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## Editorial

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### Takashi Shimizu

Department of Advanced Social and International Studies,  
Graduate School of Arts and Sciences,  
The University of Tokyo,  
3-8-1 Komaba, Meguro-ku, Tokyo 152-8902, Japan  
Email: [tshimizu@waka.c.u-tokyo.ac.jp](mailto:tshimizu@waka.c.u-tokyo.ac.jp)

### David Dobrzykowski

Department of Supply Chain Management and Marketing Science,  
Rutgers Business School,  
Rutgers, The State University of New Jersey,  
1 Washington Park, RM 958,  
Newark, NJ 07102-3122, USA  
Email: [ddobrzykowski@business.rutgers.edu](mailto:ddobrzykowski@business.rutgers.edu)

### Paul Hong\*

Information Operations and Technology Management,  
College of Business and Innovation,  
University of Toledo,  
2801 West Bancroft Street, Toledo, OH 43606, USA  
Email: [Paul.Hong@Utoledo.Edu](mailto:Paul.Hong@Utoledo.Edu)  
\*Corresponding author

### Chang Won Lee

Department of Operations and Service Management,  
School of Business,  
Hanyang University,  
222, Wangsimni-ro, Seongdong-gu, Seoul, South Korea  
Email: [leecw@hanyang.ac.kr](mailto:leecw@hanyang.ac.kr)

### Takahiro Tomino

School of Commerce,  
Meiji University,  
1-1 Kanda-Surugadai, Chiyoda-ku, Tokyo 101-8301, Japan  
Email: [tomino@meiji.ac.jp](mailto:tomino@meiji.ac.jp)

**Biographical notes:** Takashi Shimizu is an Associate Professor of the Department of Advanced Social and International Studies, Graduate School of Arts and Sciences, The University of Tokyo. He received his PhD, MA and BA

in Economics from The University of Tokyo. He has written a book and has published several articles in journals including *International Journal of Production Economics*, *Benchmarking: An International Journal*, *International Journal of Services and Operation Management* and *Organizational Science*. His research interests are in organisation theory, product risk management, and the interactions between legal systems and corporate behaviours.

David Dobrzykowski is an Assistant Professor in the Department of Supply Chain Management and Marketing Sciences at Rutgers, The State University of New Jersey (USA). He received his PhD in Manufacturing and Technology Management from the University of Toledo. His research investigates supply chain coordination and value co-creation with a particular interest in healthcare applications. A summary of his dissertation was published in *Decision Sciences Journal*, and his other publications have appeared in *International Journal of Production Economics*, *International Journal of Production Research*, *Decision Sciences Journal of Innovative Education*, among others.

Paul Hong is a Professor of Operations Management at the University of Toledo, USA. He received his PhD (University of Toledo, SA), MBA and MA (Bowling Green State University, USA) and BA (Yonsei University, Korea). He has published more than 200 research papers in the areas of business ecosystem innovation, emerging economies and global supply chain management including his recent book, *Building Network Capabilities in Turbulent Competitive Environment: Practices of Global Firms from Korea and Japan*.

Chang Won Lee is a Professor of Operations and Service Management and Associate Dean of Management Education Institute at the Hanyang University Business School, Korea. He received his PhD and Master degrees at Saint Louis University, Missouri, USA. His research interests include supply chain risk management, technology and innovation management, and healthcare management. He has published numerous research papers in various national and international refereed journals and serves as editor for journals.

Takahiro Tomino is a Professor of the School of Commerce at Meiji University, Tokyo, Japan. He received his PhD in Economics (Kyoto University), MA and BA in Commerce (Doshisha University). He has published several books and articles (*International Journal of Production Economics*, *International Journal of Procurement Management*, *International Journal of Logistics Systems and Management*) in areas of supply chain management of the Japanese automobile and electronics companies.

