The Multinational in Japan—Looking Ahead

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Introduction

Japanese executives have reported that they consider far-sightedness an important attribute. As a matter of fact, they consider farsightedness necessary to good decision-making. (Furstenberg, 55)

Most people would probably agree that a "far-sighted" look ahead would show clearly that the international sector looms more important that ever before. There are many reasons for this increase in importance. First, communications and transportation improvements have undoubtedly helped to shrink the world: San Francisco is only an overnight trip from Tokyo. Second, there has been the development of the multinational concept over the past quarter century or so. Today Japan is, as are other nations, exposed to a myriad of international ventures: licensed operations, franchises, imports, joint ventures and wholly-owned subsidiaries. Third, nations have become more interdependent, especially since the energy crisis came upon them but also because of shortages of food, minerals and other resources as well.

Fourth, we have seen rapid changes in the international market scene. Foreign exchange rates surprised most people, even the
experts. Or, consider the potential impact of post-Mao China, or the impact of world-wide inflation or the new roles of Taiwan and Korea. Fifth, competitive positions have changed rather dramatically. Consider only the relative position of Japan today as compared to 1950. But consider also the nature of foreign competition in Japan today as compared to decades ago.

As one looks ahead and contemplates the future, he is forced to pause and think back over the years and to recall momentous events that took place, events that changed the course of international business. One must also think of present trends that have already demonstrated their tendencies and patterns over a recent period of time. Looking ahead is a humbling experience because we know it is impossible to see very far into the future. Still, there are some good reasons for at least peering ahead. The importance of the international sector has already been alluded to. There is planning to be done by the MNC, by the Japanese government and by all the competitors: they all need to have some idea about the future course of events.

The future of the MNC, as with the past or present, depends upon all those many events and trends that might be referred to as environmental—technology, economics, politics, social, cultural, international, etc. The management function of the MNC is greatly impacted by the environment. A new law may change a company’s product line. A fall in personal income may cause a company to go bankrupt. Dwindling resources may increase price. These are all examples of environmental influences. This can be depicted as in the accompanying diagram.

During 1978-79, the author taught at Doshisha University. While
there he conducted a study among 80 MNC executives in Japan.* One of the questions asked of the executives dealt with the future conditions of Japan. What did they think Japan would be like in another ten or years? Many of those comments will be reported in this paper. In addition, there will be other trends and events listed so as to include a larger and more encompassing picture.

Trends and Events that May Affect the Way a MNC Does Business in Japan in the Future

Global Events and Trends—The first list of trends and events that may help shape MNC activities are rather global in nature. That is, they are not specifically or uniquely applicable to Japan. They have been categorized into six groups but there is a high degree of interrelationship. These items may occur in different countries of the world. They focus one’s attention to the complexity, possible changes, interrelationships and possible magnitude of global changes.

* 34 Japanese, 24 American, 22 European managers.
Further, they provide some notion about the many "choices" that exist, the many "alternatives," (using the terminology of the futurists.) For example, we may suffer much more than at present because of energy shortages. OR, we may have a solar or a nuclear breakthrough that would eliminate much of the energy-caused anguish. We could have war OR we could have peace. Whatever the scenario, MNCs in Japan would be affected by all of the trends listed.

**“Global” Trends that Would Affect MNCs in Japan**

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Political/Legal</th>
<th>Technological</th>
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<tbody>
<tr>
<td>Shortage of natural resources occurs for many items</td>
<td>More government involvement in business</td>
<td>Communications continue to improve</td>
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<tr>
<td>Food shortages occur for some nations</td>
<td>More legal restraints on corporation</td>
<td>Transportation also improves</td>
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<tr>
<td>Pollution threatens the world</td>
<td>Increasing consumer activism</td>
<td>Communications overload occurs in many cases</td>
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<tr>
<td>New oil deposits being found in U.S. offshore, Mexico</td>
<td>Increasing nationalism</td>
<td>Increasing reliance on theoretical knowledge</td>
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<tr>
<td>OPEC continues but with internal strife</td>
<td>War and unrest in Mid-East</td>
<td>EFT systems gradually become accepted</td>
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<td>Countries undergo serious programs for recycling</td>
<td>Major powers finally agree on program to reduce arms</td>
<td>Low cost terminals for the home</td>
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<td>Priorities given to growing of food</td>
<td>U.N. and world increases concern over terrorism</td>
<td>Ocean minerals mined by new technology</td>
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<td>Major discoveries made on ocean floor</td>
<td>New management of fish permits increase of fish population</td>
<td>R &amp; D expenditures increase in the major countries</td>
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<td>U.N. able to enforce pollution rules</td>
<td>Slower economic growth throughout</td>
<td>World-wide depression with high unemployment</td>
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<tr>
<td>Inflation becomes institutionalized</td>
<td>Inflation becomes institutionalized</td>
<td>Foreign exchange rates fluctuate</td>
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<tr>
<td>Investment in plant lags</td>
<td>Credit buying slows down</td>
<td>International prices for raw materials a big problem</td>
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<tr>
<td>Productivity growth slowed down</td>
<td>Services expand vis a vis goods</td>
<td>Korea, Taiwan, Singapore, Hong Kong become economic threats</td>
</tr>
<tr>
<td>Cartelization in world increases</td>
<td>Business ideology changes</td>
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</table>
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Social/Cultural
- Trend to voluntary simplicity
- Changing life styles
- Decline in fertility rates
- Changing values
- Rejection of economic growth
- Increasing consumer education
- Changing role of women
- Increase in leisure time
- Changing role of family
- Changing age composition of pop.
- Instant gratification replaces saving as a value
- Uncertainty becomes a factor with behavior
- Rising expectations for less developed
- Less confidence in governments
- Increasing attention to health care
- Concept of equality wide-spread
- Decline in work ethic
- Increased longevity
- Genetic engineering becomes practicable
- Work week shortened

