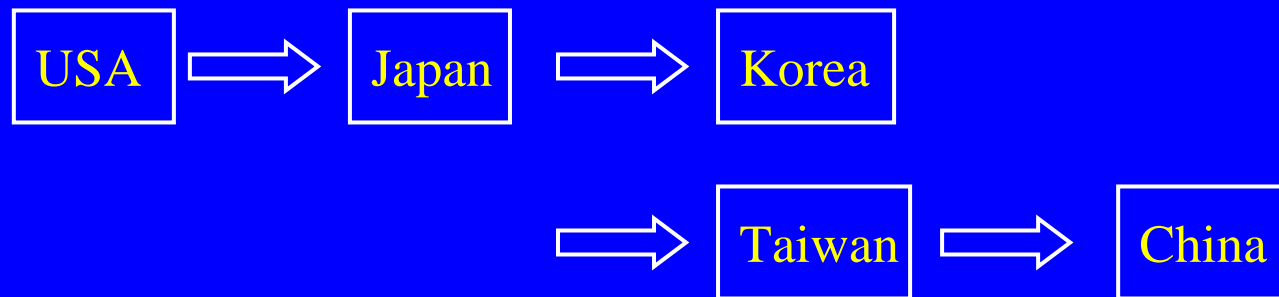
Mobile Phone Production in Asia

- Asian production is over 70% of the world
- 50% of Asian production is in China
- 60% of China production is for exports, while 40% goes to domestic market
- China local producers heavily depend on OEM supply



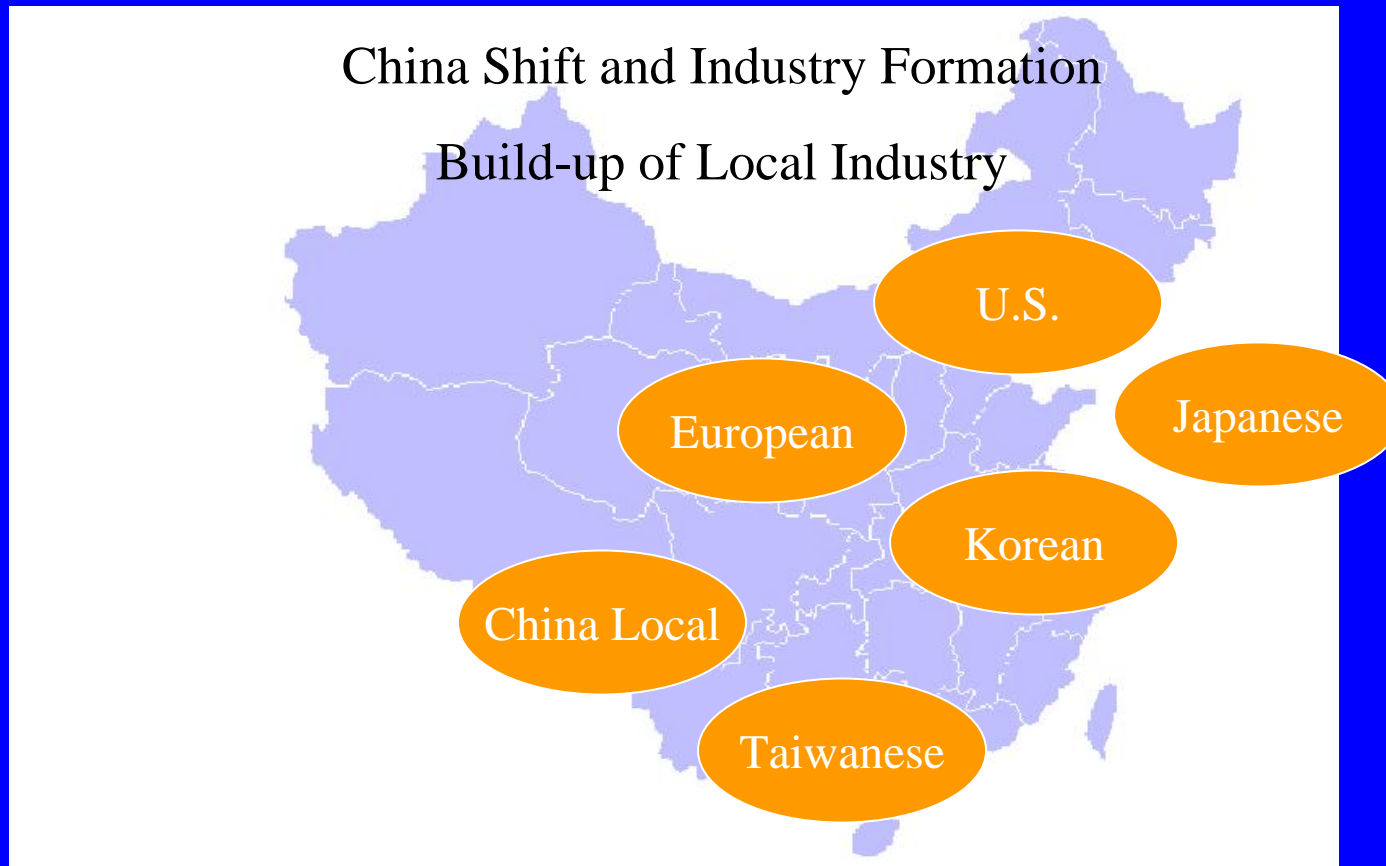
Historical Development of China's Electronics Industry(1)

