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Perspective on Management and Geography

The Japanese MNEs' Hybrid Factories in the Global Economy – A Management Geography Approach

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Introduction

Research Purpose

- To evaluate the global overall situation of "Japanese hybrid factories.

Outline

1. Theoretical framework of the JMNESG management geography approach
 1. Differences in the socio-cultural and geographic-historical context
2. Typology of the Hybrid factory by region
 1. Divergence or convergence – different hybrid approaches
3. Strategic implications for global manufacturing management
 1. Transfer of Japanese management to various local management environments

A conceptual overview of management geography

Figure 1 Conceptual Figure of Management Geography



Importance of location

Location is:

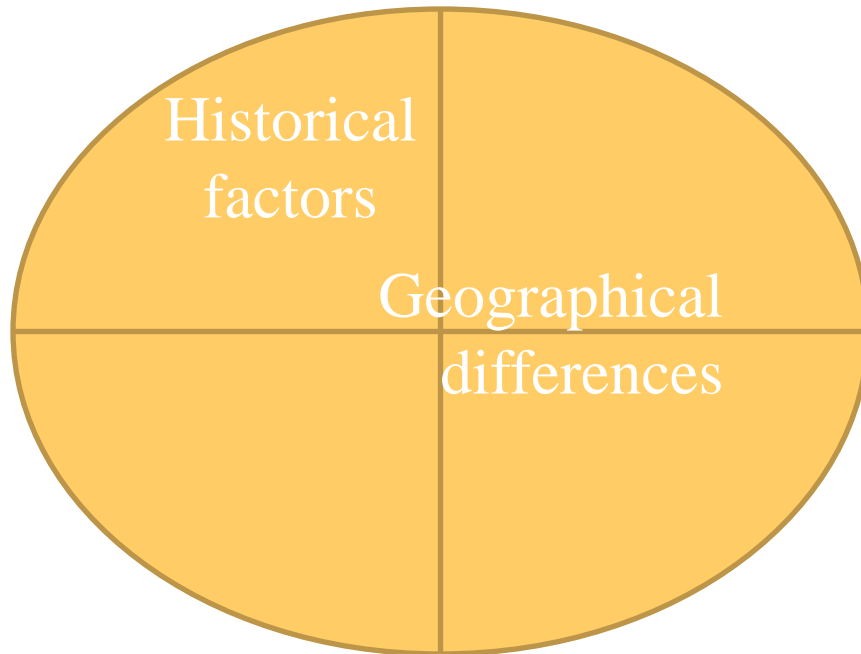
1. a basic determinant with strong influence on socio- cultural aspects in the differences in topography, natural resources, constitutions of people etc.
2. a crucial determinant of various business models

Location includes:

1. Influences of the natures of organizations
2. influences of the business models.
3. integration and synthesis of locational **and** socio-cultural factors.

Two most essential factors

- Historical changes are the main factors that determine the differences in social and economic situations!



Organization theory

as represented by Coase [1937] Williamson [1975]

Approach to qualify the surface application of market fundamentalist theory the necessary precondition for micro-level corporate management to exist. An internal transaction within a firm--save costs compared with external market transaction costs between firms. But it does not clarify the qualitative differences between the corporate organization systems stemming from the socio-cultural backgrounds these organizations locate.

My critique: Organization theory

- cannot adequately explain such variation of forms of organizational administration, corporate governance, management system, and so on, from country to country;
- needs to be complemented with culture-oriented management theories taking into account knowledge and methodology of geography.

Table 1 Three Types of Market, Organization and Business Model in Three Major Regions

	USA (UK)	Japan (East Asia)	Continental Europe
Principal	Fundamentalism	Cooperative	Regulative
Characteristics nature of market	external market	Internal market-orientation in firms	Internal market-orientation in community
Nature of Organization	Rule and law based administration	Group-based administration	Social regulation-based administration
Corporate governance	Owners' control	Employees' control	Owner-employees' joint control
management system	Rigid demarcation, individual based division of labor	Flexible demarcation, worksite-oriented all members involvement	Regulation-based demarcation, specialist-led division of labor

International comparison of hybrid factories

- An analytical framework for MNEs: “application-adaptation model” based on the relationship between management styles and their geographical backgrounds
- **“Japanese hybrid factories”**: Overseas factories of Japanese companies which adopt a combination of elements from Japanese production systems and local systems

Methods of evaluation: The greater the transfer of Japanese elements, the more a Japanese competitive edge is introduced.

