BAA1019 – Hitachi Case Study

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Question 1

Introduction

Strategic issues are ambiguous and complex challenges with long-term implications for companies (Johnson et al., 2020). Hitachi's transformation into a digital and infrastructure-led firm has delivered strong investor returns, but it now faces several strategic challenges that will define whether Hitachi's change leads to global competitiveness.

Sustaining Digital and AI-Led Growth

Hitachi's pivot to digital innovation, particularly through its Lumada division, has repositioned the firm as a technology leader. Lumada alone will contribute 41% of its core earnings this year (Dempsey and Keohane, 2024), underscoring the centrality of data-driven services in Hitachi's value creation model. However, sustaining an advantage in fast-moving sectors like AI requires continuous renewal of dynamic capabilities (Teece, 2010). With global competitors investing heavily in industrial AI, Hitachi's current edge may be short-lived unless it can scale Lumada while building its digital capabilities in industrial AI. If the firm fails to sustain this current growth trajectory, its positioning as a leading digital innovator and the investor confidence built around it could quickly diminish.

Shareholder Pressure vs. Strategic Innovation

Hitachi's market capitalisation has tripled in two years, yet revenue remains flat throughout the last decade (Dempsey and Keohane, 2024). Rebranding as a high-growth tech firm has increased the demands of investors, potentially leading to rushed innovation cycles beyond internal capacity. The firm will need to balance the strategic tension of long-term innovation without compromising on short-term performance. Overpromising to satisfy investor sentiment could lead to rushed M&A or initiatives launched that lack long-term viability. Sustained growth requires strategic patience. Unless Hitachi manages investor expectations carefully, it risks making reactionary decisions that undermine the very innovation trajectory that earned market confidence.

Cultural Rigidity

Despite generating 62% of revenue abroad, Hitachi's leadership remains heavily Japan-centric. The chair has explicitly ruled out the possibility of a non-Japanese CEO in the near future (Dempsey and Keohane, 2024). Hofstede (2001) identifies Japan's high power distance and

uncertainty avoidance as hallmarks of Japanese corporate culture. These are traits that can restrict flexibility and hinder international adaptability. In a globalised environment, this cultural insularity poses risks to overseas market fit. If Hitachi fails to globalise its governance and leadership pipeline, it may struggle to fully leverage its international presence, a goal which is central to the firm's growth strategy (Dempsey and Keohane, 2024).

M&A Strategy

M&A has played a critical role in Hitachi's repositioning, enabling its shift from a diversified conglomerate to a focused digital-industrial group. However, future acquisitions must be guided by strategic discipline. As the firm considers expanding into adjacent markets such as cancer treatment or energy optimisation (Dempsey and Keohane, 2024), it must prioritise deals that deepen core capabilities rather than broaden its portfolio for scale alone. Acquisitions that stray from core capabilities could reintroduce complexity and erode the clarity achieved through recent divestments. If Hitachi fails to protect the strategic clarity it has built, its ability to deliver sustainable value as a global leader could be compromised.

Alignment with Japan's Energy Future

Japan's energy consumption is anticipated to increase by 50% before 2050, largely due to the rise in power requirements for AI technologies (Dempsey and Keohane, 2024). As the leading AI provider in Japan, Hitachi must determine how it will approach this transition as it will face growing regulatory pressure to support energy efficiency across its offerings. To date, Hitachi has not articulated whether it intends to shape or simply follow Japan's energy strategy. Failure to optimise energy may invite regulatory scrutiny or exclusion from state-backed infrastructure projects. To remain credible, Hitachi must lead, not follow, in shaping how digital innovation aligns with energy policy.

Conclusion

Hitachi's future depends on more than strategy alone, it will be determined by execution. The tension between digital ambition and delivery capacity sits at the core of every challenge outlined here, from M&A discipline to cultural fit and energy alignment. Unless the company strengthens its ability to translate strategy into performance, even investor confidence will prove short-lived.