- Products originating from U.S.A. or Europe
- (e.g.) USA: Televisions, PC's, Semiconductor & IC's
Europe: GSM Mobile Phones



- Different business models have been built up during the process of technology and production site transfer

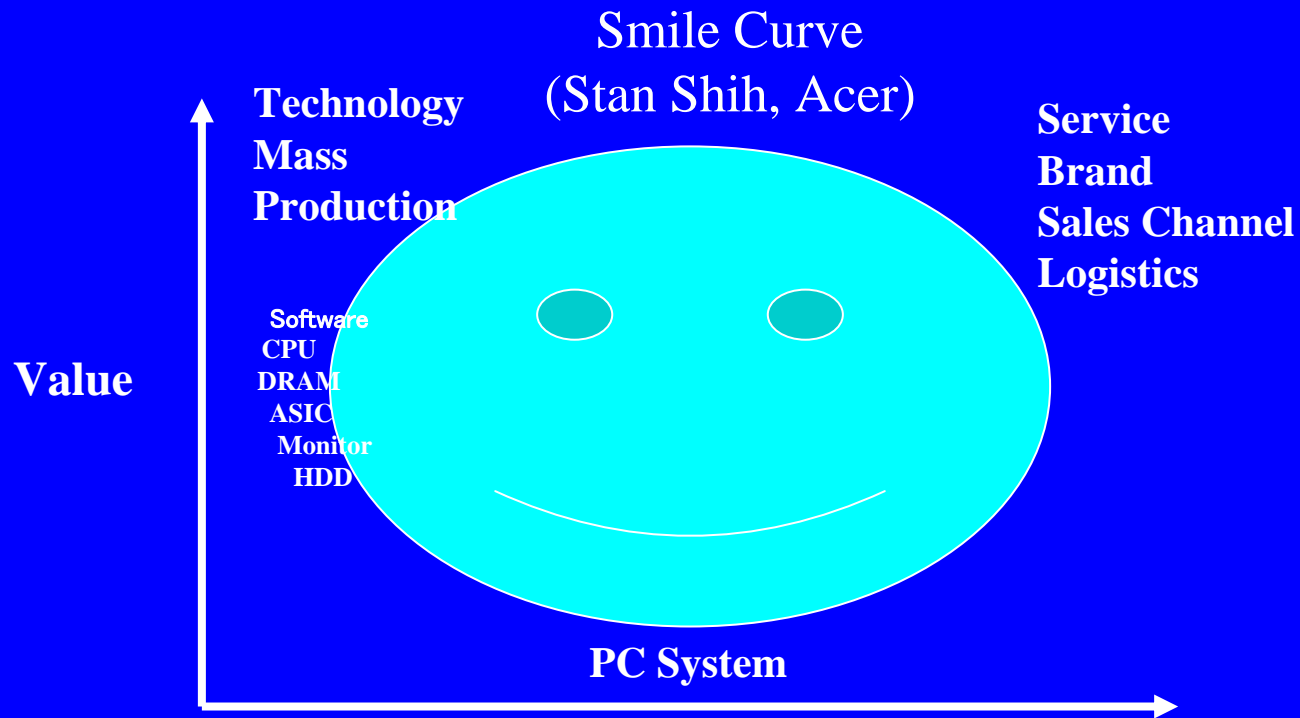
Historical Development of China's Electronics Industry(2)



