Keiretsu Economy – New Economy?

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**Japan's Multinational Enterprises from
a Postmodern Perspective**

Rainer Kensy

Foreword by Seiichi Mitani

palgrave

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Softcover reprint of the hardcover 1st edition 2001 978-0-333-92175-3

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First published 2001 by

PALGRAVE

Houndmills, Basingstoke, Hampshire RG21 6XS and

175 Fifth Avenue, New York, N.Y. 10010

Companies and representatives throughout the world

PALGRAVE is the new global academic imprint of
St. Martin's Press LLC Scholarly and Reference Division and
Palgrave Publishers Ltd (formerly Macmillan Press Ltd).

ISBN 978-1-349-42497-9 ISBN 978-0-333-98568-7 (eBook)

DOI 10.1057/9780333985687

This book is printed on paper suitable for recycling and
made from fully managed and sustained forest sources.

A catalogue record for this book is available
from the British Library

Library of Congress Cataloging-in-Publication Data
Kensy, Rainer

Keiretsu economy – new economy? : Japan's multinational enterprises
from a postmodern perspective / by Rainer Kensy.
p. cm.

Includes bibliographical references and index.

1. International business enterprises – Japan. 2. Japan – Foreign
economic relations. I. Title.

HD2907 .K44 2000

338.8'8952–dc 21

00–048295

10 9 8 7 6 5 4 3 2 1
10 09 08 07 06 05 04 03 02 01

Typeset in Great Britain by
Aarontype Limited, Easton, Bristol

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Foreword

Reading this comprehensive work on the strategies and special characteristics of Japanese firms was an extremely interesting and revealing experience. The perspective used by a young European to explain well-known Japanese facts is entirely new to me and has given me much to think about. Unusual combinations used in this book bring to light some fascinating perspectives, which for myself and my colleagues, not only in Japan but also in other places around the world, are extremely useful and valuable.

I consider it important that, for once, this book demonstrates undogmatically that Japan is not a strong, impregnable fortress but a country which has, by centuries of extremely hard work and perpetual improvement of the status quo, successfully transcended an evolutionary phase (and is just entering a new one), for which we should all be heartily grateful. The fragile nature of good fortune has been demonstrated to us and the world by the recent earthquakes, some volcano catastrophes and the current problems in our financial and corporate world.

Rainer Kensy uses many examples to demonstrate the importance of fully comprehending difficult situations, that American-style 'quick fixes' can never lead to a long-term result and that it is only a commitment to education and communication which can guarantee success. I hope that, for numerous other researchers of current affairs, as well as for many others who, in their positions of responsibility, have cause to contemplate the future of their companies, their markets and their workforce, this type of study will represent an exciting concept which will serve to stimulate new impetus. Hopefully, it will also help readers, who are not directly involved with Japan, to take on board the problems and solutions of Japanese companies and adapt them to achieve new and constantly higher levels of productivity, efficacy and values in all multinational companies, for the benefit of all the company's 'stakeholders': employees and their families, customers and consumers as well as shareholders and creditors.

New visions are necessary in an ever-more rapidly changing world, in which mutual understanding is often the resource in shortest supply. I am convinced that the questions which Dr Kensy attempts to answer in his study are among the most important of this decade, at the turn of the millennium. I hope the following pages will present a fascinating stimulus for debate and communication. I wish this book great success.

November 1999

SEIICHI MITANI
(former) Executive Director, Mitsubishi Bank, Tokyo

Preface

This whole book is but a drought – nay a draught of a draught.
Oh, Time, Strength, Cash, and Patience!

H. Melville, Letter to Duyckinck, p. x

‘Japan embracing the postmodern will be the role model for the New Economy’: a phrase combining three of the nowadays most-used catchwords. The importance of these terms, all of which conceal hegemonic claims and are surrounded by myths, is continually being extended in the economic and/or intellectual debate.