“Application – adaptation evaluation method”

- a) Application: Transfer of elements of Japanese systems in local areas
- b) Adaptation: Modification of the Japanese system by adopting local elements

Application-Adaptation Evaluation Method

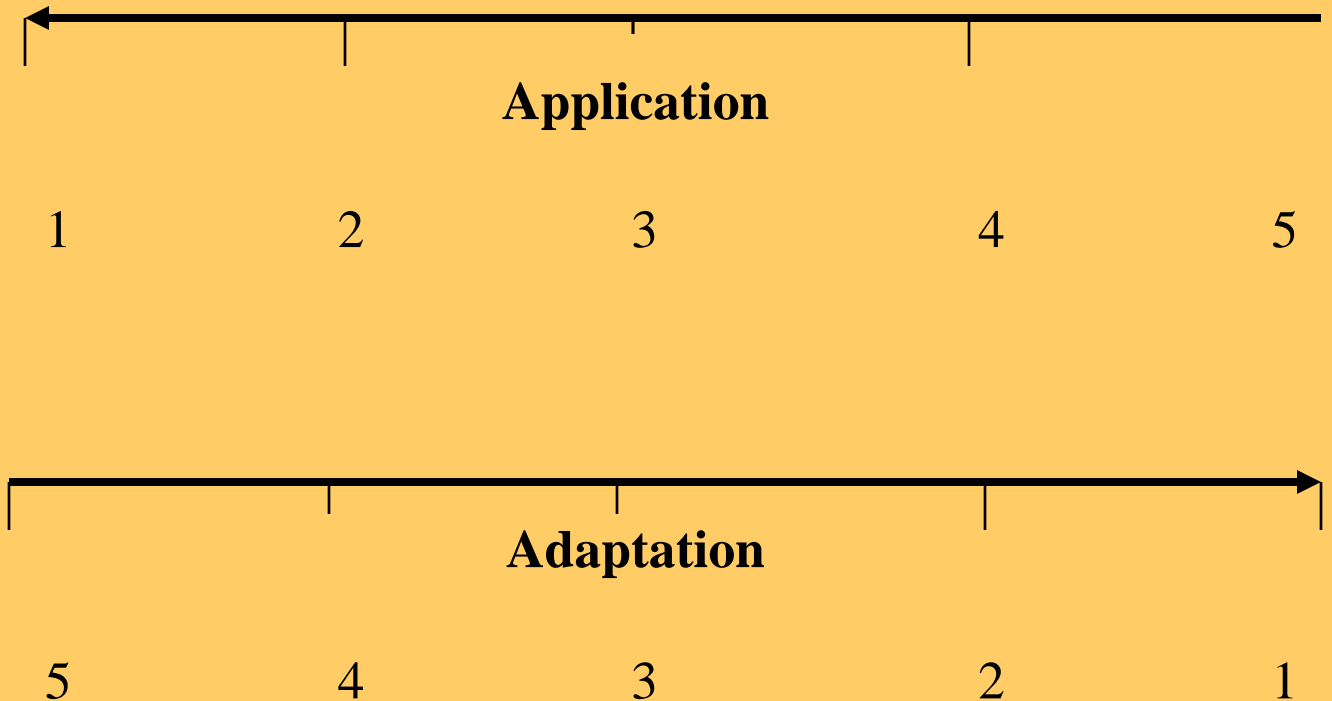
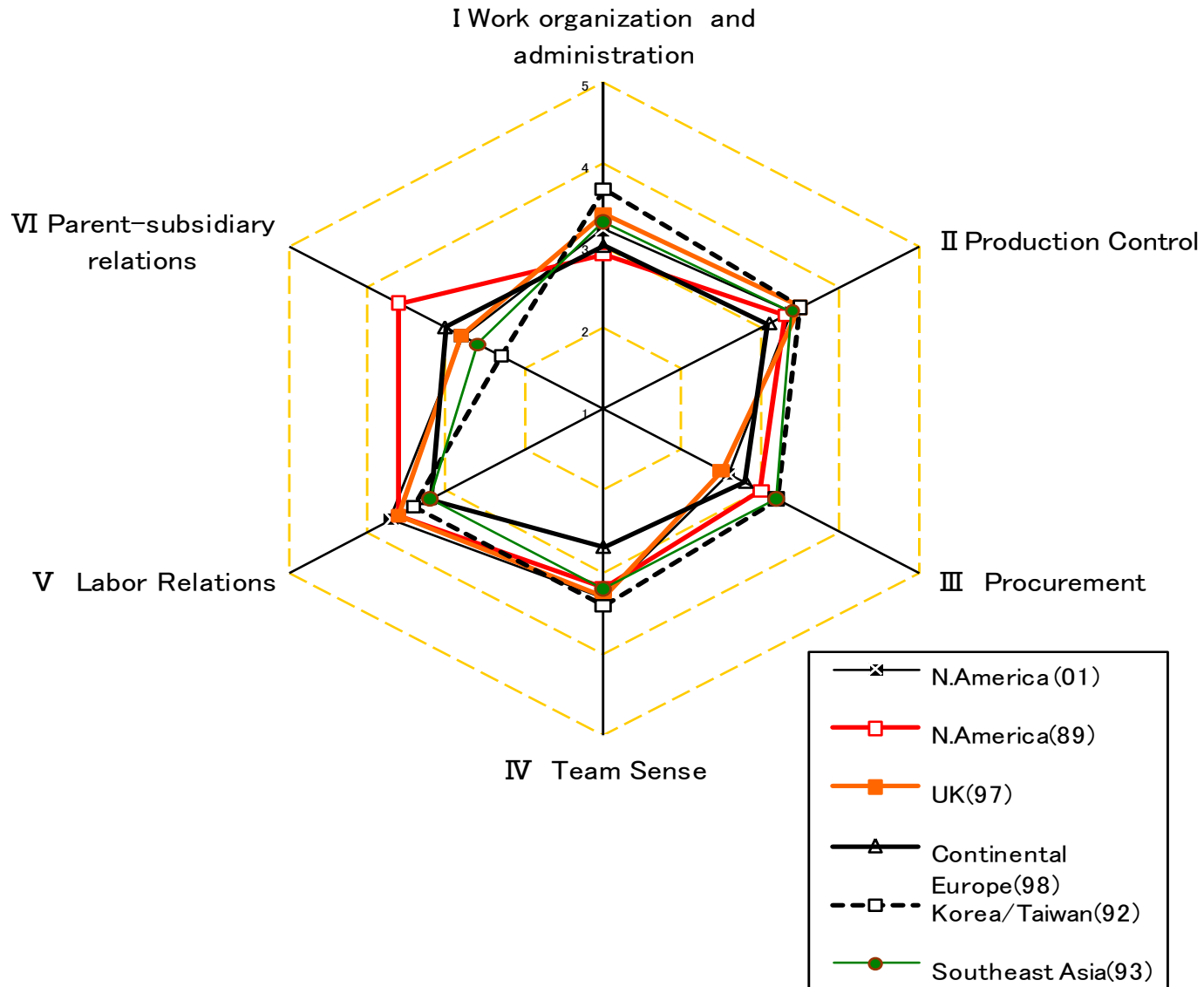


Figure 3 Comparison of Japanese Hybrid Plants in the World
6 Group



Different patterns observed:

- North America and Continental Europe
vs.
- South Korea, Taiwan and Britain
 - Organization/Administration
 - Parent/Subsidiary relations
 - Drastic changes in 2000-2001 among hybrid factories in North America

Divergence?!

