

The Threat of Japanese Multinationals

—How the West Can Respond—

By Lawrence G. Franko
Published by John Wiley & Sons
1983, New York
148 pages; \$21.95

In view of the rapid increase in Japanese direct overseas investment, Dr. Lawrence Franko asks some basic questions about whether or not Western multinationals must adopt Japanese management, with a Western spirit, to survive. He answers that the Japanese multinationals are not invincible. Choices for Western multinationals still exist. Many of them have not succumbed to Japan or to Japonic.

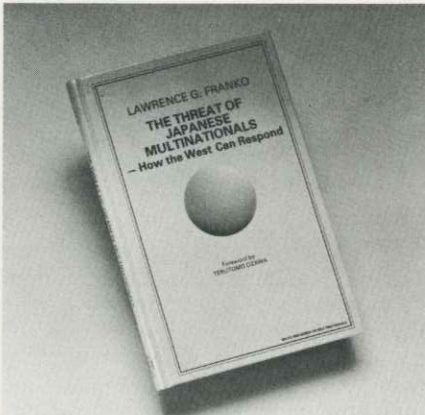
Dr. Franko's book is unique because his discussion of the international competitive strength of Japanese multinationals is based on his work in three important locations: the United States, where he was born and educated; Europe, where he taught extensively; and Japan, where he visits frequently to exchange ideas and do research. This author's comparative analysis produced many interesting results because it was undertaken in this three-dimensional perspective. He has also successfully avoided a mistake often committed by experts who base their analyses exclusively on the American, European, or Japanese experience—the mistake of involving themselves emotionally and otherwise in favor of or against the system they study.

Taking an objective stance in his trilateral comparison, Dr. Franko dispels some stereotyped views about Japanese management style and practices. He says that Japanese management is different not because Japanese are different but because Japan's geographical and resource endowments are different.

Because of the intrinsic nature of Japanese market demand, the Japanese produce goods which are small, fuel- and material-efficient, and pollution-free. They are standardized, mass-produced, and well-suited to a continuous production process. But they are more hardware- than software- or service-oriented. These features give Japanese goods a wide appeal in Japan's domestic market, and this appeal has then spread to markets elsewhere, making Japanese goods unbeatable. In the meantime, Japanese management has shown an ability to match this market appeal by drawing

upon the unique characteristics of Japan's human resource base, as well as to achieve the world's lowest unit costs by taking advantage of the opportunities for scale offered by the vast and homogeneous home market. In addition, Dr. Franko points out, a direct relationship in Japan between the corporation's financial performance and bonuses extends right down to the shop floor, so that motivation, rewards, and punishments are more strongly linked to financial results in the Japanese management system than are wage and salary contracts in the West.

Dr. Franko contrasts the Japanese way of going multinational with the American and European ways. The Japanese first learned how to become multinational within the world's third largest market (Japan) by acquiring the necessary experience and technology from tie-ups with foreign multinational partners. Only later did they begin to apply these lessons abroad in the way most suitable for them—operating in labor-cheap less developed and newly developing countries (LDCs and NICs), to produce standardized products for sale in developed countries, while at the same time encouraging technology transfer and the development of export-oriented industries in the LDCs and NICs. By contrast, the primary aim of the American and European multinationals in the LDCs and NICs has been to obtain cheap



supply sourcing. They failed to motivate the dynamic growth of the LDC and NIC markets. According to the author, the Japanese multinationals clearly had a creative advantage in being late starters.

Dr. Franko undertakes case studies in several industries to show what it is that the Japanese have done to become successful and what it is that Western firms facing Japanese competition have done. In the TV industry, for example, European producers have chosen to clean up shop at home and to adapt to the competitive challenge of Japan and NICs through rationalizing their European operations rather than looking for LDC investment sites. American firms have moved their operations offshore, primarily to the low-cost LDCs. Only the Japanese coupled

their offshore resiting of production facilities, to produce standardized products using NICs as export platforms, with strong and growing R&D efforts at home.