Question 2

Introduction

Hitachi's transformation has repositioned the firm as a global leader in digital infrastructure, but its recent success has brought new strategic pressures. While market capitalisation has surged, revenue growth has remained flat. This quick growth has raised investor expectations that may be difficult to meet through organic performance alone. The firm is now viewed as a high-growth technology stock, creating pressure for constant improvement at a pace that may not align with long-term strategic capability (Dempsey and Keohane, 2024). If not carefully managed, the same investor optimism that enabled its resurgence could trigger reactive decisions that compromise innovation focus and strategic clarity. To address this challenge, Hitachi should adopt an ambidextrous innovation strategy supported by a formal governance framework. This approach would allow the firm to deliver short-term innovation outcomes while safeguarding long-term exploratory capability. Structuring innovation in this way will reduce internal conflict and enable Hitachi to scale globally with a more balanced and disciplined innovation model.

Justification of Recommendation

Managing the balance between short-term delivery and long-term innovation is now central to Hitachi's strategic credibility. As investor expectations continue to rise, the risk is that the firm begins to prioritise speed over substance. Ambidextrous organisations resolve this tension by structurally separating exploitative and explorative innovation streams (O'Reilly and Tushman, 2013). This model fits naturally with Hitachi's current structure. Lumada already delivers short-term, data-driven outcomes that build investor confidence, making it ideal in an exploitative capacity. GlobalLogic's engineering capabilities and relative autonomy could serve as a base for leading exploratory innovation, allowing Lumada to remain focused on operational delivery (Dempsey and Keohane, 2024). This separation formalises innovation structure while allowing each stream to optimise for different outcomes.

Although the new CEO's personal shareholding helps create better alignment among top leaders, agency-related risks can still exist within a global, multi-layered organisation. Goals that are not in line with one another and unclear innovation KPIs can lead to short-term decision-making (Jensen and Meckling, 1976). Additionally, maintaining a competitive advantage in fast-changing industries like the ones that Hitachi operates in requires continuous

reconfiguration of capabilities (Teece, 2010). Governance would clarify ownership of innovation decisions and provide visible signals to investors that exploration is being actively managed. Without such structure, Hitachi is at risk of innovating and making new acquisitions without proper strategic backing.

While Hitachi possesses strong innovation resources, its long-term value depends on how they are structured and leveraged. The VRIO framework *(Figure 1)* was employed to analyse Hitachi's strengths and determine whether they can lead to a lasting competitive advantage (Cardeal and Antonio, 2012). The analysis uncovers that without clear governance and organisational alignment, Hitachi's innovation assets risk being underleveraged, as they may be valuable but unscalable. Hence, the recommendation addresses this by turning potential into sustained strategic advantage.

VRIO Analysis					
Resource / Capability	**Valuable**	**Rare**	**Imitable**	**Organised**	**Implication**
Lumada	Yes	Yes	No	No	Competitve parity unless governed well
GlobalLogic	Yes	Yes	Yes	No	Temporary advantage, not sustained yet
CEO Alignment	Yes	No	No	Yes	Helps coordination but not enough alone
Existing Innovation Culture	Yes	No	Yes	No	Need structure to become advantage

Figure 1 – VRIO analysis of Hitachi's Innovation Resources

Application of the Ambidexterity Framework

The ambidexterity model provides a structure in which a firm can manage innovation across different time horizons. Structural ambidexterity, in particular, allows firms to pursue efficiency and exploration simultaneously by separating these activities at the organisational level (O'Reilly and Tushman, 2013). Lumada should be tasked with incremental innovation and efficiency improvements that are supported by outcome-oriented KPIs, a proven approach for managing exploitation-focused units in ambidextrous firms (He and Wong, 2004). GlobalLogic should operate under separate leadership with a focus on market experimentation and long-range innovation outcomes.

The model can scale as additional operating units mature, particularly as Hitachi integrates digital services globally. A central steering group that is made up of senior leaders across key divisions would be responsible for the alignment of innovation priorities and tracking progress. The separation must be adaptive, with scope to integrate future acquisitions or ventures. Formalising this structure would reduce execution risk and clarify innovation accountability. In fast-changing environments, the firms that adopt integrated yet differentiated innovation systems outperform those relying on informal coordination alone (Birkinshaw and Gibson, 2004). For Hitachi, this would embed discipline and agility, while enabling clearer internal coordination and external communication on innovation. The proposed structure is exhibited in Figure 2.