International
- Increasing international trade
- MNCs continue to grow in number and size
- Rich-Poor gap increases in world
- North American Common Market attempted
- Some nations repudiate their debts
- Protectionism expands in many nations
- U. N. gradually sets up rules for MNCs
- Price stabilization for some commodities
- U. S. restricts foreign investments
- State controlled businesses increase in number
- More international barter agreements
- International military markets become scrutinized by U. N.
- International financial system undergoes further changes

Perhaps it looks like a lot of work to examine each of the above trends, but this is what ought to be done. Each and every trend or event should be examined with its impact on one’s particular MNC kept in mind. There are both positive and negative factors, but few that don’t have some affect on the MNC. Certainly it is an understatement to say that the MNC of tomorrow must be ready to deal with changing conditions!

Japanese Events and Trends—Let us now turn to those events and trends that are more uniquely Japanese. That is not to say that the above listed events could not happen in Japan. But, the following are more specifically Japanese in nature. Again, these environmental forces act as independent variables affecting the dependent management variables.

First, however, let us examine some Japanese executives’ comments about Japan’s future. These comments were made to a U. S.
International Relations: "The close and friendly relations which Japan and the United States have developed over the past three decades will, I am confident, continue to deepen through the foreseeable future." Kiichi Miyazawa, Minister for Foreign Affairs.

Economic Growth: "I believe the Japanese economy in the next ten years will achieve a growth rate equal to or even higher than that of any other advanced nation." Toshio Nakamura, President, The Mitsubishi Bank, Ltd.

LDCs: "...Japan's industries are the only ones in the world capable of supplying the less developed countries with what they need to build their national economies." Kisaburo Ikeura, President, The Industrial Bank of Japan, Ltd.

Fiscal Policy: "...Fiscal policies will be managed in the future in favor of greater welfare for individuals." Takashi Yokota, President, The Dai-Ichi Kangyo Bank, Ltd.

Business, Government, Labor: "I presume there will be no fundamental change in the relationships among the three parties (business, labor and government) even in the future." Gakuji Moriya, President, Mitsubishi Heavy Industries, Ltd.

Workers: "They (people) are asking for—and receiving more leisure time, which shows how demands change as the needs of society change. As far as worker loyalty is concerned, I don't detect any substantial change in worker attitudes." Koji Kobayashi, Chairman, Nippon Electric Co., Ltd.

Energy Exports: "I don't see any rapid acceleration toward nuclear energy." and "I don't believe there will be any sharp fall off in the competitiveness of Japanese products in overseas markets in the future, regardless of price trends." Hisashi Tsuda, Chairman, Sumitomo Shoji Kaisha, Ltd.

Society: "A corporation cannot exist without full cooperation with the society surrounding it, including consumers..."
and employees. Profit should be regarded as the result—not the goal—of corporate efforts.” Masharu Matsushita, President, Matsushita Electric Industrial Co., Ltd.

Values

“There has been no change in the basic character of Japanese people, particularly regarding their will to work. If there was, we would see it in our plants and our factories. But there is no evidence that this is the case.” Keizo Tamaki, Chairman, Tokyo Shibaura Electric Co.

