

1 Cross-cultural management in global business: A Japanese perspective

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Abstract

Cross cultural management has been gaining importance in India following globalization. A Japanese perspective on cross-cultural management would be relevant for examining the strategy of India's companies for future development in a global market. For the examination of issues related to cross-cultural management of Japan's industries, we need to distinguish between the type of industry which led the world market and later on became the global standard, and the type of industry which failed to succeed. This paper deals with the issues related to globalization of Japan's food industry, critically examines the weak points of the industry, and suggest some important aspects for future development.

Key Words: Cross cultural management, Globalisation, Japanese industries, Food industry.

Introduction

An understanding of cross cultural management has been getting more important and essential for both sides of outflow and inflow of investment across the border in globalization. The in-out and out-in direction of investment across the border is not fixed among countries. For example, the direction of direct investment or merchandise export is varied by type of goods or industry even between the two countries and it can further be changeable according to the

development of each country and changes in the world markets. In this respect, I hope that a Japanese perspective on cross-cultural management would be relevant for examining the strategy of India's companies for future development in a global market.

For the examination of issues related to cross-cultural management of Japan's industries, we need to distinguish between the type of industry which led the world market and later on became the global standard, and the type of industry which did not succeed. The typical example of the former is the auto industry. After the World War II, Japan achieved to occupy the domestic market with the domestic production under tariff protection by the 1960s. In this process of catching up, production control technology such as the Toyota's "just-in-time", "automation", "total quality control", etc. were introduced. The oil crisis of 1973, which worked as a turning point for Japanese car industry, brought about the technological innovation towards low cost, low fuel consumption, and high quality Japanese cars which became more competitive and widely appreciated in the world markets. This gradual process of internationalization of Japanese cars took place as a result of effective cooperation between the government and the car producers. The particular feature of this internationalization, from the viewpoint of cross-cultural management, was that the Japanese standard

in the domestic market had formed as the global standard in the world market.

Japan's food industry is definitely at the opposite end of the scale positioned by the auto industry. The most important difference was that Japan's food industry had developed based on the domestic market in Japan, while the auto industry heavily depended on the overseas market. Although there were some trials by a few Japan's Food companies to advance into overseas markets since the 1960s, they could not develop on a large scale mainly because their poor ability of cross-cultural management hampered their development. Since food culture is conservative and strongly dependent on the regional tastes, high ability of cross-cultural management is necessary to enter into the local food market. The Japanese standard of food products, which has been formed and improved by competition amongst the domestic producers in the domestic market of Japan, rather worked as a hindrance in the global market.

This paper deals with the issues related to globalization of Japan's food industry, critically examine the weak points of the industry, and suggest some important aspects for future development.

Methodology:

This paper uses secondary data and analyzes the Japanese food industry from 1980-2010. Data on key parameters such as population and the size of domestic market, and the characteristic of the domestic food market are analyzed over the stated time frame.

Results & Analysis:

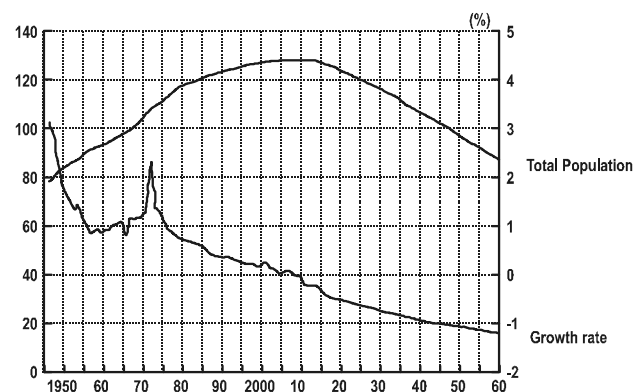
1. Trend of the domestic market

(1) Population and the size of domestic market

The population of Japan is 127 million in 2013. It has started decreasing since 2004, and it is projected that the population will be less

than 100 million in the mid-2040s as shown in Fig. 1. In the meantime, as the trend of a declining birth rate and ageing population accelerates the dependency ratio of population increases. Accordingly, as shown in Fig.2, the per capita per day energy intake has been decreasing since the 1980s, and has become 1849 kcal in 2010. With this, the national total calories consumed also decreased from 255 million kcal in 1995 to 235 million kcal in 2010.

Fig.1: Total Population and its Growth Rate in Japan (1947-2060) Million

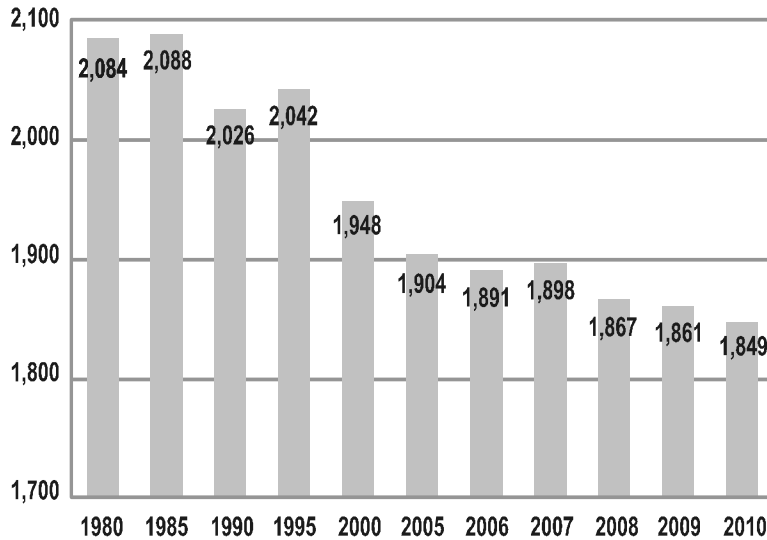


(Source) Arai (2012: 16)

The domestic production of food industry has been declining since the second half of the 1990s preceding the decrease in population partly due to the influence of recession after the collapse of the 'bubble' economy. It seems that this trend continues in the future as shown in **Fig. 3**.

