#### Revolution of Chinese Offshore Development Business Model

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### 1.1 The Ordering Places of Offshore

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#### The ordering places of offshore for Japanese companies.



### **1.2 Chinese Software Industries**



From: MII (Ministry of Information Industry), 2011



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### **2.1 Cross-Culture Communication**

The same word with different meaning in Japanese and Chinese.

Word	Meaning in Chinese	Meaning in Japanese
Set with blank	Space or Null	Space
End of the year	End of the December	End of the March



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### **2.2 Depending on a Certain Person**

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BSE (Bridge System Engineer) has been a bottleneck.





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### **3.1 Conventional Business Models**

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Model	Merit and Demerit
Competitive Bidding	Cut out a part of certain large-scale project and choose several contractors to do estimate. By judging from the estimate and the integrated situation, they'll select the best one to sign the contract with it.
Laboratory Contracts	Contract with fixed engineers during the certain period by guaranteeing the works
Subsidiary Company Establishment	Establishing the subsidiary companies in China for further pursuit of the convenience of personnel and reduction of the cost and aiming at Chinese domestic market
Joint Venture Establishment	Establishing the joint venture with Chinese companies instead of establishing the subsidiary companies in China.



#### **3.2 Merit and Demerit**

Model	Merit	Demerit
Competitive Bidding	Order with low risk	1.No future for Chinese market 2.Unevenness in quality and quantity
Laboratory Contracts	Stabilization of talents	1.Risk of order guarantee 2.Futureless for Chinese market
Subsidiary Company Establishment	Possibility of Chinese market	<ul> <li>1.High risk for fixed costs</li> <li>2.Difficulty for getting talent</li> <li>resource</li> <li>3.Awkward with local labor</li> <li>management</li> </ul>
Joint Venture Establishment	1.Possibility of Chinese market 2.Acquire some resources from Chinese companies	1.High risk for fixed costs 2.Easy to occur conflicts 3.Limits with talent resource



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### 4 Introduce of Business OEM Model

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**Business OEM Model** 





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## 5 Elements of Business OEM Model

#### **Business OEM Model**

#### **Four Elements**

Solution for Value Judgment Differences

#### Standardization of Independency

Talent Training Mechanism Establishment and Management of Joint Venture





### 5.1 Value Judgment Differences(2)



### 5.1 Value Judgment Differences(3)

Solution: questionnaire management (Q&A with suggestions of answers)

**Setting Q&A Amount Indicator** 

Standardization of Q&A Description

**Management of the Answers and Analysis** 





#### 5.2 Standardization (7 Means)

No	Contents of the Means
1	Before begin the dealings, customer's executives will execute the inspection to the site.
2	Requiring the customer to explain the specification of the first task at the spot of development site.
3	"Development Procedures and Quality Management" standard is observed and executed thoroughly.
4	All the documents and sources are managed by the same folder.
5	In each stage of the project, the number of Q&A is managed as one of the quality indices. Thus the questionnaire is managed.
6	The quality assurance department will check the standard observance situation of the project as a third party.
7	To require the estimation from the customer by a regulated route at the end of the development.



### **5.3 Talent Training Mechanism**

1	Students are graduated from polytechnic majors and had studied some software development language.
2	Focused on Japanese education to achieve the ability of reading and writing in three months.
3	A thorough education of development procedures and practices in exercise project.
4	Exercise project which is managed as the same of the formal project centers on coding and unit testing.





#### **5.4 Joint Venture**

## Establishing the joint venture achieves win-win deal by exchanging the qualities.

#### **Qualities in the Equivalent Exchange (Japan-China)**

Japanese Companies (Seeds)	Chinese Companies (Needs)
High Technology	Marketing Capability (proposed ability)
High Brand Effect	Human Affairs and Labor Power
High Management Ability	Procurement Capacity
	Licensing Power





#### **5.4-1 Promotion Methods**

Intermediate BPM: Business Process Manager Senior BPM : Business Process Maker

#### **Differences between BSE and BPM**

Concepts	Management Object	Requisite Ability
BSE	Project	Communication, Professional business knowledge, Development skill, Project management
BPM	Business process of company unit	Communication, Business planning, Presentation, etc.



#### 5.4-2 Requirement for Establishing a Joint Venture

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#### Essential factors that companies should be capable of.

Japanese companies	Provide high qualities for exchanged by win-win mode at own fields skilled in
	Take the leadership of the joint venture and use the talented person resource of the Chinese side
	Aiming at Chinese and world market
Chinese	Give up the leadership of the joint venture
companies	Be able to providing the human resources anytime as necessary
	Be able to meet the requirement of the joint venture



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### 6.1 Effect of Business Model(1)

In the OEM business model, the joint venture group is made of

Japanese companies	Easy to progress the quality control mechanism (QC)
	Easy to transfer the business from Japan to China with low risk
Chinese	Be able to progress without any business action
companies	Be able to learn the advanced management and technology ability from Japanese companies

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#### 6.2 Effect of Business Model(2)

Transition of Customer Estimation form 2000 to 2010.

Transition of customer estimation by years





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### 7.1 Conclusion(1)

The business OEM model is effective and under this model, Japanese company and Chinese company achieve a winwin situation through "equivalent exchange". Japanese company can transplant their business to China smoothly. This is so-called "business OEM".





### 7.2 Conclusion(2)

The win-win method of "equivalent exchange" is not limited to software development business. It can spread to all the other business fields and all the other countries theoretically. Possibly the "equivalent exchange" contents can be replaced according to the countries characteristics.



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#### **8.1 Future Challenges**

1)To open the market to cooperate with European and American companies on the OEM model

2) To avoid the leakage of know-how while the higher lever work such as design is expanded in large scale





#### 8.2 In the Future

#### We are expecting a good effect of business OEM model when expanding to the global markets.





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