Government

“The biggest challenge (facing Japanese capitalism) will be the threat of increased government intervention in the economy that may upset the past balance of the free-enterprise system...there is a growing feeling in the world that the system must be modified to meet the new needs and changing priorities of society...It will take time, but gradually Japan will move to the left. It will probably take the form of a coalition type of government that will adopt a policy of modified capitalism. But it will mark the end of a business era as we now know it...we can’t stand isolated from world trends.” Hisashi Shinto, President, Ishikawajima Harima Heavy Industries Co., Ltd.

Ideology

“Competition may be tightly regulated. Profit margins might be predetermined. Markets might be strictly allocated among companies...”

Controls

“Yes, we will gradually lose our distinctiveness. Little by little, those traits that have made us so different from other people...will fade away and we will become more and more like the rest of the world.” Hisashi Shinto

Personal Traits

“International cooperation is becoming the rule of international intercourse and will be further reinforced in the years to come.” Kiichiro Kitaura, President, The Nomura Securities Co., Ltd.

The above quotations were taken from a special Fortune anniver-
sary section in 1976. The feeling seemed to be that the high rate of growth was over but that Japan would do as well as any nation. There was not a consensus on the matter of changing values. Neither was there complete agreement on the amount of change generally to expect in Japan. There was an expression of interdependence with the world, not isolation.

These astute observations by top Japanese executives provide some ideas about the future, at least as they saw it in 1976. Each one of the quotations bear significantly on the foreign MNC in Japan. Working conditions, the role of government, workers' attitudes, and the role of the corporation are all factors with which the MNC must be aware. These kinds of statements are most useful to the MNC as it plans ahead for the next decade.

Second, during the MNC research by the author, we asked the executives how Japan might be different in the near future. Their comments have been categorized and edited as shown in the accompanying table. Of course there was not consensus on many of the expectations:

**Political**—The future role of government in Japan is and will be important to the MNC operating there. Most of the managers expected the Japanese government barriers to be gradually diminished over time. There was a concern about U. S. trade restrictions because it was felt the U. S. restrictions would generate negative Japanese feeling toward U. S. MNCs. The MNC managers in Japan have seen some liberalization over the years, they anticipate more, but they look forward to the continuance of a strong bureaucracy.

**Social**—the MNC managers see a trend toward Western styles. Some see an end of lifetime employment systems, more females in
the work force, changes in the status of women, and more Japanese accepting jobs with foreign corporations. These would all be changes that would substantially affect the MNC in Japan. The trends may mean that there would be more Japanese managers available

**Future Trends in Japan**

(With Frequency of Mention)

**Political**

7—Less government regulation of business
3—Bureaucracy will remain
1—More democracy
1—More government regulation of foreign entry
1—More government regulation of foreign business
1—Close Japan-USA relations

**Social**

9—More trending toward western style
5—End of lifetime employment system
4—No changes expected
3—More young in workforce
2—More Japanese accepting jobs with foreign corps
2—Higher education in labor force
1—More females in workforce
1—Way women are perceived
1—Bigger welfare system
1—Decentralization of population and industry
1—More retired people

**Economic**

3—Slower
2—Better consumer lifestyle
1—Liberalization of currency
1—Stronger labor unions
1—Energy problem
1—More tertiary business—advertising, banking, insurance
Environmental
2—Worsening energy situation
2—More Japanese social responsibility by MNC
1—Offshore expansion
1—Continued reliance on foreign resources

International
5—More travel by Japanese
4—More involvement of MNCs in Japan and vice versa
2—Closer ties to Asia
2—Fewer exports
2—Management more international
1—Fewer imports from USA
1—Less discrimination towards foreigners
1—More export of know how
1—Change of strategy for Japanese MNC
1—Strong ties with less developed nations
1—Less westernization

Marketing
2—Better distribution system
2—Greater competition of MNCs
1—No change
1—Eating habits changing—fast foods
1—More sophistication in marketing
1—More logical pricing system

Management
4—More Japanese management of joint ventures
3—More social responsibility
2—No change
1—Unions easier to deal with
1—More specialized
1—Less westernization of management ideas
1—More service emphasis
1—Easier to build a Japanese management team
Technology

3—Less reliance on foreign technology
3—More knowledge industries
1—Less emphasis on technology, more on human element
1—Improved communications

to the Western MNC. Changes in values, changes in attitudes and outlooks on the part of the people will change the positioning of the MNC in Japan. If the population does adopt more and more Western customs, the MNC is positively affected. The change in the status of women, especially in the corporation, certainly could help the MNC.

On the other hand there are possibilities for change that would make things a bit more difficult for the MNC. For example, if people become more and more concerned about pollution, the quality of life, the status of minorities, and their own life styles, there could be dissatisfactions which could make things more disagreeable than they are today.