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## 1 Introduction

The traditional globalisation maturity curve of a firm begins with a focus on domestic markets before engaging in exportation, emerging as a multinational company, and then achieves international market expansion beyond regional markets (Stopford and Wells, 1972; Pangarkar and Wu, 2012; Park and Hong, 2012; Oh and Rugman, 2012). As such, many small firms and start-ups often concentrate only on their domestic market. In the age of globalisation, even small firms have to consider dynamic innovation processes both in the intra- and inter organisational network environments (Hu, 2012; Hannola et al., 2013; Triguero and Corcoles, 2013). On one hand, since the market is expanded

and linked together, firms may be affected by global factors such as major and unexpected economic downturns, natural disasters, knowledge transfer barriers and other impactful market changes causing firms to have to make substantial redesigns of their supply chain operations (Saliola and Zanfei, 2009; Paunov, 2012; Park et al., 2013). On the other hand, however, this market expansion has brought a great opportunity for firms, especially those of emerging economies, since now they can enter into this globalised market (Tsai et al., 2009; Dobrzykowski et al., 2011).

Needless to say, competing with others in new markets require a new set of innovative capabilities by which firms offer competitive products and services (Bhatnagar and Sohal, 2005; Lee, 2009; Park and Hong, 2012). The market environment is always changing and each market has its own characteristics. In addition, rapid advance of technologies and increased complexity of products make it difficult to maintain competitive advantage (Hong et al., 2010). In order to survive in this new and turbulent environment, firms often look to the development of innovation capabilities as a means of sustaining competitive advantage. Building innovation capabilities can be done within a company, but it becomes more difficult to sustain such abilities without cooperation other companies in this turbulent environment. Thus, innovation based on supply chain resource allocation and open network must be considered as a way to build innovation abilities (Chiaroni et al., 2011; Malairajan et al., 2013).

Key questions for the issue include;

- 1 How can firms build dynamic competitive advantage in general, dynamic innovation capability in particular, in the global market as well as their own domestic markets?
- 2 How can firms establish dynamic innovation capabilities based on intra- or inter-firm cooperation?
- 3 What are some of the challenges embedded in the existing firm network that must be addressed to cope with the globalised market?

This special issue includes eight papers that tackle these questions. The papers are organised around three important themes. The first theme deals with building dynamic capabilities in the globalised market. The second theme focuses on intra- and inter-firm cooperation. Finally, the third theme discusses challenges in the existing supply chain network of companies.

## **2 Establishing dynamic competitive advantages in the globalised market**

The first set of three papers deals with strategies to establish dynamic competitive advantages in the globalised market as well as domestic markets.

The first paper, 'The replication process of a global localisation strategy: a case study of Korean firms' by Park and Shintaku focuses on the localisation strategies of multinational enterprises and the replication of these strategies in other countries, as a source of competitive advantages for products with modular architecture. Unlike products with integral architecture, technological functionality cannot be a source of competitive advantages and thus companies retain competitive advantages of such products through R&D, marketing, and distribution networks etc. By using the case study of LG Electronics and its two subsidiaries in India and Poland, the authors find several factors of its localisation strategy, such as R&D for local needs, localisation of human resources

and empowerment policy, and intensive distribution and service network gave competitive advantages to products of LG India. Moreover, they also find that this successful localisation policy was successfully transferred to LG Poland by Corporate. They argue that this localisation strategy fits with their products with modular architecture.

The second paper, 'Market life-cycle and products strategies: an empirical investigation of Indian automotive market' by Li investigates the development of the automobile market in emerging economies and product strategy in a specific phase of development. After identifying three phases of market development; motorisation (rapid growing), stable growth, and maturation based on Japan's experience as well as those of emerging economies, the author focuses on Indian automobile market as an example of stable growth period and examines the market structure and the product strategy in this market. By using the case of Tata Nano, the author finds that an innovative vehicle with low cost cannot achieve commercial success. The author argues that failure was the results of misalignment or misfit between the concept of this car and the market development phase (in the stable growth period). In the stable growth period, the demand mainly consisted of replacement and upgrading vehicles. The author suggests that product strategy must be developed based on an understanding of the differences in the developmental phases of market.