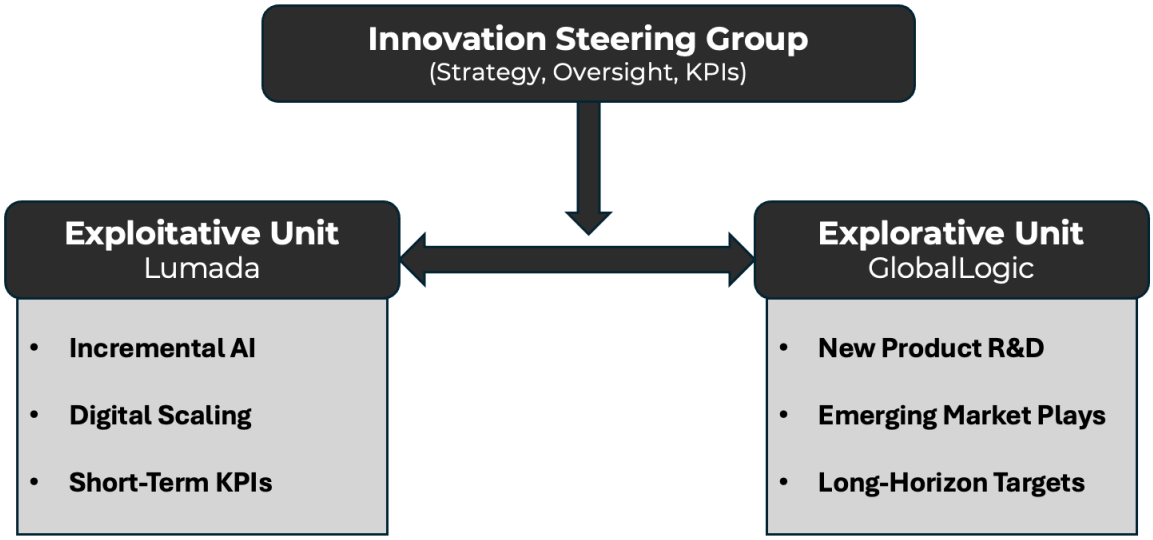

Figure 2 - Proposed Ambidextrous Innovation Structure for Hitachi

Implementation Plan

Hitachi is already well-positioned to incorporate this recommendation without significant structural overhaul. Lumada and GlobalLogic have independent innovation profiles, which provide a strong foundation for this ambidextrous design. This builds on its recent transformation and avoids reliance on costly new structures. With innovation now central to its identity, systematising this would reduce ambiguity and improve long-term scalability for Hitachi.

The first step is to form the innovation steering group, with representatives from Lumada, GlobalLogic, and central corporate functions. The focus of this will be to coordinate the execution of innovation objectives and ensure alignment with broader corporate strategy. Its

authority must be embedded through direct reporting to the CEO to ensure visible prioritisation of innovation that is clearly communicated to stakeholders at the highest level. Governance plays a key role in realising innovation strategy, particularly in large firms that have to navigate competing time horizons (Pisano, 2015). The implementation of this recommendation will follow a phased approach across a 24-month timeline as can be seen below in Figure 3.