What should Western multinationals do? Dr. Franko says that Western firms can learn from their predecessors' mistakes and avoid making life easier for their Japanese competitors. Western multinationals must step up their R&D. They must broaden their strategic time horizons to become freer from their obsession with short-term financial results. They also need to broaden their spatial, product and market-segment horizons. As positive options for Western multinationals, the author encourages them to become better informed about Japan, to sell and produce in Japan, and to develop links with Japanese while relying on their Western market and cultural advantages. At the same time, the author points out the need for Western multinationals to develop a broad program of political risk insurance and a competitive rather than a protective policy.

It is true that Japanese multinationals have had advantages in starting late while developing a lot of characteristics unique to themselves. But now many enterprises from the NICs are trying to catch up with Japanese multinationals. As Japanese multinationals change their position from one of "catching up" to one of "being caught up with," the lessons which Dr. Franko sets forth in his book for the benefit of American and European multinationals may also be of practical significance for Japanese multinationals themselves.

Noritake Kobayashi
Professor
Graduate School of Business
Administration, Keio University

Public Administration In Japan

Edited by Kiyooki Tsuji
Published by University of Tokyo Press
1984, Tokyo
271 pages; ¥3,000

You may know that the great majority of the bills approved each year in the Japanese Diet were originally proposed by the Cabinet rather than by individual Dietmembers. But do you know the process by which the Cabinet drafts its proposed bills? For foreigners, this is no longer a merely academic question. With the growing interdependence of the world economy and accompanying trade frictions, foreign governments and foreign business groups are paying increasing attention to Japanese legislation, and even lobbying for or against it. Knowing who consults whom in the legislative

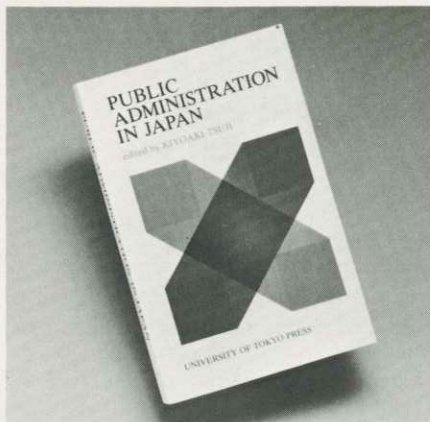
drafting process, and according to what timetable, is useful information.

Likewise, it is useful for foreigners who deal with Japanese government officials to have some idea of Japanese government personnel policies. It may be useful for foreign diplomats with economic/commercial responsibilities, who are looking for the secret of Japanese industrial policy or for subsidies to countervail against, to have an overview of the Japanese budgetary system. And it should be useful for foreign diplomats with political responsibilities to understand the background of one of Japan's most important domestic political issues, administrative reform.

These topics are all covered in the new book *Public Administration in Japan*, edited by Professor Kiyooki Tsuji of International Christian University and published by the University of Tokyo Press.

The seventeen essays in the book were originally prepared for distribution at the Round Table Conference of the International Institute of Administrative Sciences, held in Tokyo in September 1982. The year and a half of editing since then have produced a volume that is polished and readable in English. Moreover, the book has an overall coherence that is rather surprising considering the wide range of topics covered and the different authors involved.

Nine of the chapters are written by the



government agencies concerned. These chapters are, as one would expect, accurate but not critical. Seven chapters are written by professors and lecturers at Tokyo-area universities; these chapters provide a critical balance. And one chapter—perhaps the most outspoken chapter in the book—is written by a politician, the vice-governor of the Tokyo Metropolitan government, who makes a plea for reform of Japan's revenue-sharing system.

Some of the chapters are useful civics lessons for the ordinary foreign resident of Japan. For example, do you know about the administrative counselors under the Administrative Management Agency? These domestic ombudsmen (not to be

confused with the Office of the Trade Ombudsman, which handles allegations of trade barriers) annually process approximately 200,000 citizens' complaints. Americans in particular may be interested in the references to movements for a freedom of information law, for an administrative procedure law, and for a law protecting the privacy of personal data in computerized data bases, all of which are apparently based on similar movements in the United States. And taxpayers of any nationality should be interested in the book's description of the methods Japan has used to control the growth of public expenditures, particularly through staff number control.

