Asian business groups

Business

This topic deserves our special attention on Asian business groups because they are closely identified with the region's industrialisation and subsequent economic growth. They are well known by various names, such as Korea's Chaebol, China's Qiye Jituan, and especially Japan's Kereitsu that we will explain according to its impact within inter-firm structure and also discuss why it is no longer the case that the keiretsus are a source of competitive advantage. We have firstly to know that the keiretsu has played a pivotal role in the economic success in Japan and it has already been mentioned that the state supported the former of cartels as one element of industrial policy.

Following this idea, in order to achieve economic growth, Japan also actively supported the re-formation of industrial groups from parts of the Zaibatsu, as well as the diversification into several news areas of the economy, such as inter firm-structure. To have a well-defined cohesion in our plan, we going to explain, firstly and briefly, the precedence of industrial financial change and the beginning of Japan's keiretsu, secondly the keiretsu inter-firm governance and structure, finally the case of keiretsus' problems as source of competitive advantage.

Keiretsu has a long history. During the decades leading up to Japan wartime economy, the Zaibatsu, a group of firm played an important role of Japanese economy. This group bank helped to raise capital that was used in expansion projects. In others words, generally during this period, banks consolidated, increasing the power of Zaibatsu related to banks. After post- war II, seriously damaged by the effects of the war, Japan tried to set out to establish its industries while the occupation forces endeavoured to abolish the Zaibatsu organisational structure in an attempt to undermine the strong conglomerate networks that controlled the Japanese industrial enterprise.

In this time, the concept of “ harmonious” work environments wasn’t present as worker dissatisfaction; however the successful adaptation of Western practices and improvements in working conditions would later be perfected and used effectively to compete with the west-providing Japan with an eventual competitive edge. Despite the eradication of the strong Zaibatsu system, post World War II industrial collaboration continued, connecting the government, companies and banks by means of the more modern keiretsu version of industrial group collaboration.

In fact, it is this system that is presently the subject of reform in the wake of the recent Asian Financial Crisis of 1997. We have to note that recent economic crises have led Japan to restructure industry and financial practices without forgetting lessons from the past. This is the reason why this interaction between organizational practices and the economicenvironmentprovides a significant situation in which to consider emergent.

Noting that the Japanese firm use the competition approach that suggests the Japanese system of more flexible constraints on agency costs and distorted distinct between shareholders and it represents an essential source of Japan competitive advantage. Lincoln and Gerbach (2004: 15) define japans business groups as “ clusters of independently, managed firms, maintaining close and stable business ties, cemented by governance mechanisms such as presidents’ councils, partial cross-ownerships and interlocking directorates’. In an effort to capture the fundamental nature of Japanese inter-firm, some scholars distinguish two basic forms of Japan’s keiretsu. The first one is the conglomerate or horizontal Keiretsu, centred on a main bank or holding company such as Mitsui, Sanwa or Fuyor.

The second form is the quasi-vertically integrated, by meaning “ Giant companies “ or kaisha that focus upon two or three core industries; this form also includes corporations such as Toyota and Toshiba. Shimotoni (1997) further distinguishes between corporate complex, corporate groups and subcontract system; each is arranged hierarchically and tied together by equity, debts links, interlocking directorates, dispatched personnel and current contracting relationships. Unfortunately, the problem with those forms is that they don’t adequately capture the full extent of their complex structure.

Obviously, inter-firm vary in the degree to which they are linked by debt, equity, managerial exchanges and trading relationships and the extent to which these links are reciprocated. In holding several affiliations and nominally independent firms, the cohesions of inter-firm may tend to ebb and flow, strengthens and weakens over time in response to markets opportunities. Consequently, relations governance tends to be more reciprocally interdependent and less hierarchical than those found in other Asian Business Group. To illustrate this governance, the following scheme explains these interactions among the big six inter-market groups.

We can see Mitsui and Toyota are characterised as the classic horizontal and vertical keiretsu. However, while possessed of much autonomy, Toyota is historically linked with Mitsui, Nissen is linked with Fuyo most of Toyota's group affiliates, such as Hino and Nippon Denso, deal with Toyota's main banks, Mitsui and Tokai. Because the extent and strength of debt, equity and trading linkages between firms vary so greatly, some affiliate firms are closely linked with their main bank and business partners and densely and centrally situated within a particular complex or group, while more peripherally-linked affiliates endeavour to preserve their autonomy. v