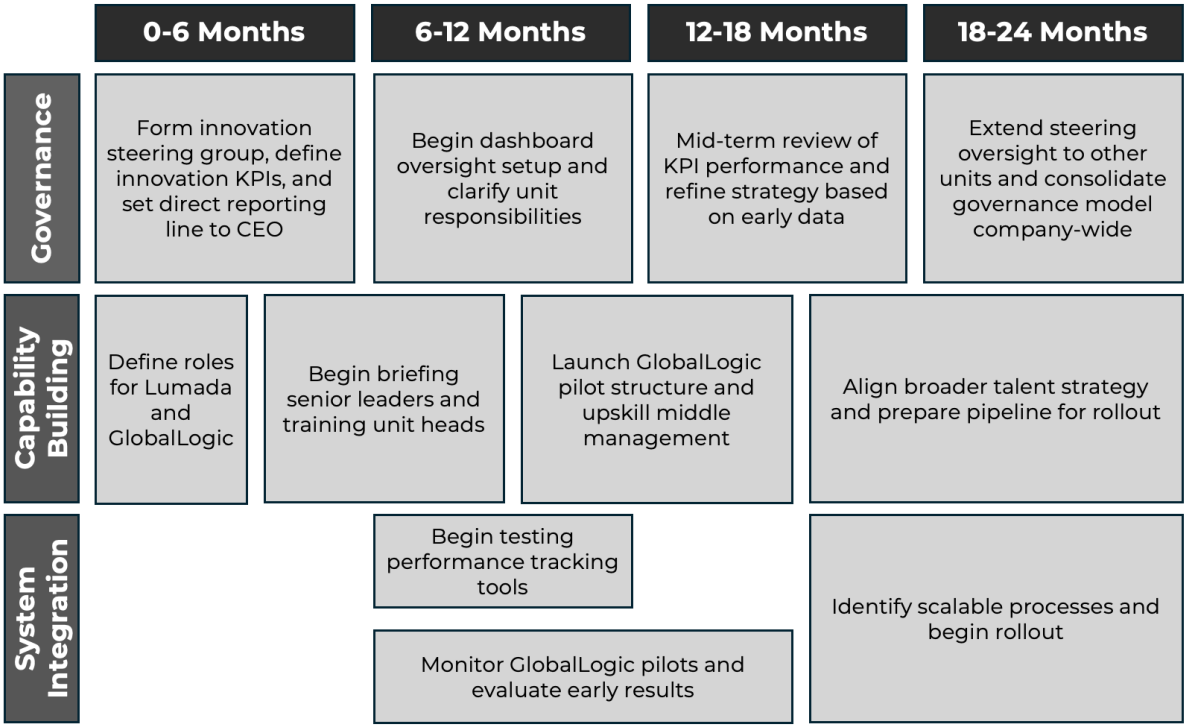

Figure 3 - Implementation timeline for ambidextrous innovation strategy at Hitachi

The first six months should focus on developing the governance structure, defining innovation roles, and designing KPIs tailored to the goals of each of the units. The second phase will assign roles, roll out communications, and implement early tracking tools.

Once the foundation is laid, capability development will become the priority. Here, leadership will need to be upskilled and GlobalLogic will trial early-stage innovation projects under the proposed exploratory governance model. As well as this, delivery metrics will be refined within Lumada. The final phase will evaluate outcomes and prepare the model for broader adoption across new business units, including those in international markets. This phased rollout mirrors the successful approach of firms like IBM, which utilised dual innovation structures while pursuing M&A (O'Reilly and Tushman, 2021).

Evaluation of Recommendation

The below SWOT analysis provides a lens through which the proposed recommendation can be evaluated for Hitachi management. This strategic tool enables navigation of both the benefits and the complexities which may arise.

Figure 4 – SWOT analysis of ambidextrous innovation strategy for Hitachi

The ambidextrous structure allows Hitachi to balance investor expectations with long-term innovation. It brings strategic clarity and creates a governance model that can be responsive and globally scalable, which strengthens integration as the firm expands into new markets.

However, the implementation is not without risk. Misalignment between GlobalLogic and Lumada could stall progress if innovation goals or operating methods diverge. To mitigate this, KPIs must be designed not only for performance but also to reinforce each unit's strategic purpose, while the steering group will ensure strategic direction is aligned and provide early intervention if friction arises. Mid-management skill gaps also pose a threat, particularly in translating strategy into execution. This will be addressed through investment in training and upskilling, as well as leadership engagement being core in the rollout plan.

GlobalLogic's US-based culture, which favours speed, may clash with Hitachi's risk-averse Japanese standards. Without alignment, this divergence could negatively affect collaboration or innovation outcomes. To mitigate this, the steering group will serve as a cultural bridge, coordinating KPIs and protecting autonomy while maintaining accountability. The steering

group will be inclusive of non-Japanese members, with diverse experiences in different cultures. Ambidexterity is most effective when actively managed, not just structurally installed (Raisch and Birkinshaw, 2008). In sum, by addressing the risks upfront and building mechanisms to manage them, this recommendation provides not only balance, but also resilience in execution.