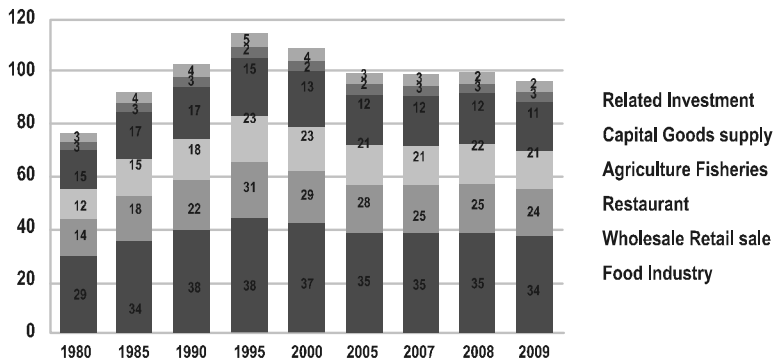
Since the size of population is positively correlated with the size of domestic food market in Japan, it is imperative for the food industry of Japan that has depended solely on the domestic market to change their strategy drastically for survival and for making a contribution to the world with their distinct food products.

Fig.2: Per Capita Per Day Energy Intake (1980-2010) (kcal)



(Source) MAFF (2012:2)

Fig.3: GDO by Type of Food Related Industries (1980-2009) (trillion yen)



Source) MAFF (2012:11)

(2) The characteristic of the domestic food market

The total amount of the food related domestic market annually is about 80 trillion yen, which is consisted of fresh foods, processed foods and dining out, each sharing 20%, 50% and 30% respectively. Although a food related market has grown along with the rapid development of food service industry during the 1970s and 1980s, the market size has not grown much and in fact reached saturation after the collapse of the 'bubble' economy in the early 1990s.

The basic features of Japan's food industry based on the study of Mizuho Bank can be summarized as follows: (1)it is not a capital-intensive industry, (2)it is a diversified industry with less merit of a scale, (3) it does not face any new-entry threat from

overseas, (4)it does not foresee a drastic change of financial conditions due to stable demands, and (5)the progress of industry reorganization is behind because there are many owner-managed companies and there is little Mergers and Acquisitions(M&A) among the domestic food companies (Mizuho Bank 2010b: 58).

2. Position in the world market

(1)Advancement of Japan's food companies to the world market

As shown in **Table 1**, the top 50 food companies are mostly from advanced countries, of which

12 companies are from Europe, 10 companies are from the USA and 14 companies are from Japan. Although the number of Japan's companies in the list is not small, they are not listed in the top group. For example, in the top ten companies only Kirin Holding is listed from Japan on the tenth position. The top ranked companies in Japan are occupied by beverage manufacturers, such as Kirin, Suntory, and Asahi, followed by Ajinomoto and Meiji holding of food companies. Japan's major food companies are relatively small in scale when compared with European and the USA's major food companies.

One reason is that Japan's major food companies are specialized only in certain segments, while European and the USA's major food companies are diversified food companies (Nestle, Kraft Foods, Danone and Kellogg).

Table 1: ROA and Foreign Sales Ratio of the Top 50 Food Companies Ranked by Sales (2010)

rank	Europe	Return on Assets (%)	Foreign Sales Ratio (%)	rank	USA	Return on Assets (%)	Foreign Sales Ratio (%)	rank	Japan	Return on Assets (%)	Foreign Sales Ratio (%)
1	Nestle (Switzerland)	15	71	2	ADM	2	48	10	Kirin Brewery	7	26
7	ABI (Belgium)	29	86	3	Pepsi Co.	15	42	13	Suntory	8	20
11	Heineken (Holland)	16	42	4	Kraft Foods	12	54	15	Asahi Breweries	6	6
12	Danone (France)	14	48	5	Coca Cola	22	55	20	Ajinomoto	6	33
14	SAB Miller (UK)	18	84	8	Tyson Foods	4	Less than 10	21	Meiji Holdings	3	5
16	ABF (UK)	9	30	9	Mars	N.A.	N.A.	25	Nippon Meat	3	8
18	Diageo (UK)	29	73	17	Bunge	2	76	28	Yamazaki Baking	3	Less than 10
26	Friesland dCampina (Holland)	5	41	19	General Mills	18	25	33	Maruha Nichiro	2	11
29	Carlsberg (Denmark)	15	14	22	Kellogg	15	33	40	Morinaga Milk	3	3
32	Pemod Ricard (France)	26	65	23	Dean Foods	4	Less than 10	43	Nippon Suisan	2	23
34	Arla Foods (Denmark)	4	28	24	ConAgra Foods	12	6	46	Kewpie	4	Less than 10
41	Kerry Group (Ireland)	9	40	27	Monsanto	21		47	Itoham Foods	1	Less than 10
				31	H.J. heinz	12	60	48	Niehirei	4	Less than 10
				35	Sara Lee	7	45	49	Nissin Seifun	5	5
				36	Hormel Foods	11	Less than 10				
				38	Campbell Soup	18	47				
				39	Dole Food	3	58				
				42	The Hershey Co.	17	Less than 10				
				45	Dr. Pepper	17	Less than 10				
	average	17		average		12		average		4	