The myths surrounding Japan On the one hand, Zen, cherry blossoms, geishas and the Samurai; and, on the other, mass application of high-technology, just-in-time systems (or any other management gadget) and the provocation and intrusion presented by Japan’s economic might. We frequently fail to notice that these myths often adopt a Disney-like character and are frequently used to play down or distort, whilst being far removed from the core issues.

The myth surrounding the postmodern Debate about this term is often sophisticated and specialized and the current vogue is to categorize all kinds of phenomena as ‘postmodern’. Consequently, to the outsider, the term remains unclear in content and its existence and effect on everyday life uncertain.

The myth surrounding the New Economy It is hailed as the ultimate solution to all our worldly problems. For everything, from poverty to spiritual growth, Internet/New Economy/IT is the seemingly obvious answer. Yet, naïve proponents are walking on very thin ice as there are no theoretical foundations to be seen on which an architecture of concepts can be constructed; the revolution just happens to happen.

In this study, we attempt to counter the effects of this tendency to (unintentionally) create a mythology in these areas. Our aim is to demonstrate (a) that the description ‘postmodern’ can be usefully employed to investigate, from a totally different angle, the most important research topic around today, that is, the multinational companies; (b) to show that the New Economy is an emanation of the postmodern philosophy; and (c) that Japan is a most interesting contemporary puzzle as it combines (a) and (b).

This theme is both topical and explosive, due to the way in which it combines the two elements. Consequently, there is a perceived need to preoccupy ourselves urgently with this problem, which is documented by a flood of literature in ‘each specialist area’. Unfortunately, this literature consists mainly of monofactorial models – à la ‘Kaizen – the Secret of Japan’, ‘the Kata Faktor’,

'the MITI –Miracle' or 'Samurai Management'. But can we generate a new, broader way of looking at Japan's economy? Is there really any hope of combining two diffuse, apparently separate, phenomena to form a coherent 'explanation'? Is the only possible outcome an empty vacuum?

In order to prevent this approach degenerating into a multicoloured pot pourri, we have consistently set a number of focal points. In all thematic areas we have endeavoured to use *information processing*, *decision-making structures*, the *structure of the networks* and *historical genesis* as the guiding categories to get some discipline into the analysis. Even if we do not always manage completely to achieve our objectives in all areas, we have certainly been able to clarify two points:

Firstly, both definitions – Japan and the postmodern – must be seen as a challenge; and a failure to rise to this challenge would lead to long-term disadvantages. On the one hand, Japan's supremacy (whether it is intentional or unintentional, welcomed or resisted is open to question), not just in market and production sectors but also in cultural, social and normative spheres, is spreading unnoticed (some quarters of economic stagnation notwithstanding). On the other hand, the omnipresent disintegration of social structures, the compartmentalized nature of lifestyle elements and sub-elements, cultures and sub-cultures can no longer be understood other than by adopting a postmodern perspective, since hardly any alternative perspective is able to assimilate and interpret all of these contemporary phenomena. In fact, the widespread term 'New Economy' serves only as a denominator for the postmodern influence into the economic and business world.

Secondly, we should again point out that Japanese phenomena, whether they relate to the economy, the political or social arena or to culture and everyday life, must never be over-hastily interpreted one-dimensionally or ahistorically. Only a perspective which focuses on the whole and is capable of considering all aspects integratively (even those which seem far-fetched to the Western eye) can do justice to Japan and the Japanese.

During the research and preparation stages of this book, the author was dependent in many instances on a great deal of assistance from countless people. I should like, certainly not purely for formal reasons, to thank all those, including unnamed participants, for their support and for the forbearance occasionally demanded of them. In particular, I would like to thank Mrs Motoko Ezaki, Mr Edward Dodson (Credit Suisse, Tokyo) and Mr Ross A. Pollack (Cambridge Hewitt, Tokyo) for their participation in hours of debate over the enigmata of the Japanese economy, language and culture. I am especially grateful to Mr Seiichi Mitani (Executive Director, Mitsubishi Bank, Tokyo) for the friendly way in which he explained some of the background behind complex Japanese peculiarities. My thanks also go to Dr J. Timothy Cloyd (Vanderbilt University), Mr Timothy H. Dwight Sr (US Department of Agriculture) and, above all, to Prof. Tom Schneeweis (University of Massachusetts) for their 'American input'. In spite of all this assistance, I bear sole responsibility for any errors, omissions or lack of clarity.

