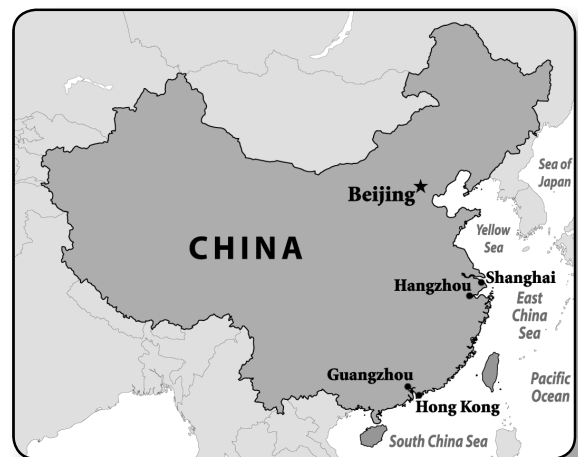


OPENING CASE: HOW DID GLOBAL STRATEGY ENTER AND COMPETE IN CHINA?

Every reader naturally expects this book to talk about the global strategy of *other* companies. However, how many of you thought that this book would also be a global product, published by a multinational enterprise (MNE) that competes around the world? Our publisher, known as Cengage Learning since 2007, is an MNE that operates in 39 countries. Cengage Learning emphasizes its brands, such as our own South-Western brand that specializes in business and economics college textbooks. The history of South-Western Cengage Learning is interesting. Founded in 1902, South-Western, based in Cincinnati, Ohio, was an independent US publisher. In 1986, Canada's Thomson Corporation bought South-Western, which then became a division known as South-Western Thomson Learning. In early 2007, Thomson Corporation, in order to raise funds to acquire Reuters, sold Thomson Learning for \$7.75 billion to two private equity groups in Britain and Canada. In July 2007, Thomson Learning, under new British and Canadian ownership, changed its name to Cengage Learning. The name was based on being at the “center of engagement” for learning.

In business and economics textbooks, South-Western Cengage Learning is number one in the world in terms of market share, followed by McGraw-Hill Irwin and Pearson Prentice Hall.



While competition historically focused on the United States and other English-speaking countries, it is now worldwide. Launched in January 2005 and copyrighted in 2006, *Global Strategy* targeted courses in strategic management and international business. While there was no shortage of textbooks in these two areas, *Global Strategy* broke new ground by being the first to specifically address their *intersection*. Thanks to enthusiastic students and professors in Austria, Australia, Brazil, Britain, Canada, China, France, Germany, Hong Kong, India, Macau, the Netherlands, New Zealand, Norway, Portugal, Romania, South Korea, Sweden, Taiwan, Thailand, and the United States, *Global Strategy* achieved unprecedented

success. The first edition was already translated into two foreign languages (Chinese and Portuguese)—in contrast, most translated textbooks are later editions, published after the “bugs” have been worked out of earlier editions.

Although competition, in theory, is global, in practice Cengage Learning needs to win one market after another. How the first edition of *Global Strategy* entered and competed in China is a case in point. China’s rising appetite for high-quality business education has attracted most Western textbook publishers. Many leading English-language textbooks you study have translated versions in Chinese.

To stand out among the crowd, valuable, rare, and hard-to-imitate capabilities are a must. *Global Strategy* is packed with value. (Who doesn’t want to strategize around the globe?) To enhance the value added for different customers, *Global Strategy* is available in three versions in China: (1) a paperback form known as the International Student Edition (ISE), (2) a Chinese–English bilingual edition (select Chinese passages are translated and printed on the margin of the ISE), and (3) a Chinese-only translation. *Global Strategy* is also rare because (as noted earlier) no previous textbook successfully merged “global” with “strategy.” Furthermore, not only is the Chinese translation of *Global Strategy* hard to imitate, it is *impossible* to imitate. This is because your author, born in China, is the only Chinese-speaking author of a leading Western textbook, and I offered direct help when translators encountered difficulties. Because of jargon, translating textbooks is always challenging, and most translated textbooks contain translation errors. Since none of the authors of other translated textbooks speaks or reads Chinese, it is impossible for them to lend a helping hand in translation. It is not surprising that

the Chinese version of *Global Strategy* offers the highest quality and smoothest translation among all translated textbooks in China. (In comparison, the Portuguese translation of *Global Strategy* published in Brazil has no such unique advantage because I could not help with it.) Finally, the time and execution of the launch was also impeccable. Since I co-chaired the first Strategic Management Society conference in China in Shanghai in May 2007, the launch team included a copy of the Chinese translation as part of the conference materials for all 150 attendees (professors and PhD students), who would most likely be interested in this book.