(Source) Tojo (2013:3)

Most of the higher ranked food manufacturers in the world today were established in the late 19th or in the first half of the 20th century, and thus have the long history of corporate activity. As shown in **Table 2**, Nestle was founded in 1866 and Coca-Cola in 1886. The establishment of beverage manufacturers, such as Sapporo, Asahi, and Suntory was in the second half of the 19th century, and Ajinomoto and Meiji were also established in the beginning of the 20th century in

Table 2: Chronology of Major Food Companies (Year of Establishment)

Year	European and American Food Companies	Japanese Food Companies
1865	Carquill was established (Major grain company, USA)	
1866	General Mills was established (USA) Nestle was established (Switzerland)	
1869	H.J. Heinz was established (USA)	
1876		The predecessor of Sapporo Brewery was established
1879		The predecessor of Nippon Seifun was established
1886	The Coca-Cola Co. was established (USA)	
1889		The predecessor of Asahi Breweries was established
1894	The Harshey Co., was established (USA)	
1895		Nippon Seiseito was established
1899		The predecessor of Suntory was established The predecessor of Morniaga Milk was established
1901	Quaker Oater Oats Company (Merged with Pepsi Co. Later, USA)	
1902	ADM was established (USA)	
1903	Kraft Foods was established (USA)	
1906	Kellogg was established (USA)	
1907		The Predecessor of Ajinomoto was established
1913		The predecessor of House Foods was established
1916		The predecessor of Meiji Holdings was established
1919	Danone was established (France)	

(Source) Tojo (2013:5)

Japan. In the long history of corporate activity of those companies, war also played a big role on spreading their products internationally.

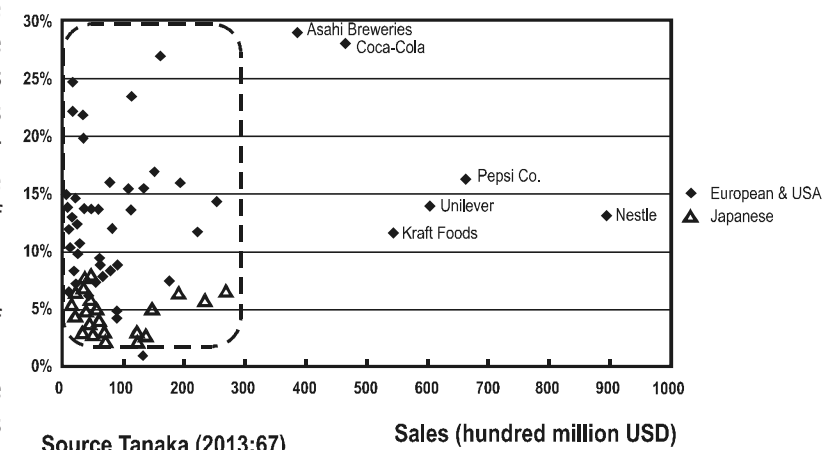
(2) Comparison with overseas food companies

1) Profitability

Let us examine the difference between Japan's major food companies and their counterparts in Europe

and the USA. The first difference is in the low rate of profitability of the Japan's companies. The performance of Japan's major food companies is poorer than their counterparts in Europe and the USA in terms of the amount of sales and the return on assets (ROA: indicator of profitability, determined by dividing net income for the past 12 months by total average assets). As shown in Fig.4.

Fig. 4: Distribution of Food Companies according to ROA and Sales (2011)



Source Tanaka (2013:67)

ROA of the world top food companies such as Nestle, Unilever and Coca Cola exceeds 10% and showing a keen contrast with the major Japan's food companies whose ROA is concentrated around 5%. Thus, the world top food companies show a positive correlation between the sales turnover and the ROA.

2) Foreign sales ratio

The second point with which Japan's major food companies differ from those of European and American is the low level of the foreign sales ratio. As we see in Table 1, Japan's food companies with less than 10% of foreign sales ratio were nine out of 14 companies listed in the world top 50 food companies. The sales ratio of Ajinomoto, the highest ratio among Japan's top food companies, was nothing but 33% only.

On the other hand, the foreign sales ratio of the European companies was very high, and no company recorded less than 10% of the foreign sales ratio. The foreign sales ratio of Nestle, the largest food company in the world, was as high as 71%, and ABI showed the high rate of 86%. The foreign sales ratio of the U.S. food

major companies found in between the ratios of the European and Japan's companies. Since the American market itself was the world's largest market, there were some world top food companies that localized in the domestic market. For most of the top American food companies, the foreign sales ratio was around 40 to 50%. Thus, the overseas market was the big source for their profits.

When it comes to the ROA by region, the Europe's ratio was the highest (17%), followed by the U.S. (12%). The ROA of Japan's food companies was only 4% on an average, showing a huge gap with Europe's and the USA food companies. At least, among the top 50 food companies, the ROA seems to be positively correlated with the foreign sales ratio.