- It has become apparent that each business management system has a certain range of organizational cultural traits that are unique to the country or region.
 - It is inevitable for the Japanese system, with strong traits, to be substantially transformed or modified.

Perspective of Management Geography

Our results infer that in going two distinctive directions (either divergence or convergence) two major factors remain important:

1. Local management environment and corporate strategy;
2. Market conditions such as production costs and scale of sales.

Divergence and Convergence of Japanese Hybrid Factories Worldwide

Divergence: determined by differences in the managerial environment; a factor that influences “adaptation”

The differences are two-fold:

- a) the degree of difference from the original Japanese system depends on the socio-cultural distance from Japan. Japanese plants in the United States and, to a certain extent, Continental Western European countries, may require far greater adjustments than their counterparts in the East Asian region.
- b) the number of variation patterns relates to the scope of Japanese subsidiaries' expansion overseas, since the managerial environment differs to some extent in each country or region. The broader the geographical scope, the greater the number of variation patterns.

Convergence: Towards an “East Asian pattern”?!

- Heavy emphasis on, compared to the conventional “American” or “Fordist” system, the traditional craftsman system of Continental Europe
- Human-related elements emphasized by maintaining flexible and group-oriented organizational structures and administration systems
- Process-oriented engineering techniques in production control
- Long term-oriented relationships between end-product producers and associated parts and components suppliers similar to but not identical with the original Japanese-style system
- A possible global model that retains some of the essential core elements of the competitive advantages of the JMPS.

Figure 4 Hybrid Factories in Seven Major Regions 23 Items

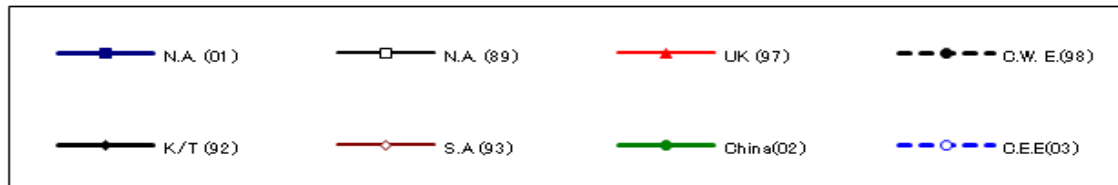
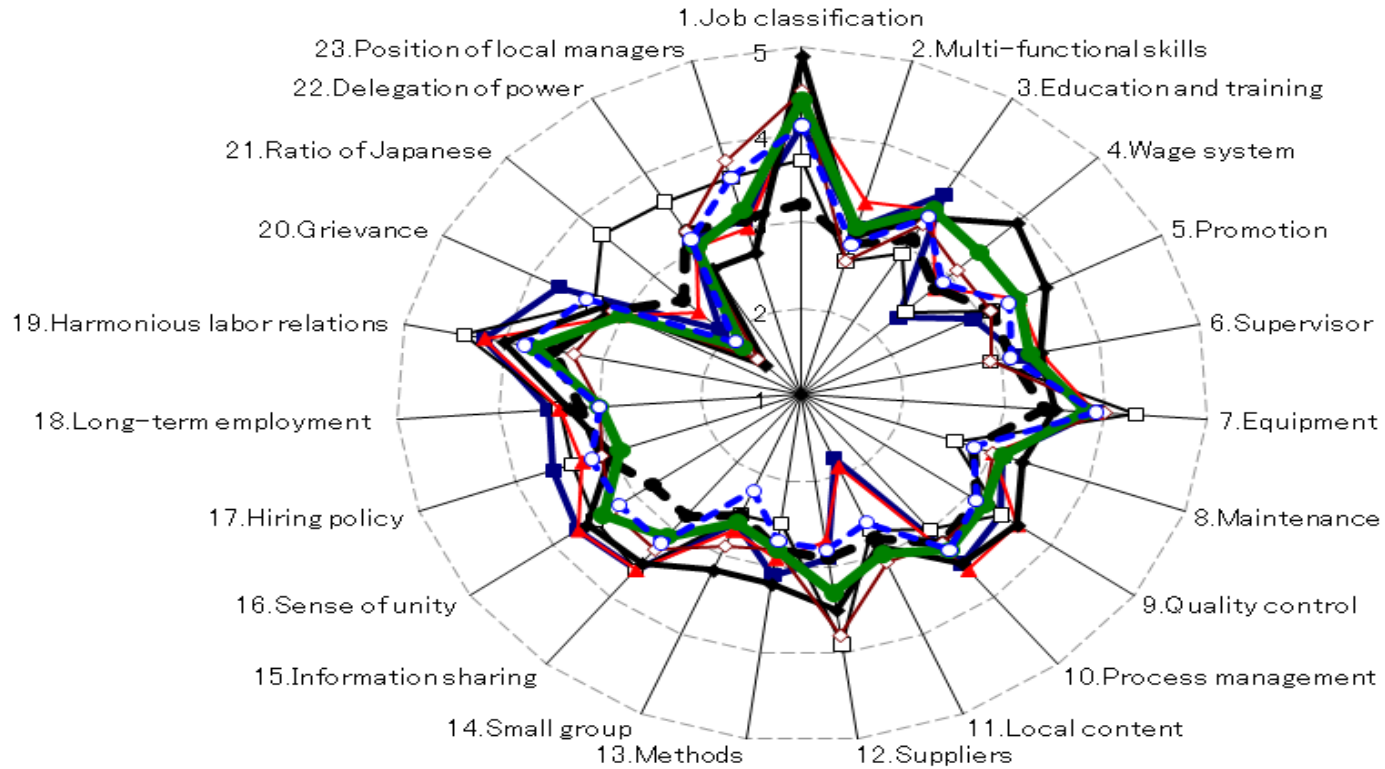