Business Models in Asia

PCs and Mobile Phones

PC Business Models in Greater China Region



Mao, Gong, Ji
Model

(Liu Chuanzhi,
Lenovo)

Ji(Technology)

← Gong(Manufacturing

← Mao(Sales)

)
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Lenovo Group

柳傳志 Liu Chuanzhi

60 years old



楊元慶 Yang Yuanqing

40 years old



Lenovo Acquires IBM PC Business

- 24 years after IBM entered PC -

- Lenovo 81%, IBM 19%
- Maintain IBM brand
- Yang Yuanqing moves to U.S.A.
- JV operations will start this year

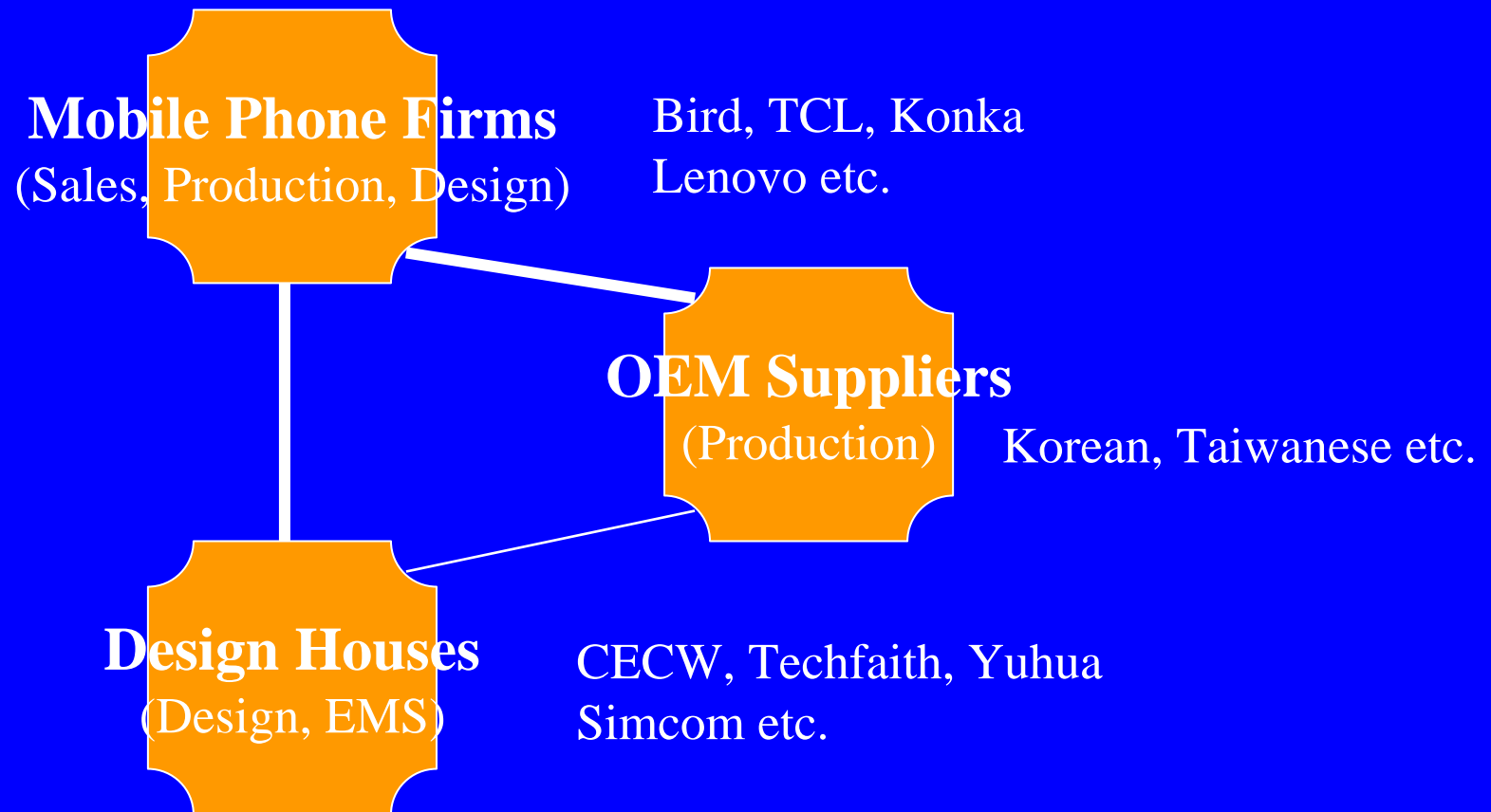


PC Industry in the “Asian Age”

- Enormous R&D, Manufacturing shift to Asia
- A higher degree of industrial accumulation
- Impact of Asian markets
- Business communications and collaboration in Asian region are crucial

Mobile Phones Business in China

Value of Design Houses in China business models



Chinese Design Houses

- Global business in R & D solutions
- CEC Wireless, Beijing
Established in 1999
 - Acquired Philips R & D in Le Mans in 2001
 - Cellon International -
Headquarters in Silicon Valley
- SIM Technology Group Ltd.
 - Simcom(Shanghai) established in 2002
 - Partnership with Analog Devices(US) and TTP communications(UK)

- Business Week (Mar. 21, 2005)
Cover Story “Outsourcing Innovation” touches on Cellon

First came manufacturing. Now companies are farming out R& D to cut costs and get new products to market faster. Are they going too far?



Apple Computer Develops In-house

Designed by Apple in California Assembled in China



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Multilateral Collaboration and Business Innovation

Greater China Region and Japan

— Business Models —

Strength in upper column, Weakness in lower column

Japan	R&D, Manufacturing(High tech) Japanese people orientation
Taiwan	OEM/ODM business, Management in China R&D, Brand business
