

DBA Thesis Evaluation
Cultural Coloring
Exploring How National Origin Affects the International Portability of Business Models
by Timothy James Clark
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Graduate School of International Corporate Strategy
Hitotsubashi University
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DBA Thesis Report

Rapid advances in the internet and communications technology; ever expanding high-speed transportation networks; the opening of heretofore closed economies to international flows of capital, labor, and trade; the adoption of common technology standards; and the globalization of popular lifestyle and cultural trends has made international expansion a feasible growth strategy even for service companies with relatively limited resources. But failures of international expansion efforts by companies both large and small are rampant. There are many reasons for these failures. This DBA thesis focuses on the role of the underlying business model in determining the success or failure of expansion into foreign markets. This thesis proposes an analytical framework that combines strategic, cultural, administrative and economic perspectives to examine the international “portability” of business models, viz., how well they are likely to transfer to overseas markets. The goal of this thesis is to suggest a potentially useful method for analyzing, *a priori*, a particular business model's international portability and to provide teaching cases that give students practical experience in applying the analytical framework presented.

The premise of this thesis is that a business model – defined as the strategic and economic logic by which a firm profitably acquires and serves its customers – is imbued (“imprinted” to use the vocabulary of the author) by the distinctive environment in which it was developed (hereafter referred to as “cultural imprinting”). In other words, the assumptions (such as, for example, assumptions about the purchasing behavior of certain target market segments) and attributes (such as, for example, the value proposition itself) of a business model are influenced by cultural, administrative and economic factors (hereafter referred to as existing in the country of origin. To the extent such assumptions and attributes are critical to the success of a particular business model, the degree that such assumptions and attributes do not apply or are not effective in the foreign market may determine the success or failure of entry into such foreign market. The thesis is that such imprinting can be *a priori* identified and, if properly analyzed, assist in (1) determining whether international market entry is warranted and (2) revising the business model to improve the probability of success (or conversely, reduce the risk of failure) of an international market entry.

Theoretical Contributions. This thesis extends the analysis of business models by providing a tool to help practitioners and students to specifically consider the cultural imprinting of specific elements of a business model in the context of a proposed expansion to a foreign market.

First, it posits that, analogous to Hofstede's three levels of human mental programming, business models are also influenced by culture and can also be characterized by levels – in this case

two. The base level represents the cultural imprinting of the business model referred to above. The top level represents the specific strategic logic embodied in the business model. Specifically, the top level comprises the nine elements of a business model as developed by Alexander Osterwalder and Yves Pigneur. These nine elements are: Key Partners, Key Activities, Key Resources, Value Proposition, Customer Relationships, Distribution Channels, Customer Segments, Cost Structure and Revenue Streams.

Second, it presents the CAGE (Cultural, Administrative, Geographic, and Economic) factors developed by Pankaj Ghemawat, representing different types of “distances” between countries.

Third, it provides a matrix (referred to as an “Imprinting Canvas”) combining the nine business model elements (on the vertical axis) with the CAGE distance factors (on the horizontal axis) to help the practitioner or student identify those assumptions and attributes of the business model that may pose hurdles to expanding the business model to another country.

Fourth, it presents the case studies of four companies with discreet business models which have attempted either successfully or unsuccessfully to enter foreign markets to which the analytical framework just described are applied.

Research Methods. In terms of methodology, this study relies on a review of the relevant literature on business models and cultural influences on business and in-depth case studies of four companies (two U.S. and two Japanese) and their respective attempts both successful and unsuccessful to expand their respective business models to other countries. The case studies draw on structured and in-depth interviews with current and former senior- and mid-level managers at the subject companies.

Evaluation. The thesis review committee, consisting of Michael Korver, Patricia Robinson, and Yoshinori Fujikawa evaluated the thesis. The committee concluded that the thesis presented a practical and useful framework to assist in determining, *a priori*, the international portability of business models. The thesis operationalizes the theory of business models and cultural attributes of business to be useful for the business practitioner in assessing the feasibility of international expansion strategy. The Imprinting Canvas is a practical tool that can be effectively used in this context. Furthermore, the thesis contains an essay titled “Is Culture Coloring Your Business Model” written for publication in a business journal intended for business practitioners (such as the Harvard Business Review) that presents in an abbreviated but thorough fashion the key elements of the thesis as well as the case studies. Finally, the four case studies and teaching notes prepared for this thesis (in addition to the Imprinting Canvas and business journal article) can serve as the basis for an MBA-level course in international business strategy. As such, the value of this thesis extends beyond a mere review and summary or synthesis of the relevant literature or the exposition of unrelated experiences of different companies. It presents a practical tool that can be applied to any number of cases of international expansion. Its use could have prevented a number of ill-conceived attempts to expand business models to other countries. The committee hopes that the wide distribution of the article and the case studies and accompanying teaching notes to both practitioners and business students worldwide will help improve the analytical acumen of international business strategist and assist in reducing the failure rate of international expansion efforts.

Michael Korver
Professor

Patricia Robinson
Associate Professor

Yoshinori Fujikawa
Associate Professor