

2023 Doctoral Dissertation (Abstract)

A Study on Building Competitive Advantages in Japanese and Chinese TCM (Traditional Chinese  
Medicine) Pharmaceutical Companies

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This research aims to critically analyze the development of competitive advantages within Chinese and Japanese Traditional Chinese Medicine (TCM) industries. Given the recent surge in interest and significant advancements in the TCM sector, along with the global success of Japanese TCM companies, this study focuses on understanding the distinctive dynamics of the Chinese and Japanese TCM industries compared to the Western pharmaceutical sector.

The study is propelled by two primary concerns: Firstly, despite extensive literature on Chinese and Japanese TCM, there's a noticeable gap in research highlighting the differences between these industries and the Western pharmaceutical domain. This study aims to delineate the market structures and unique characteristics of Chinese and Japanese TCM industries, emphasizing the contrast with the traditional Western medicine sector. Secondly, it recognizes the limitations of Teece's Dynamic Capabilities theory (DC), which mainly concentrates on short-cycle industries like IT, thus inadequately addressing of long-cycle industries. Hence, this research extends to a theoretical exploration of the dynamic capabilities of enterprises operating within long-cycle industries, such as TCM.

The research aspires to augment the existing academic knowledge base by addressing the scarcity of comparative studies between Chinese and Japanese TCM industries and the Western pharmaceutical domain. Furthermore, it critically examines the applicability of the Dynamic Capabilities theory in long-cycle industries, especially in the herbal medicine sector. A principal aim of this study is to investigate and articulate the dynamic capabilities inherent in long-cycle industry enterprises.

Employing an extensive literature review, empirical analysis, and grounded theory methodology, the paper is organized into three main sections: The first section reviews existing literature and theoretical frameworks; the second section provides an analysis of the Chinese and Japanese TCM industries, focusing on the primary competitive strategies of representative TCM companies. The third section offers a theoretical examination of the development of dynamic capabilities in these enterprises. Overall, the study encompasses ten comprehensive chapters, including an introductory and a conclusive section.

For the first research objective, industrial organization theory and Porter's Five Forces analysis are utilized to scrutinize the market structure of the TCM industries in China and Japan. This investigation reveals that, unlike Western pharmaceuticals, which typically adhere to short product cycles and belong to short-cycle industries, TCM products demonstrate longer product cycles, classifying them within long-cycle industries. A statistical analysis further establishes that the characteristics of the TCM industry markedly differ from those of the Western pharmaceutical industry, with new drug development not serving as a primary source of competitive advantage.

Concerning the second research objective, the study confronts the limitations of the DC theory through comprehensive case studies, leading to the development of a robust theoretical

framework. An in-depth examination of two prominent TCM pharmaceutical companies, Tsumura in Japan, and Tong Ren Tang in China, concludes that Teece's DC theory alone cannot fully account for the dynamic capabilities in long-cycle industries. Instead, a synthesis of Teece's dynamic capabilities and absorptive capacity emerges as a more comprehensive explanation. This leads to the concept of 'resilience capacity' as a crucial dynamic capability in long-cycle industries. For these enterprises, resilience capacity involves the continuous accumulation of VRIN resources and heightened responsiveness to external environmental changes, enabling them to effectively assimilate external shocks and maintain stable performance.

Considering the theoretical framework proposed, this research concludes that the competitive edge of TCM pharmaceutical companies is not adequately explained by DC theory alone. The key determinant is found in the resilience factor, encapsulated by the notion of resilience capacity. This study significantly contributes to the understanding of dynamic capabilities within long-cycle industries and enhances the scholarly dialogue surrounding traditional Chinese and Japanese TCM industries.

**Keywords** TCM Pharmaceutical Companies, Advantages, Resilience Capability