Hong Kong	General trading, Marketing & service R&D
China	Manufacturing(Low tech), Sales in domestic markets R&D, Overall management, Human resources

Cases of Japan's China Shifts

- Joint Venture with Taiwanese firms
 - 249 cases(*Mizuho Report*)
 - Taiwanese management capability, Use of Taiwanese industry in China
- Use of Hong Kong firms in “Consignment Processing” trades
 - Consignment processing in SME's
 - Joint venture operations with Hong Kong firms

Complementarity and Symbiosis(1)

- Japanese and Taiwanese firms
 - Taiwanese to use Japanese technology
 - Japanese to use Taiwanese management capability in China
- Japanese and Chinese firms
 - Chinese to use Japanese technology
 - Japanese to use Chinese manufacturing and sales capability in China

Complementarity and Symbiosis(2)

- Making use of “unutilized” technologies in Japan
 - “Sleeping technologies” in large firms
 - Technology capability in SME’s

Asia Orientation and Human Resources

- Japanese business models
 - Historically advanced markets oriented
 - Weak in “Volume Zone” markets in Asia
- Collaborations to generate business innovation
- “Asian talents” facilitate “Asia oriented business”
 - To make better use of human resources in Asia

Multilateral Business Collaborations

— Activity Review —

- International forums
 - UNESCAP ”Asia – Pacific Business Forum”(April 2004, Shanghai)
 - “Building Multilateral Business Partnership”(October 2004, Suzhou)
- Workshops
 - Workshop for the study of Japan – China business partnerships
- Initiation of NPO activity
 - “Organization for studies of Asian IT business” (To be launched in autumn 2005)

Multilateral Business Collaboration

— Summary —

- Business model enhancement in Asia
- Business strategy based on Asian markets
- Business innovation originating from Asia
- Global business collaboration and innovation