Conclusion

Hitachi's future depends not just on its ability to innovate and expand into new markets, but on how that innovation is structured and governed. The proposed ambidextrous strategy offers a pragmatic solution to managing investor pressure without compromising on long-term growth. It instils discipline and prepares the organisation to scale sustainably, without being pushed into unsustainable growth that's not supported by internal capability. By balancing exploitation and exploration through structured governance, Hitachi can navigate growth with greater confidence and control. If implemented with strategic intent, this approach will not only preserve the firm's innovation narrative but secure its expansion into a globally scaled digital-industrial leader.

Question 3

Introduction

Multinational firms often struggle to balance central control with local responsiveness. This tension strengthens in culturally diverse markets (Fregidou-Malama and Hyder, 2024), an issue which Hitachi embodies. Despite strong international growth, its culture remains rooted in traditional Japanese norms, which raises concerns about its global flexibility. This answer reviews Hitachi's organisational culture and evaluates its strategic fit for global growth, asking whether the firm's cultural foundations support or constrain its long-term international potential.

Hitachi's Organisational Culture

Hitachi's organisational culture is deeply rooted in traditional Japanese norms and corporate practices. Schein's (2010) model offers a critical lens through which Hitachi's culture can be assessed across three levels, artefacts, espoused values, and basic assumptions.

At the artefact level, Hitachi projects an outward image of innovation through branding such as its corporate slogan "Inspire the Next" and flagship platforms like Lumada. These visible symbols convey ambition and forward-thinking identity. However, slogans alone offer limited insight into internal behaviour. The Japanese standards of hierarchical meeting norms, indirect communication, and structured respect for authority are traits consistent with high power distance cultures (Hofstede et al., 2010), suggesting that the organisation's surface signals of innovation may not reflect deep cultural agility.

Hitachi's espoused values centre around "Wa" (harmony), "Makoto" (sincerity), and "Kaitakusha-seishin" (pioneering spirit) (Hitachi, no date). These values reinforce a consensus-driven mindset that prioritises internal harmony over divergent thinking, and while compelling, may overstate the cultural reality, as what is said in company statements does not always match how decisions are made on the ground. Additionally, the simultaneous goal of harmony and pioneering innovation can create tension within the firm. "Wa" discourages open criticism, weakening the constructive feedback required for innovation and quick decision-making in digital markets (Nonaka, 2007). Moreover, the company's collectivist approach leans toward conformity over individual ideation, which has the potential to clash with the expectations of Western subsidiaries that are accustomed to decentralised control and speed.

At the deepest level, there is a taken-for-granted belief in hierarchical control which shapes how employees behave, defer to authority, and interact with leadership. This has supported major success in domestic operations but is less transferable to international markets with different values, cultures, and beliefs. The new CEO, a 34-year veteran, whose personal history is deeply embedded in Hitachi, reinforced by his father's previous long-standing role in the company (Dempsey and Keohane, 2024), is unlikely to lead any major cultural change. The firm has explicitly ruled out appointing a non-Japanese CEO in the near future, signalling a continued commitment to ethnocentric leadership despite its current international presence and primary goal of growing its international footprint. Without cultural adjustment, these invisible norms could negatively impact Hitachi's global integration and weaken cross-border effectiveness (Bartlett and Ghoshal, 2002).

While 62% of Hitachi's revenues now come from international markets (Dempsey and Keohane, 2024), much of this is likely due to recent acquisitions with existing local operations and embedded cultural capabilities, raising a distinction between presence and integration. As Hitachi begins to embed its own systems and culture into these subsidiaries, the risk is that its traditional norms, while effective in Japan, may clash with local expectations, especially in decentralised, innovation-driven regions.

Global Expansion and Local Cultural Fit

As Hitachi scales internationally, the cultural and institutional distance between Japan and its target markets introduces issues that cannot be solved through centralised control alone. The CAGE framework (Ghemawat, 2001) allows an assessment of how cultural, administrative, geographic, and economic factors shape Hitachi's ability to expand and adapt globally.