The third paper, 'Internationalisation strategy implemented through faculty exchange: strategic entrepreneurship in a 'new' UK university' by Pearce deals with the internationalisation strategy of universities in the U.K. The author analyses how direct faculty exchange was actually implemented and what kind of challenges emerged in the UK university. Using the authors' own experience as the case, she argues that autonomous strategic behaviour of a person with entrepreneurship is required to conduct such internationalisation because of an absence of strategy, structural arrangements, and slack resources. The author suggested that there is much an organisation can do to facilitate and support entrepreneurs, such as setting strategic goals, having slack, and covering risks for entrepreneurs.

### **3 Building dynamic innovative capabilities through intra- and inter-firm cooperation**

The second set of three papers focus on building innovative capabilities within a firm as opposed to a cooperation approach with other companies.

The fourth paper, 'Open network innovation in the age of complexity: case for small and medium enterprises' by Hong, Callaway and Hong, provides the research framework of an open network innovation with the special focus on small and medium-sized enterprises. Until recently, innovations within a company, or in a closed supply chain network centralised by ownership were a primary focus. Because of increased product complexity, globalisation, and technology advancements, open network innovations, that is, innovations based on open, dispersed network become much more important. This is especially true for SMEs which must be innovative to survive with limited resources. Based on previous studies, the authors discern several dimensions of open network innovation (drivers, strategy, practices, and outcomes), and constructs in each dimension, and also constructed the framework regarding the relationship between those dimensions.

The fifth paper, 'Customised component transaction with insufficient trust case study of the LCD-panel industry' by Nakagawa and Song, deals with customised component transactions in the context of insufficient trust in the LCD industry. When the customisation of a part is needed, the supplier of the part needs sufficient information. However, since both the supplier and maker are concerned about the risk of opportunistic behaviour of the other party, they do not desire to provide such information. Traditionally, vertical integration or establishing trustful relationships have been used to solve this challenge. However, in the LCD industry, both of these approaches are difficult because there are limited number of suppliers and makers and they cannot rely on each other because of the potential for technical spillovers. Through survey and in-depth case study, the authors found that some of LCD parts suppliers solve this problem by building relational skills that are not relation-specific, that is, skills to secure needed information from sources other than customers. Examples include using tapered integration, experienced sales engineers, or a network of related companies. The authors argue that their findings can be applicable to other industries with similar challenges.

The sixth paper, 'Organisational factors for effective knowledge sharing: an empirical study of Korean learning teams' by Moon, Choi and Fardin, discuss drivers of knowledge sharing within an organisation, with a special focus on communities of practices (CoPs) (i.e., informal or semi-formal small groups for knowledge sharing). Through an empirical analysis of the data taken from Korean multinational companies, the authors find that community member motivation and trust for successful knowledge sharing have positive influence on knowledge sharing. Management support and team culture have a moderating effect on the relationship between motivation, trust and knowledge sharing. They discuss that management must consider how to develop effective CoPs by using management support, nurturing a positive team culture, and/or organising project teams.

#### **4 Problems of existing network**

The third set of two papers deal with challenges embedded in the existing firm network that must be addressed to cope with the globalised market.

The seventh paper, 'Who will buy the automated external defibrillator in Japan?' by Leem and Roh, focuses on the demand and supply of a specific medical instrument; an automated external defibrillator (AED), in Japan. They analyse the structure of private demand for AEDs in Japan and discuss the suitability of the supply structure for the anticipated demand. The authors find that elder consumers with histories of cardiac disease, or have a family member who has such a history, are more willing to pay for AED than others, and thus AED supply chains ought to focus on these customers. However, because the Japanese government has focused on AEDs in public spaces, the AED supply chain focuses on the public demand and may not be positioned to serve private demand. The authors discuss that Japanese Government should consider the expansion of AED supply into the private residents market.

The eighth paper, 'Restructuring the agricultural supply chain' by Priya and Vivek, focuses on another type of supply chain network; the agricultural supply chain. Based on a survey of previous studies, they argue that the conventional agricultural supply chain is no longer sustainable because of the negative effects of increasing investment and expenditure in modern equipment and machineries, fossil fuels, fertilisers, chemical fertilisers, hybrid seeds and other investments. Thus, restructuring of this conventional

agricultural supply chain is required. The authors propose several types of alternative sustainable farming method that can be used to reconstruct agricultural supply chain in which farmers can self sustain. They also discuss possible barriers to this approach.

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