3) Mergers and Acquisitions (M&A)

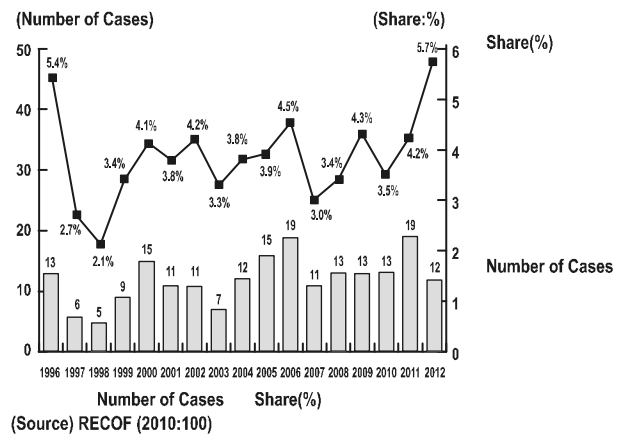
There is also a big difference between the overseas and the Japan's companies in terms of large reorganization of food companies. European and American major food companies perform large-scale M&A positively targeting both their own domestic markets and the

emerging developing countries markets. Simultaneously they also sell the company of low profits to rearrange a business portfolio for securing an operating profit.

The cross-border M&A by European and American companies showed a polarized pattern that the large-scale M&A took place among the food related companies in advanced countries, and a number of medium and small scale M&A in developing countries. In the recent years particularly after 2005, the number of M&A targeting the developing countries has increased (Mizuho Bank 2010: 59). For example, the cross-border M&A by Nestle from 2001 to 2010 was amounted to 107 cases, while the case of liquidation was 108 (Hosono & Inoue 2012: 111). Many of these cases were cross-border in-out M&A and liquidation. It is expected that such a tendency will continue in future and competition between European and American companies will be intensified further for a good chance of M&A of top-rated companies in the developing countries (Mizuho Bank 2010: 59).

On the other hand, large-scale reorganization of food companies in Japan hardly occurred. As shown in **Fig. 5**, the number of in-out M&A cases of Japan's food companies has been less than 20 cases per annum. Moreover, the ratio of the number of in-out M&A cases of Japan's food companies out of the total in-out M&A cases of all the companies has remained around 4%, which was a low ratio in view of turnover in food industry. Furthermore, most of in-out M&A cases of food industry occurred among liquor and beverage companies. Such cases of the processed food companies were few. Thus, Japan's food companies were indifferent to M&A particularly in-out M&A, which showed their unpreparedness towards a cross-cultural management and their passive attitude towards taking a risk.

Fig. 5: Number of Percentage share of IN-OUT Cases of Food Companies (1996-2012)



(3) Management principle

1) Major Indices

We find a lot of differences in the management principles between European, American food companies and Japan's food companies. For example, European and American food companies make much of growth possibility indices, such as (1) an organic growth rate of sales, (2) EBIT (including tax before interest expense) margin growth rate, and (3) EPS (per share current term net profit) growth rate. They are shown as a mid- and long-term target in many cases. On the other hand, Japan's major food companies have a tendency to set the concrete amounts of money, such as (1) the amount of sales, (2) operating profits, and (3) net income, as a target of single fiscal year or the short fixed-terms (Mizuho Bank 2010a: 40).

2) Management philosophy

Japan's food companies focus much on the scale and stability, while European and American companies tend to consider growth potential as an important index. Japan's food companies have been busy in defending their share in the relatively large domestic market and thus leaving

aside their growth chance in an overseas market untapped. However, this behavior will not work in future. The domestic market is getting narrower and the profit ratio is becoming very low due to excessive competition.

For the major food companies of Japan, the overseas market development serves as the only choice. What is necessary for this change is to set a new management philosophy that can overcome these limitations and problems of Japan’s major food companies, and to implement it promptly in the arena of cross-cultural management.

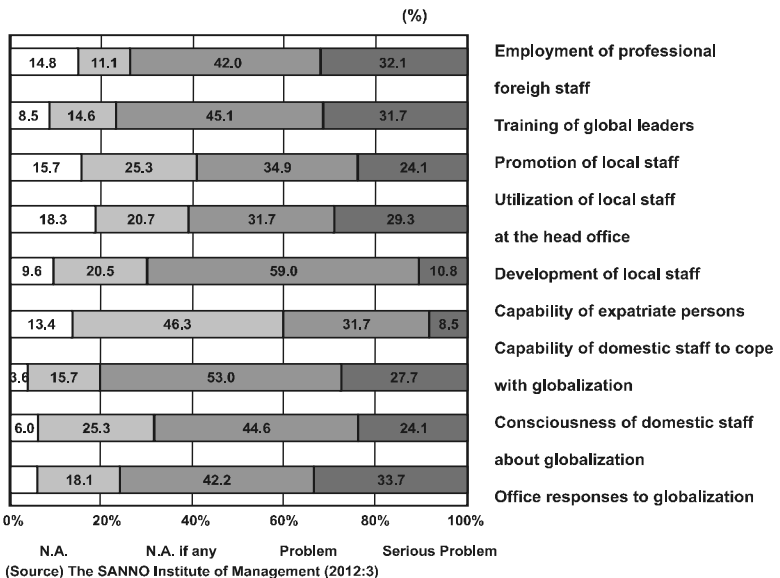
3. Current situations and issues for globalization

Cross-cultural management is an ability that Japan’s major food manufacturers need most for the future development as a global business. This can be expected to be the subject for individual company as well as for the entire Japanese industry that is in search of standing-position in globalization.

Now, let us examine how Japanese companies are trying to cope with the subject of cross-cultural management based on the final report of “the survey on global human resource development and utilization” (note 5) conducted by Sanno Institute of Management in 2011.

Firstly, let us examine the approaches and issues on globalization. As shown in **Fig. 6**, many companies are aware that there are problems in appointment, training and promotion.