The climate for change is different now than it was a century or even a quarter century ago. Communications and transportation have made the other side of the world readily available. More people are coming to Japan and more Japanese are going abroad. MNCs have factories and there are franchised units of Holiday Inns, McDonalds and Baskin-Robbins. The MNC must anticipate change and its people should study and monitor the Japanese culture so as to understand where the change is taking place. Younger people are travelling a good deal, the age structure is changing, the distribution of population is changing and so there is inevitable change. But there are those who remain steadfast in their beliefs that chang-
es in Japan are really surface changes and that down deep there is little change.

**Economic**—The MNC managers see a slower economic growth in the future than in the past and this is a universal phenomenon. They also see more money being spent by consumers to maintain a better lifestyle. The competitiveness of the nation is expected to remain. Some see a restructuring of the economic system of Japan and this, of course, would force many changes on the MNC. Perhaps MNCs will even acquire some Japanese corporations.

**Environmental**—Managers see continued energy and resource shortages in Japan. This has impacts on manufacturing decisions, particularly. It can raise the prices of articles, affecting the market scene.

Included in this section were comments about social responsibility. There was the feeling expressed that MNCs would have to be more conscious of their social responsibilities in the future. Perhaps this coincides with international bribery cases and with domestic concerns about the same issues.

**International**—For the most part the managers looked ahead to an increased amount of internationalization in Japan. More travel, more involvement with MNCs in Japan and more Japanese MNCs abroad were some of the comments. The people have always been export-minded and in that sense international-minded, but the recent flurry of foreign exchange rates, the export drive of the U.S., the possible protectionism of the U.S., and the heavy travel by Japanese all contribute toward a more international understanding or awareness.

Some Japanese are concerned about the “island mentality” that
they think exists. This author believes that there will continue to be a steady increase in the international-mindedness of the Japanese.

**Marketing**—The changes that managers foresee seem rather minor. They expect changes in products and they expect changes in eating habits. They hope for improvements in the distribution system. They expect continued competition in the market place. But few really important changes were mentioned. Of course the changes in population, life styles and values would be reflected in the various markets of the MNC.

**Management**—The biggest single item was that more Japanese would manage the joint ventures. MNC managers have seen steady improvement in Japanese management and now they can foresee more involvement by the Japanese in the MNC operation. The point was also made that it would be easier to build a Japanese management team in the future. Some of the trends already mentioned would contribute toward this.

**Technology**—The MNC managers expect the Japanese to rely less on foreign technology in the future and to stress knowledge industries more. Technological trends, of course, affect MMC business, markets, R & D, etc. The cooperative efforts between government and business will enable the Japanese corporations to direct their efforts toward the knowledge industries. More self-reliance, less reliance on foreign technology, obviously has important implications for MNC management.

**Summary**

It is relatively easy to identify some trends and possible events.
But it is difficult to know how they will impact on the MMCs in Japan. It would be useful to know more about them:

— the underlying causes of the trends;
— the apparent stability of the trends;
— how long the trends will last;
— what developments might alter them;
— how they will interact with other trends.

The person who looks ahead may appear foolish: after all, how can he understand the impact of change when it occurs with rapidity? In 1970, how many managers were planning for an energy crisis? How many were predicting the very substantial swings in balances of trade? Yet, even with the difficulties of prediction, even with the impossibilities of predicting change, the MNC management should consider the possible changes in Japan that may alter the course of their MNC located there.

One approach would be to first identify the critical events and trends in Japan. Second, consider the external or global factors that may impact. Third, examine the possible effects of both the internal and external events on the MNC in Japan. Fourth, develop broad and flexible contingency plans. This at least helps to avoid devastating surprises.

Another way to look at the future would be to ask what will impact on the various management functions of the future.

To this writer, it would appear that the foreign MNC in Japan will probably not be in for any big surprises during the next 10-15 years. Some trends are already identified and gradual adjustments are being made. The MNC would be helped by changes in lifetime employment, the seniority system and the negative attitude toward
foreign corporations on the part of workers. The stability of the
country, its government, its culture and its economy would also be
positive. The possible diminution of government control over for-
eign companies would clearly be positive.

The negative factors are the slower economic growth and the pre-
carious energy situation. The slower economic growth is almost
universal and so one has to look at Japan in a relative sense and
relatively one would expect good performance. Thus, the internal
forces within Japan point to a brighter future for the foreign MNC
in Japan. The external forces that are more global in nature, are
also more negative.

This writer's conclusion is that Japan will continue to be a good
place to invest for the foreign MNC and it will continue to be a
good market place for many western goods and services.
Bibliography