Cultural distance is especially significant. Hitachi's organisational culture is underpinned by deference to hierarchy and collectivist decision-making, cultural traits commonly seen in Japanese firms (Hofstede, 2001). However, these characteristics contrast significantly in international markets where Hitachi would want to develop dominance. The US, where Hitachi has placed heavy investment such as the GlobalLogic acquisition (Dempsey and Keohane, 2024), scores highly on individualism and low on power distance (Hofstede, 2001). These differences can create tension in leadership styles as well as innovation processes. In Western subsidiaries, flexibility and decentralised control are often prioritised, which makes the

Japanese headquarters' preference for consensus-based coordination appear rigid and slow (Harzing and Sorge, 2003). Such misalignment likely influenced Hitachi's decision to divest subsidiaries that could not adapt to centralised coordination.

Administrative distance also presents obstacles as Hitachi remains closely linked with Japan's domestic institutional environment, including long-standing relationships with the Japanese government as well as the financial world. Moreover, the appointment of a new CEO with deep roots in the firm, coupled with the rejection of a non-Japanese successor (Dempsey and Keohane, 2024), signals a strong preference for ethnocentric governance, which may be less adaptive to Western markets (Kostova and Roth, 2002). In markets where state-firm coordination is minimal and Hitachi has not built up these same institutional relationships, its centralised and coordinated approach may slow subsidiary responsiveness or undermine local autonomy.

While less visible than cultural or administrative distance, geographic and economic factors create coordination challenges across time zones and cost structures. As Hitachi scales across continents, disparities in talent costs, digital maturity, and market pricing models may limit efficiency gains. Without tailored integration strategies, these frictions could reduce the operational value of overseas acquisitions (Ghemawat, 2001).

Although Hitachi already has a significant global footprint (Dempsey and Keohane, 2024), its expansion is challenged by institutional frictions that come from its culturally and administratively rooted origins in Japan. Without greater responsiveness to host-country expectations and more applicable integration mechanisms, Hitachi is at risk of constraining the potential of its global subsidiaries and reducing the strategic value gained from cross-border acquisitions. Hitachi's case illustrates a warning that Bartlett and Ghoshal (2002) bring to light, that global integration without local responsiveness risks damaging both innovation and legitimacy, especially in culturally distant markets.

Strategic Implications of Hitachi's Cultural Model

Hitachi's international positioning shows tension between cultural continuity and global adaptability. While earlier restructuring, like the streamlining of subsidiaries and the launch of Lumada, shows organisational adaptability, these changes have occurred without any deep

cultural shift. The firm continues to follow an ethnocentric approach, evident not only in executive appointments but also in the governance expectations placed on subsidiaries in international markets.

From a strategic standpoint, Hitachi is at risk of slowing down its global expansion by treating local responsiveness as operational rather than cultural. Without adaptive cultural mechanisms in place, Hitachi's integration efforts may face friction, particularly in highly autonomous and innovative regions. Leadership is a core issue here as the current CEO's deep Japanese roots ensure continual domestic success, but not necessarily cross-cultural growth. In global markets, leadership must engage with cultural complexity and empower the subsidiary units (Meyer and Peng, 2016). Ultimately, treating cultural differences as a secondary issue, rather than a core fundamental of international expansion that needs to be addressed, could constrain Hitachi's ability to become a truly global company. Until the firm embeds cultural responsiveness at the leadership and structural levels, its global potential will remain limited.

Conclusion

Hitachi's international expansion is impressive, but scale alone doesn't guarantee operational sustainability. As exhibited in this answer, its centralised and ethnocentric culture can create friction in decentralised, innovation-driven environments. At the same time, its cultural strengths, discipline, loyalty, and long-term thinking remain as strategic assets. These strengths need not be abandoned, rather, they must be adapted to the cultural demands of global markets. True global integration requires more than structural alignment, it also demands cultural flexibility. Thus, Hitachi needs to balance cultural continuity with local responsiveness as it will determine whether its global presence will translate into sustained competitive advantage.

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