Fig.6: Problem Situation Regarding Globalization



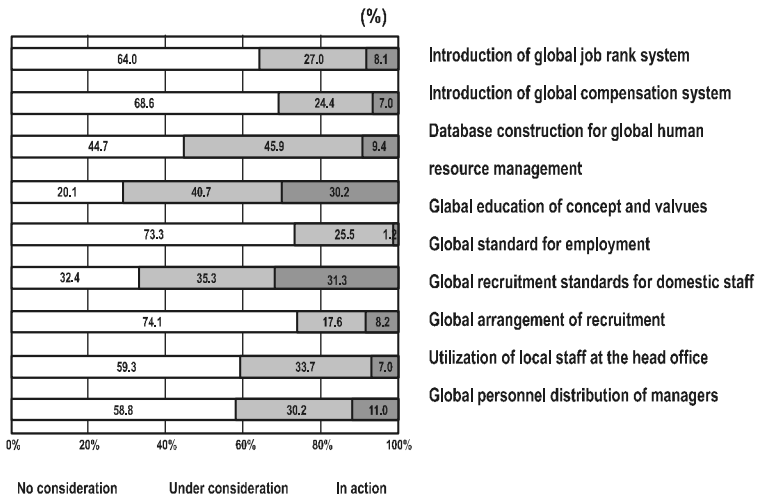
It is outside consideration for many companies to employ foreign candidates for an executive post, and to train talented candidates who are expected to take on management responsibility at the head or regional office abroad as a global leader. As for the appointment of native workers as the executives, a majority of companies have responded that they have not appointed them at the regional office abroad. This simply shows that the human resource development for globalization has not been progressed even in those companies that have regional offices abroad.

Now let us examine how Japanese companies cope with globalization in respect of human resource development, particularly training of global leaders. As shown in **Fig.7**, about 50% of companies are examining the plan to train global leaders though this is yet to be implemented. Thus, the need for training global leaders is understood as a very important issue by nearly half of the companies. However, the number of companies that select and train candidates regardless of

nationality is limited to 7% only, while the rest 31% of companies select Japanese workers only as the candidate for global leaders. There are several reasons behind this: fear to foreign people who have different language and value system, and lacks of concept and experience regarding cross-cultural management.

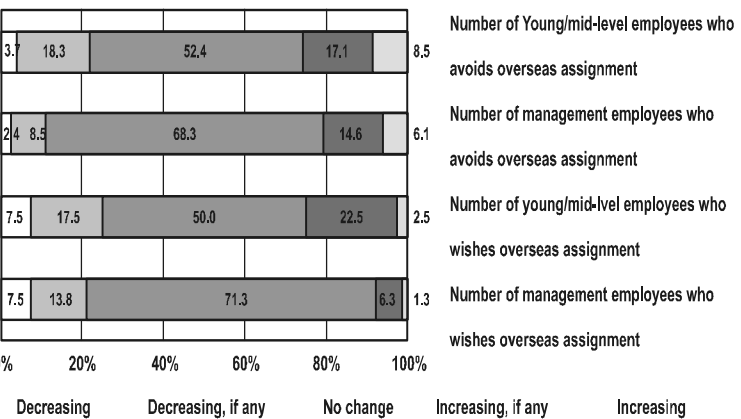
Thus, Japanese workers are selected as the major candidates for global leaders. Let us examine the response of expatriate persons towards overseas assignment. As shown in **Fig.8**, there is some distinct difference in the response to overseas assignment between young/mid-level employees and management employees. As for the young/mid-level employees, the ratio of each "increase" and "decrease" of "those who avoid overseas assignment" and "those who wish overseas assignment" are competing at the level of twenty percent or more. However, as for the management employees, the ratio of "increase" exceeds the ratio of "decrease" for "those who avoid overseas assignment", and the ratio of "decrease" exceeds the ratio of "increase" for "those who wish overseas assignment". Thus, decrease in the ratio of "those who wish overseas assignment" is remarkable among the management employees, while the ratio of increase and the ratio of decrease are competing among the young/mid level employees. All these indicate the passive attitude of employees as a whole towards overseas assignment.

Fig.7: Human Resource Management for Globalization



(Source) The SANNO Institute of Management (2012:3)

Fig.8: Response of Expatriate persons towards overseas Assignment

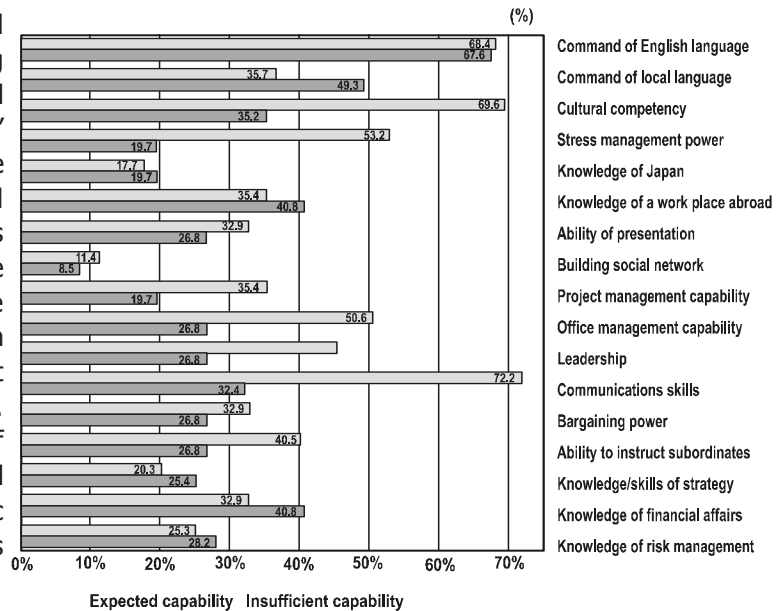


(Source) The SANNO Institute of Management (2012:4)

Now we examine which kind of ability is required for expatriate persons and which kind of capability is recognized as being poor among the expatriate persons. As shown in **Fig. 9**, the type of ability that the company expects from the expatriate persons is in the following order: "communications skills"(72.2%), "cultural competency" (69.6%), "command of English language" (68.4%), "stress management power" (53.2%), and "office management capability" (50.6%).