Figure 5 Hybrid Factories in Three Major Regions Six Groups

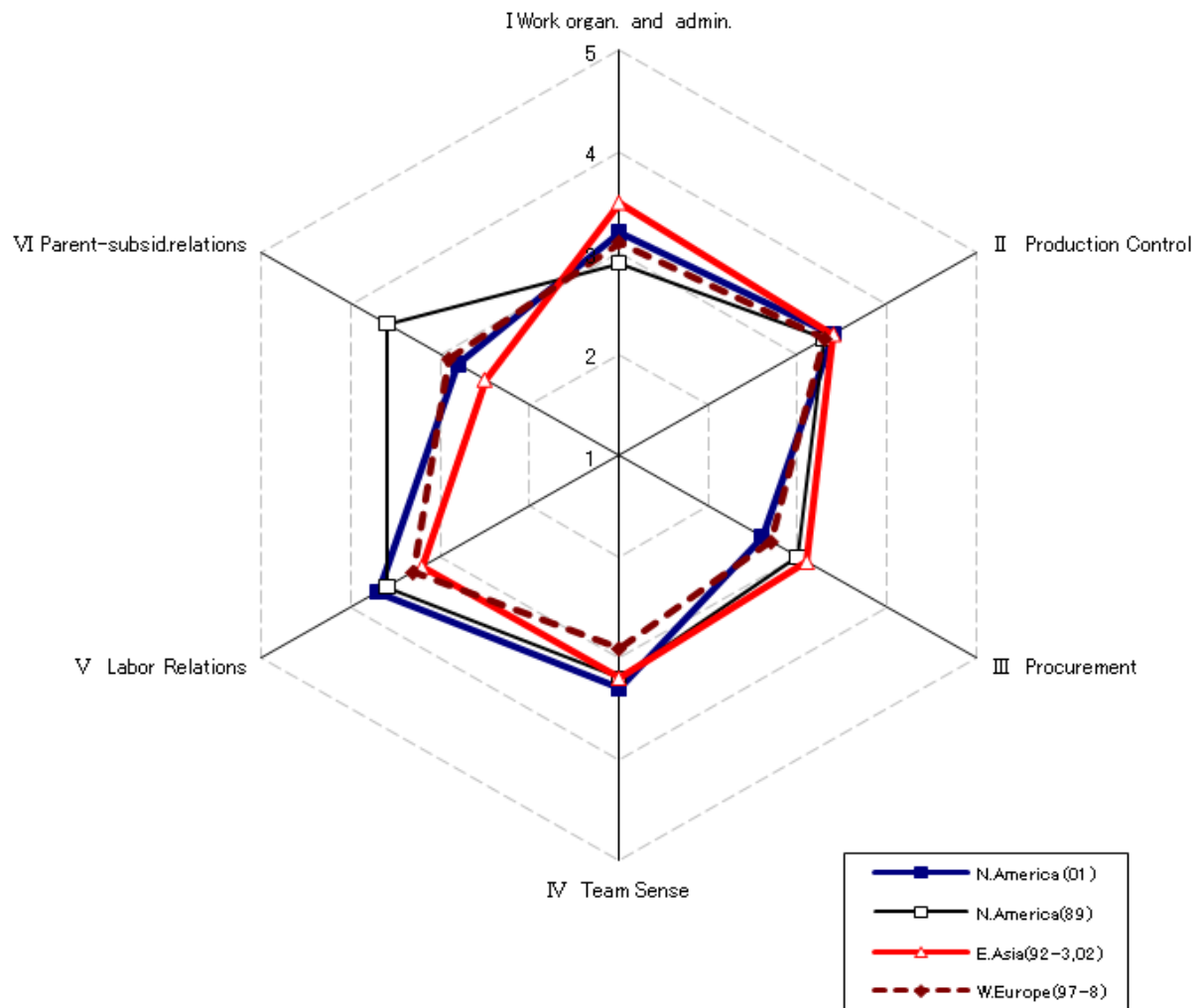
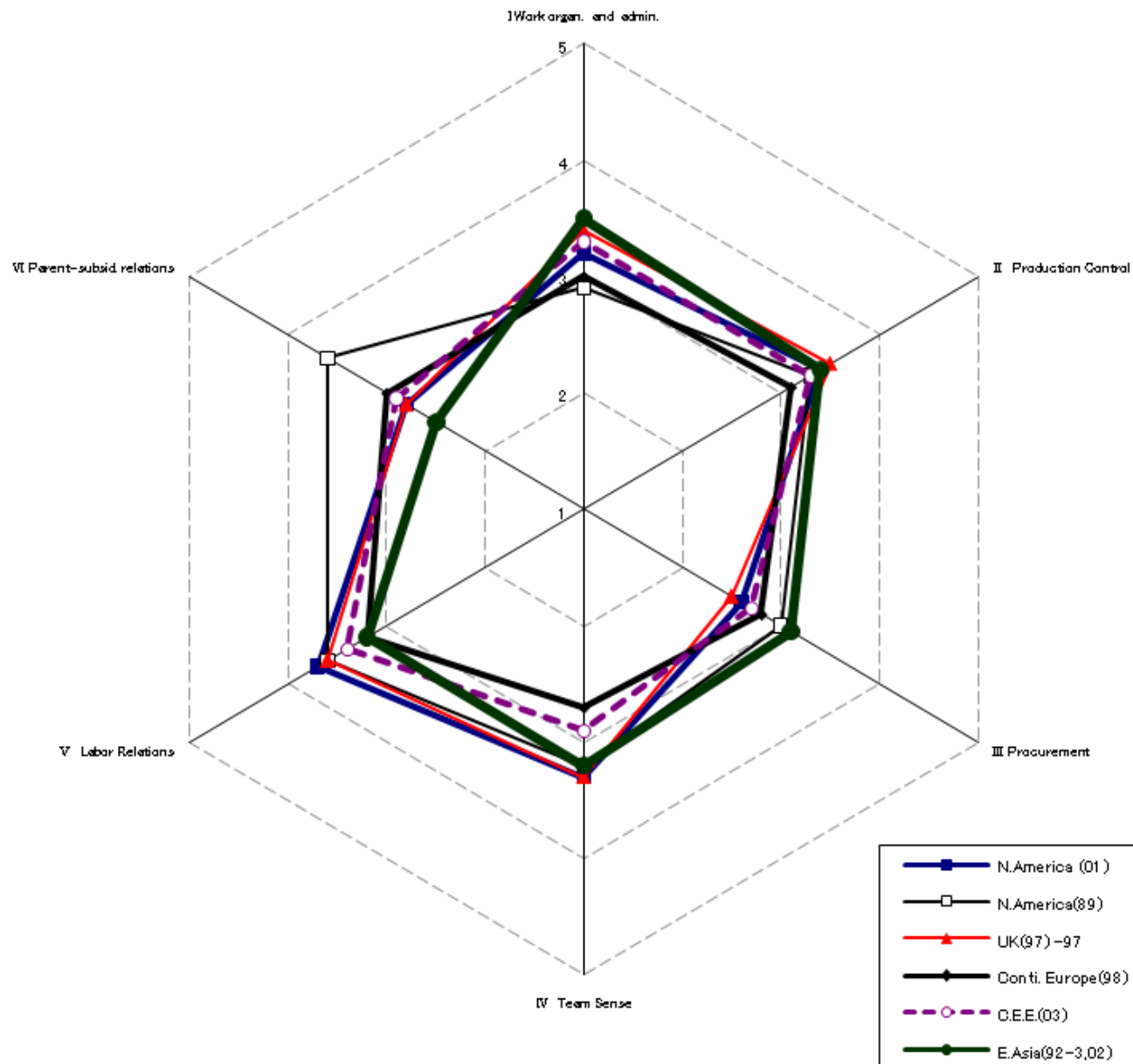