Public Administration in Japan should be ranked as a basic English language source book about Japan and should be a useful addition to any library interested in Japanese affairs. For the reasons mentioned above, it is particularly recommended reading for foreign diplomats in Tokyo, but foreign businesspersons, journalists, lawyers, accountants, and scholars, as well as ordinary foreign residents of Japan, may also find parts of the book useful.

Robert McLroy
Lecturer
Faculty of Law
Sophia University

Taste of Tokyo

Lapin

Gourmand Tokyo, the Japanese-language guidebook on French restaurants in Tokyo, is widely read these days by people who love good food. The book follows the Michelin formula of ranking restaurants with stars.

Gourmand Tokyo gives three stars, its highest honor, to just three restaurants—De Roanne, Maxim's de Paris and L'écrin. One of the reasons it gives for selecting them is that they excel in atmosphere and decor. I wonder if this is really so.

Frankly, I can only think that the guidebook was compiled by someone wholly unsuited for the task. Its misguided standards are most disturbing. The tableware, carpeting and interior decor of Maxim's and L'écrin may be first class, but their basement locations are a fatal defect. One of the qualifications for a first class restaurant is that it have a good view. If it were in Paris, wouldn't a firstclass restaurant overlook the Seine, or present a view of Notre-Dame, or have a garden full of green-

ery? Granted that may be too much to expect in a city like Tokyo where land is scarce and exorbitantly expensive, I still cannot agree that a cellar restaurant rates three stars. Moreover, though their prices are high, the taste is not so different from what you can get at other restaurants. These rankings seem very misleading.

Now, Lapin, the restaurant I wish to introduce here, is a place where you can really relax and enjoy French cuisine. Mr. Seiichi Kato, the proprietor, studied French cooking for seven years under Mr. Nobuo Murakami, chef de cuisine at the Imperial Hotel, and opened Lapin in 1979. His motto is to offer ordinary people the menu of a top-class hotel restaurant at low prices.

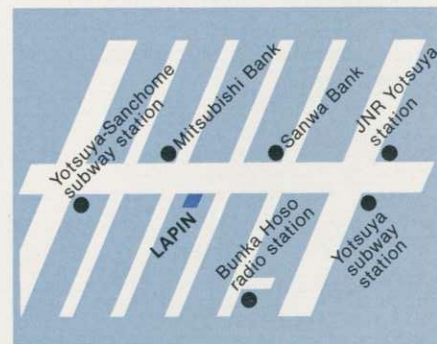
Mr. Kato named his restaurant *Lapin* (rabbit) because he was born in the year of the rabbit under the traditional Japanese zodiac system. Lapin is on a second floor. Framed at the entrance are Mr. Murakami's dictums on the essence of cuisine. The interior decor is simple, and the restaurant is just the right size, seating 32 guests.

Noontime clientele are overwhelmingly young women, who are drawn by the low lunch menu prices. *Table d'hôte* prices range from ¥2,000 to ¥6,000, with the ¥4,000 Course C being most popular.

Some of the delicious Lapin dishes are:

<i>Escargots</i>	¥1,300
<i>Gratin de fruits de mer au crêpe</i>	¥1,000
<i>Tournedos au poivre</i>	¥3,200
<i>Ragoût de veau</i>	¥1,800
<i>Coquille St. Jacques marinée</i>	¥1,300
<i>Sauté coquille St. Jacques provençale</i>	¥1,600
<i>Ris de veau</i>	¥2,400
Wine decanter: Japanese wine	¥600-1,100
French wine	¥2,500

(Yoshimichi Hori, editor-in-chief)



Business hours: 11:30-14:30;
16:30-21:30

Closed on Sundays and national holidays

Address: 2-14-9 Yotsuya, Shinjuku-ku,
Tokyo

Tel: 03 (358) 0656-7