In a broader sense these are all contained in the global management capability. Among these, "communications skills" and "command of English language" are capability required to manage linguistic competency, "cultural competency", "stress management power", and "office management capability" are capability to adjust to the foreign culture and manage the work at the office by controlling stress. Since the medium of communication abroad is assumed to be English, the linguistic competency other than English is not expected much.

Fig9 : Expected Ability for Expatriate Persons and Insufficient Ability among Them

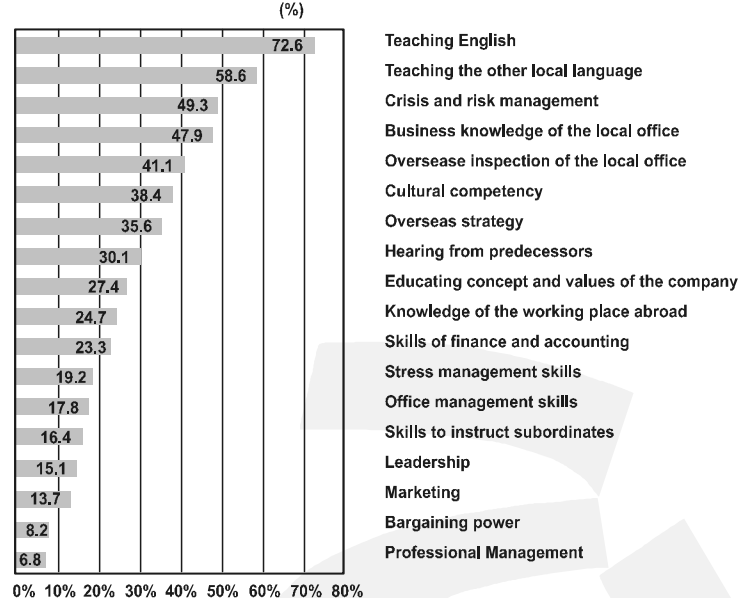


(Source) The SANNO Institute of Management (2012:5)

Insufficient capability is the order of "command of English language" (67.6%), "linguistic capacity other than English" (49.3%), "the knowledge about the history, culture, and society of a work place abroad" (40.8%), "the knowledge and skill about financial affairs and accounts" (40.8%), and "cultural competency" (35.2%).

Linguistic capacity is ranked high as an insufficient ability among the expatriate persons, which shows that the poor linguistic capacity has been a serious obstacle for Japanese companies to progress in the global circumstances. Interestingly, the two ratios, i.e., the ratio of the companies in expectation of the linguistic capacity of the expatriate persons and the ratio of the companies that regard the linguistic capacity of the expatriate persons as insufficient, are competing as for English, while the ratio of the latter exceeds the ratio of the former as for the language other than English. This indicates that local language other than English is

Fig 10: Prior Training and Education for Expatriate Persons



(Source) The SANNO Institute of Management (2012:5)

also very useful and inadequacy of using the local language is regretted by the respondents.

The ratio of the latter exceeds the ratio of the former even as for “the knowledge and skill about a strategy and marketing”, “the knowledge and skill about financial affairs and accounts”, and “the knowledge and skill about risk management.”

On the contrary, the ratio of the former exceeds the ratio of the latter as for “communications skills”, “cultural competence”, “stress management power”, “project management power”, “office management capability”, and “leadership”. Among these, “communications skills”, “cultural competency”, and “stress management power” are the most important capabilities to be strengthened for global development.

Lastly, let us examine what kind of prior training and education is organized by the company for the expatriate persons before their departure to the regional office. As shown in **Fig. 10**, it is the “language teaching” both of English and the other local language that shows the highest ratio among the items related to prior training and education, followed by the items such as “cross cultural understanding and cultural communication”, “crisis and risk management”, “role recognition of the expatriate persons”, and “management knowledge and skill”. Hearing from predecessors about their experiences is also organized in many companies to share information about working place and work assignments.

However, prior training and education except “language teaching” has not been properly organized in such companies that the number of expatriate persons was relatively small. The other problems include that the effect of prior training and education hardly reaches the expected level by the company though many items related to language teaching and cross-

cultural understanding and communication are included in the menu, and that the management of prior training and education is too formal to have an effect. Therefore, it is highly necessary to make more practical and personalized training and education that may suit to the individual situation and ability of the expatriate persons.

4. Strategy for globalization

(1) Strategy

It is imperative for the Japan’s major food companies to reassemble a strategy towards overcoming its weak points and demonstrating its strong points under the condition that the expansion to overseas is inevitable.

As shown in **Fig.11**, the relative strong point of Japan’s major food companies is “product development power” only, but this has a tendency of over-spec or the Galapagos Syndrome (note 6) development, and it may function as a double-edged sword for the expansion of Japan’s food business in the world market.