Figure 6 Hybrid Factories in N. America(89,01),UK,Conti. W. Europe, C. and E. Europe and E.Asia Six Groups



Towards a common “East Asian pattern”?

Convergence should be welcomed by Japanese companies but ...

- 1) The “affinity” for Japanese systems remains critical in East Asian countries with socio-cultural background familiar to Japan.
- 2) The strategic responses by Japanese companies to local market and business conditions are sometimes quite decisive.
 - 1) Typically, Japanese automobile makers in the US and Canada have made great investments to compensate for the application gap in exchange for the scale merits of large market size.

The Implications of global divergence and convergence for Japanese hybrid factories

- a) Diverging trends impacting the space of the business activities of Japanese or Asian firms is expanding immensely in terms of depth and spread;
- b) Converging trends, clearly seen among Japanese and other foreign companies, have been amassing the techniques and know-how of foreign management in the globalization era as seen in the spread of some popular methods of Japanese production systems such as Toyota production system (TPS) or “lean production”.

“Mismatching”

1. What is the major issue now with Japanese management and production systems?
2. How to resolve “mismatching”?
 - Japanese management leaders need to learn to be more flexible in choosing their market segments according the sorts of market, having different criteria regarding the level of quality and price from market to market.
 - In “theoretical speculation” we can imagine a “rational” way of thinking but actually it would be desperately difficult to do it.
 - This issue is closely connected to “brand image strategy” and brand is composed of **quality** for most Japanese manufacturing companies.

Toyota, a typical case

Toyota has had serious problems of quality defects such as accelerator pedals as well as business performances.

Reasons :

1. Toyota may have tried to have different criteria according to its markets
2. Lower level of quality of parts in the US market, compared with in Japan (customers price vs. quality orientation)
3. Busier in its sales and production activities, or training of human resources (according to the JMNESG's research observations carried out in 2000-01, see Kawamura [forthcoming]).

Despite Toyota's quality defect problem they will continue to use the central ideas of TPS.

Conclusion

- The “East Asian pattern” is recommendable in the sense that it can function practically in a foreign environment as an international or global model for Japanese hybrid factories. It can smoothen the global spread of the Japanese model. This global spread of an “East Asian pattern” can be called the process of overcoming or qualifying the difference in managerial environments stemming from geographical-cultural variety in company strategies or from globalization of markets. In other words, it is in the process of converging, to a certain extent, in which divergence in Japanese production system is reflected in East Asian type hybrid factories.