Now having started to mention some, I must add to the list my wife for her unorthodox, candid and creative comments which were always welcomed, and Leo

Buchmann for the long debates on the radical changes in today's world, the incredible impact it will have on philosophy and the existential need for lateral thinking and cross-breeding ideas.

As my texts resemble more a thorny thicket than a crisp cricket field,¹ Anne Richner's help with the English version has been very valuable. Some of the literature were not used in their original editions but in the print available to me. In the dilemma between philological exactness and productivity, I have opted for the latter.² Also, quotations from German, French or Japanese were translated by me, and so all inaccuracies are mine. If an English-language edition is currently available, it is mentioned. To publish with Macmillan is a fascinating and extremely effective venture; needless to say that my thanks to Stephen Rutt and his team are not lip service as they provided the competent and, most importantly, patient help I so much needed.

Not to clutter the taxonomy, strategic alliances, partnerships and all forms of new internet business models are treated as subforms of networks, as some of these business models have not been proven to make sense nor to last. Similarly, emphasis has been placed on the postmodern side of the New Economy in order to better display the intellectual roots of this phenomenon, which is not at all only IT-related. The cursory reader can skip it, but should bear in mind that, generally speaking, the New Economy is a real-life projection of the abstract term postmodern.

Recent developments in Japan – the creation of the largest bank in the world by Mitsubishi; the reorganization of the financial world; the active revitalization of economic growth promoted by the state; the smooth handling of the – already forgotten – Kobe earthquake crisis; the struggle with recession and the current big 'sellout' of the Japanese car-makers – which have taken place during the writing of this book, can be perceived almost as associated case studies. Although they may often fail to make the headlines, Japan's momentous dynamics are still at work and unfettered, with the will and aim to create a strong Japanese platform in this wondrous New Economy. Following this (r)evolution will remain an exciting exercise. I hope the benign reader will analyse the current developments in Japan within the context of the arguments proposed in this book and feel that we are moving ahead in understanding our times and Japan.

Tokyo and Zurich, Spring 1996–Spring 2000

RAINER KENSY

Notes

- 1 Someone once said, that 'to read the footnotes is the most productive of all study'. As I subscribe to that academic version of 'no pains–no gains' I strongly encourage the reader to jog that extra mile for it may give him a clearer view on which foundations I have based my arguments while giving the interested reader some more avenues to explore should he want to dare further into the jungle.
- 2 But I have refrained myself from spraying URL's and links into the text as it is a book to read and to reflect upon rather than an excuse to rush to the computer.

List of Abbreviations

CAD	computer aided design
CAM	computer aided manufacturing
CIM	computer integrated manufacturing
CNN	Cable News Network
DKB	Daiichi Kangyo Bank
EPA	Economic Planning Agency (Japan)
ESOP	employee stock ownership plan
FAZ	<i>Frankfurter Allgemeine Zeitung</i> , Frankfurt
GATT	General Agreement on Tariffs and Trade
IBJ	Industrial Bank of Japan
IT	information technology
JIT	just in time
JTB	Japan Travel Bureau
LDP	Liberal Democratic Party (Japan)
ME	Mitsubishi Electric
MHI	Mitsubishi Heavy Industries
MIT	Massachusetts Institute of Technology
MITI	Ministry of International Trade and Industry (Japan)
MNE	multinational enterprise
MNC	multinational corporation
MoF	Ministry of Finance (Japan)
MTV	music television
NIE	newly-industrialized economies
NZZ	<i>Neue Züricher Zeitung</i> , Zurich
OAG	German East-Asiatic Society, Tokyo
OECD	Organization of Economic Cooperation and Development
R&D	research and development
RoI	return on investment
SCAP	Supreme Command of the Allied Powers (Japan)
TQC	total quality control