Fig 11: Comparison of Strong and Weak Points among Food Companies

	American Companies	European Companies	Taiwanese Companies	Japanese Companies
Cultural competency	Rationality oriented	Respect Other cultures	Adaptability in Chinese Culture Region	Poor Cross Cultural Experience
		Localization oriented		Poor Language Ability
Business Development Power	Large scale	Large scale	Investment in the Right place	Phased Investment
	Speedy	Speedy	Speedy	Cautious
Product Development Power	Success Brand Goods Utilization	Success Brand Goods Utilization	Overseas Model Utilization	Innovative Product Development
	Mono-Spec	All Price Zone	Price Conscious	Over-Spec.

(Source) Mizuho (2010:44)

The strong point common to the foreign major food companies is in large-scale and speedy business development power. Also about product development power, the European and American companies have common strategy to apply their success brand goods with some modification in a newly emerging market. However, the Europe

companies tend to cover all the price ranges, while the USA company sticks to the brand of single-spec. Especially the Europe companies are excellent in the field of cross cultural competency and localization of their products. On the other hand, U.S. companies are in the tendency to pursue the rationality of their products produced in North America as global standard as is the case of Coca-Cola.

(2) The strategic strong point and weak point of Japanese companies

Japanese food business excels in the development of new innovation goods (goods with new value). However, this is the high-value-added product developed and targeted for the consumers in Japan. These products are not necessarily appreciated by the consumers in overseas market as over-spec products.

Although there are both entry level and premium products in the domestic market of Japan, the difference in quality and price between the two is relatively small. While, an overseas market demands various type of products that correspond to diversified income groups and regional food culture.

The goods developed for Japanese consumers turn into a high price and high-value-added goods overseas. Actually, Japan's food companies tended to provide their high-end products in the case of overseas development. The high-end products have been in the centre of their strategy because these are produced easily based on the original products for the domestic markets with high profit ratio.

However, there were two problems in this strategy. Firstly, it was difficult to take a branding strategy based on high-end products because of limited purchasers in the market. Secondly, there was little perspective for future development because the strategy could not cope with emerging needs and tastes of middle class in the overseas market of a newly emerging country.

In the emerging market where upward mobility has been observed among income classes, i.e. from lower to middle income and from middle to upper income group, the imprinting of the brand image (brand installation) in the mind of lower and middle class consumers was quite effective in gaining higher income consumers, too. This was a phenomenon commonly observed in other category of goods such as home electric appliances products (Mizuho Bank 2010b: 79).

The European and American companies have already entered the food markets of emerging countries targeting the middle income group and the Base of the Pyramid (BOP). They have been trying to imprint their brand image with product differentiation by income groups.

Since Japan's food companies lag behind European and American food companies in entering into such emerging markets, it is inevitable for the Japan's food companies to introduce first their entry level products rather than high-end products in the market. It is necessary for them to acquire the know-how in reorganization and cross-cultural management to innovate the product which can fit in the overseas market distinguished by income group.

(3) Expansion of Japanese food business

1) Relation with Asia markets

The Asia markets are very attractive for Japan's food manufacturers that plan to expand business overseas. As shown in **Fig.12**, population of middle and high income group is predicted to be 2,600 million in 2030. Overwhelming share of the population of middle and high income group will be found in China and India that are showing remarkable economic growth with large populations, followed by Vietnam and Indonesia. It is relatively easy for Japan's food manufacturers to demonstrate their potential competitive power in Asian markets because there is a lot of similarity in food culture among

Asian countries with growing middle and high income population. They can be a good target for Japan's high end products in near future.

Now, let us examine the future prospects of Asian market with a special focus on seven Asian countries that have a strong economic relation with Japan. Fig.8 shows the degree of Japan's association with other countries by type of items. The circle mark shows strong association with Japan for future prospects.

As for the scale of a market, China and India are overwhelming. Korea is also important because there is a large ready market for Japan's high end products. But, in near future, Vietnam and Indonesia together with India will be much more important for Japan because these markets are expected to grow much faster. Japan has the affinity of food culture with China, South Korea, and Taiwan where rice is a staple food and soya sauce is widely used. The Japan's food companies also consider Thailand and Vietnam as the potential area where Japanese food culture can be accepted easily as Chinese food culture already has a foothold in these countries.

The M&A makes one of the weakest points of Japan's food companies. There are several reasons for that. Firstly, Japan's food companies have been concentrating on the domestic market and thus have not felt the necessity of M&A. Instead, they intended developing technology and reorganization within the hold of their own company. Naturally, their knowledge and experience about M&A have been very limited. Secondly, M&A needs a comprehensive ability of cross-cultural management. And Japan's food companies have been poor in this ability. Fortunately, Thailand and Vietnam have been exceptional countries where Japan's food companies could manage some important M&A thanks to a favourable business circumstances formed historically. People in these countries including Taiwan are known as having a pro-

Japan feeling, where Japan's other manufacturing companies have been successful in their business, too. However, in other Asian countries M&A remains to be a very tough step for Japan's food companies.

In the long run, the size of overseas market development for Japan's food companies will depend on the improvement in business environment with China and India. Currently, China is the largest market for Japan's companies. However, its growth has now slowed down and there exist high risks due to political and diplomatic affairs between Japan and China. Contrarily in India, the presence of Japan's food companies is comparatively small at present. India is a promising country where markets for Japanese food products are expected to grow tremendously. However, Japan's food companies need to overcome the difficulties in the field of cultural management. This is a necessary process for Japan's food companies towards globalization. Simultaneously, it is also important for Japan's food companies to explore a growing market of Southeast Asia and get a stronghold on various markets. This is also important as a risk management strategy to safeguard against the vagaries of the regional economic cooperation and development and the deterioration of political relationship.

