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The Shift from Globalization to Regionalization: Adapting Japanese Business Models for ASEAN and India

The world is undergoing a fundamental shift from globalization to regionalization, reshaping trade, supply chains, and corporate strategies. Driven by digital transformation and geopolitical tensions, businesses no longer need to think in global terms but must instead focus on regional opportunities and localized value creation.

In this evolving landscape, multinational corporations (MNCs) must rethink how they approach manufacturing, supply chain integration, and market strategy. Japanese companies need to transition from their historically vertically integrated models to more flexible, layered approaches suited for regionalized economies.

Key Drivers of Regionalization

Two major forces are accelerating the move toward regionalization. The first is the digital revolution, or what can be called the smartphone revolution in emerging markets. Today, nearly everyone has a powerful computing device in their hands, enabling new business models that were previously impossible. Digital platforms allow companies to localize services dynamically, adapting to the needs of regional consumers in real time.

The second key driver is global decoupling, caused by geopolitical tensions and economic realignments. Trade barriers, sanctions, and shifting regulatory environments have made it more difficult for companies to operate under a single, unified global strategy. Instead, businesses are adopting regionalized approaches, leveraging local champions such as CP Group in Thailand and Mahindra Group in India, as well as fast-growing unicorns that are reshaping local economies.

The Changing Nature of Manufacturing and Supply Chains

The digital revolution is also disrupting traditional manufacturing models, making vertical integration less relevant. The automotive industry offers a prime example. With the rise of electric vehicles (EVs), components have become increasingly modularized, reducing complexity in supply chains. Unlike traditional gasoline-powered vehicles, which require thousands of intricate parts, EVs rely on fewer, more standardized components.

This modularization has enabled startups and regional players to enter the market with specialized designs, sourcing components globally and focusing on assembly and service differentiation. At one point, China had over 500 EV manufacturers, illustrating how a shift away from vertically integrated models can foster greater innovation and competition.

For Japanese, European, and U.S. multinational companies, this shift requires a reassessment of how they structure their supply chains and operations. The old model—where companies designed a product centrally and exported it globally—is giving way to regional manufacturing ecosystems where businesses must tailor their offerings based on localized consumer demand and regulatory conditions.

Adapting to Regionalization: A New Approach for MNCs

As regionalization accelerates, MNCs must redefine how they position themselves in these new ecosystems. The key challenge is no longer just about producing the best products but about delivering localized services efficiently.

In the past, a company like Toyota could build a globally standardized car like the Corolla and sell it across multiple markets. Today, businesses must design services and customer experiences tailored to specific regional needs, which requires closer collaboration with local partners.

Japanese companies, in particular, need to shift away from value chain-based thinking and instead adopt a layered approach to market entry. In Southeast Asia, Japanese firms have traditionally built vertically integrated supply chains similar to their domestic models. However, this approach has not worked as effectively in India, where business conditions and consumer preferences differ significantly. Rather than replicating the Suzuki-Maruti model—which successfully built a localized automotive supply chain in India—new entrants must adopt more flexible business models, aligning themselves with regional market structures and emerging business layers.

ASEAN vs. India: Distinct Approaches for Regional Success

ASEAN has long operated as a regional economic bloc, where companies naturally adopt regional approaches to manufacturing and supply chains. India, however, has traditionally functioned as an independent market, but its role in the regionalization movement is now evolving.

For Japanese firms, ASEAN has historically been seen as an extension of their home market, allowing them to replicate Japan-style vertical integration across the region. India, in contrast, requires a fundamentally different strategy – Japanese companies entering India must move beyond value chain thinking and instead analyze which layers of the economy they should focus on. The competitive dynamics and consumer behaviors in India are distinct from ASEAN, requiring new business models, localized strategies, and stronger local partnerships.

Lessons from Suzuki and the Need for a New Strategy

Suzuki's success in India came from building a vertically integrated supply chain, establishing deep control over local production. While this model worked well for Suzuki, it is not necessarily replicable for other industries or new market entrants.

Traditional Japanese manufacturing firms are accustomed to deeply integrated supplier networks, where tier-one, tier-two, and tier-three suppliers exclusively serve a single OEM. However, in a regionalized economy, companies must instead determine which layer of the value chain they excel in and adapt accordingly.

For example, Japanese firms entering India today may find greater success by focusing on specific segments of a layered market rather than attempting to build and control an entire supply chain. The ability to identify core competencies—whether in manufacturing, software, or services—and integrate them into regional ecosystems will be critical for future success.

Navigating Geopolitical Tensions through Business Intelligence

Geopolitical tensions have become a dominant factor shaping business strategy. In the past, corporate leaders assumed that political changes had minimal impact on economic decision-making, but the events of recent years have shown that this assumption no longer holds.

For Japanese firms accustomed to fully integrated, self-controlled supply chains, adapting to geopolitical uncertainty requires two key shifts. First, companies must build robust business intelligence capabilities that go beyond simply tracking political events. They must actively analyze where global resources, talent, and supply chain opportunities exist.

For instance, a recent project analyzed global AI talent distribution and identified regions with emerging AI expertise that had not previously been considered strategic hubs. This type of intelligence gathering is essential for companies looking to navigate geopolitical risks while optimizing their operations globally.

Second, Japanese firms must embrace open innovation and collaborative supply chains rather than focusing solely on self-contained, vertically integrated networks. In a world of regionalized trade and shifting alliances, building strategic partnerships across multiple geographies will be key to reducing risk and maintaining resilience.

Conclusion: Rethinking Global Strategies for a Regionalized Future

The shift from globalization to regionalization is reshaping how companies operate across industries. Digital transformation and geopolitical realignments are making traditional value chain approaches obsolete, forcing companies to adopt more flexible, layered business models.

For Japanese, European, and U.S. firms, success in this new era will depend on their ability to localize services, adapt supply chains, and form strategic partnerships within regional economies. Companies must move beyond product standardization and instead focus on layered market strategies, identifying their core strengths and leveraging them in specific regional contexts.

The most successful firms will be those that combine digital intelligence, supply chain flexibility, and regional collaboration, positioning themselves as key players in the evolving global economic landscape.

At IGPI, we have extensive experience supporting multinational corporations in navigating the complexities of regionalization by optimizing supply chains and adapting business models to localized market needs. Our understanding of the interplay between digital transformation, geopolitical tensions, and regional market dynamics allows us to provide tailored strategies that enhance operational flexibility and resilience in a rapidly evolving global landscape.

To find out more about how IGPI Group can provide support for businesses, browse through our insight articles or get in contact with us.

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After joining Cap Gemini and Coca Cola, Kohki joined Revamp Corporation where he managed projects on global expansion and turnaround in various sectors including F&B, healthcare, retail, IT, etc. After joining IGPI, he has managed projects mainly on global expansion and cross border M&A in various sectors such as logistics, IT, telecom, retail, etc. In addition to his broad experience in implementing solutions that has been developed in Western countries, he has developed multiple methods to turnaround Asian companies with focus on setting clear vision and employee empowerment. Kohki has proven the practicality of these methods by turning around Asian companies not only as an advisor but also as senior management.

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