A foreign entrant also needs to know the rules of the game—both formal and informal. The formal rules in China stated that foreign companies could not publish books on their own. Cengage Learning thus licensed the translation of *Global Strategy* to a leading Chinese publisher: Posts and Telecom Press. (In comparison, Brazil allowed Cengage Learning’s wholly owned subsidiary to publish the Portuguese translation.) A thorough understanding of the informal rules is also a must. Experienced editors at Posts and Telecom Press advised that the title be changed to *Global Business Strategy (Quanqiu Qiye Zhanlue)*. Since books in China need to clear censorship, censors might dislike “global strategy,” fearing it could be seen as a reference to “global military strategy.” Throughout the book, when “China, Hong Kong, and Taiwan” were mentioned, the politically correct translated version would read “China, Hong Kong, China, and Taiwan, China.” Finally, one entire case was preemptively taken out by Chinese editors. That case was titled “Dealing with Counterfeiting” (see pages 137 and 138 in the first edition).

Overall, behind *Global Strategy*’s launch in China was a combination of a capable global publisher and

its experienced Chinese partner, a winning product, excellent country-specific knowledge, and a meticulous attention to detail. Not surprisingly, most leading universities in China, such as Peking, Shanghai Jiaotong, Sun Yat-sen, Tsinghua, and Xi'an Jiaotong Universities, have embraced this book, quickly making it a market leader.

Sources: I thank Michele Rhoades and Terri Coats (both at South-Western Cengage Learning) for their assistance. Based on (1) Author's interviews with executives at South-Western Cengage Learning and Posts and Telecom Press, 2005–08; (2) M. W. Peng, 2006, *Global Strategy*, Cincinnati: South-Western Thomson; (3) M. W. Peng, 2007, *Quanjie Qiye Zhanlue*, translated by W. Sun & X. Lui, Beijing, China: Posts & Telecom Press; (4) M. W. Peng, 2008, *Estratégia Global*, translated by J. C. Racy & G. B. Rossi, São Paulo, Brazil: South-Western Thomson.

A Global Global-Strategy Book

How do firms, such as Cengage Learning, McGraw-Hill, and Pearson, compete around the globe? In the publishing industry in China, how do various foreign entrants and local firms interact, compete, and/or sometimes collaborate? What determines their success and failure? Since strategy is about competing and winning, this book on global strategy will help current and would-be strategists answer these and other important questions. Setting an example by itself, the book you are reading is a real global product that leverages its strengths, engages rivals, and competes around the world (see Opening Case).

However, this book does *not* focus on a particular form of international (cross-border) strategy, which is characterized by the production and distribution of standardized products and services on a worldwide basis. For over two decades, this strategy, commonly referred to as “global strategy” for lack of a better word, has often been advocated by traditional global strategy books.¹ However, there is now a great deal of rumbling and soul-searching among managers frustrated by the inability of their “world car,” “world drink,” or “world commercial” to conquer the world.

In reality, **multinational enterprises (MNEs)**, defined as firms that engage in **foreign direct investment (FDI)** by directly controlling and managing value-adding activities in other countries,² often have to adapt their strategies, products, and services for local markets. For example, the Opening Case clearly shows that in the publishing industry, one size does not fit all. In the automobile industry, there is no “world car.” Cars popular in one region are often rejected by customers elsewhere. The Toyota Camry is America's best-selling car but a poor seller in Japan. The Volkswagen Golf and the Ford Mondeo (marketed as the Contour in the United States), which have dominated Europe, have little visibility in the streets of Asia and North America.³ The so-called “world drink,” Coke Classic, actually tastes differently around the world (with varying sugar content). The Coca-Cola Company's effort in pushing for a set of “world commercials” centered on the polar bear cartoon character presumably appealing to some worldwide values and interests has been undermined by uncooperative TV viewers around the world. Viewers in warmer weather countries had a hard time relating to the furry polar bear. In response, Coca-Cola switched to more costly but more effective country-specific advertisements. For instance, the Indian subsidiary launched an advertising campaign that equated Coke with “thanda,” the Hindi word for “cold.”

multinational enterprises (MNEs)

Firms that engage in foreign direct investment (FDI) by directly controlling and managing value-adding activities in other countries.

foreign direct investment (FDI)

A firm's direct investment in production and/or service activities abroad.