2) Future scenario

Reorganization of management system of Japan's food industry is the requisite for global business. Firstly, it is necessary for the major food companies to expand and stabilize operations in the domestic market. For this, the major food companies are expected to be positively associated with reorganizing the food industry for the purpose of (1)raising profit by reducing competition through M&A, (2)obtaining a large scale resources necessary for globalization of business, and (3) accumulating the experience of M&A which holds good in the global scene (Mizuho Bank 2010b: 62).

There are three options. The first option is horizontal development which aims at establishing a comprehensive food producer that can deal with the food products of wide range of segments. The second option is oligopoly of the market by integration of the competing companies belonging to the same segment. The third option is vertical integration between the primary processing segment and the secondary processing segment (for example, milling and noodle making). Among these options, horizontal development is inevitable to strengthen competitive power in a global market though the second and third options are effective for survival in the domestic market. Horizontal development is also important to promote business association with local enterprises in a global market.

There are three types of business associations for Japan's food companies with local enterprises abroad. They are (1) the direct control of the holding company by more than 50% ratio of investment, (2) the indirect control of the holding company by less than 50% ratio of investment, and (3) a license supply without-investment. Among these, it is an important option for Japan's food companies to establish and develop the franchise system in a global market through a license supply. By utilizing this system, the multidomestic strategy, which is a combination between standardization and localization, can be advanced efficiently (Mizuho Bank 2010b: 63-64). For example, Coca-Cola standardizes an undiluted solution recipe and Nestle standardizes a brand and an information system, which are provided to local agents in the world through the franchise system. Their products are localized to meet the local market's conditions and local food culture. It is feasible even for medium and small scale food companies to establish and develop the franchise system overseas if they have the format to offer commonly in the world market.

For speedy access to a newly emerging market, it is necessary to strengthen not only the horizontal cooperation among the companies of various segments but also the vertical cooperation among food related companies. As an example of horizontal cooperation, there is a case of association among a Japanese financial institution, a think tank, a sales network, an information network, and a trading company. Vertical cooperation includes a case of association among the manufacturing industry, wholesale business, retail trade, and dining-out business. They can cooperate vertically to project the attractive value of Japanese foods as a Japanese food system. They may expect the synergistic effect and capture a wider market by meeting a demand for food items consumed at home and restaurant. The typical example of this vertical cooperation is a development of Japanese convenience store in Asian market. According to MAFF, a larger alliance of this type is possible (MAFF 2010: 80-81).

The know-how of cross-cultural management is requisite for overseas development of Japanese companies. Understanding of cross-cultural management begins with clarifying the corporate philosophy of a company which intends to develop business abroad. In Japan, it is relatively easy to create a sense of unity among the staff and share a sense of values with client companies. For this, however, much more efforts and know how are necessary in a global environment.

The company which has undertaken the enterprise only in Japan has a management philosophy corresponding to a Japanese taste, economic conditions, and a sense of values. This management philosophy has a lot of shortcomings in global circumstances where economic, political conditions and the value system differ much from Japan.

Overseas development of Japanese companies needs reconstruction of the corporate philosophy incorporating a difference of the situation and value system including food culture in overseas. Although many of Japanese managers tend to think that good products sell themselves, they need to question the saying and have to ask the grounds of goodness: good for whom and how.

Reorganization of management system is also important for Japanese companies because there are many cases that lack unity and role assignments between the head office in Japan and the regional, branch office abroad. In such a case, it is difficult for the head office to grasp the situation of an affiliated company or branch office abroad. At the same time, since the branch office is not authorized to make a decision of important issues, management decisions tend to be overdue. As a result, the regional office of the company cannot take the initiative of an innovation, nor can they make speedy decisions at a crucial time and stage. All these force the company to lag behind.

It is important to make clear the roles of the head office and the local office, and authorize the latter to take speedy decisions on important issues. This authorization strengthens the incentive for the local office and leads to securing and work commitment of talented workers (MAFF 2010: 71).

It is important for the workers of the local office to cultivate and strengthen the capability to adjust to the actual conditions of the region or country. Particularly, food culture varies from region to region. It is necessary to localize the taste of food products based on the result of the market survey. The taste of global brand-name goods of the European and American companies is also basically localized.

Moreover, demand for food products differs a lot among income groups even in the same region. In this regard, it is necessary for Japan's

food companies to review their old premium strategy and develop a new product targeting the volume zone. Since price is a very important factor for the low income group, localization of packaging including the weight adjustment becomes strategically important (MAFF 2010: 78-79).

Conclusion

Since the domestic food market of Japan was huge, food industry of Japan could devote to the business skill innovation and product development for winning competition among the domestic producers in Japan. However, time has changed. Nowadays, the population and the demand for food products in the domestic market in Japan is declining. It is imperative for Japan's major food companies to globalize their business not only for their survival but also for making a contribution to the world with their safe and nutritionally balanced food products that have a steady base on Japanese food culture.

As a strategy for globalization, Japan's food industry needs reconstruction of the corporate philosophy, reorganization of management system and global human resource development. For marketing, there are two important issues to be tackled. The first issue is to overcome the Galapagos Syndrome. In Japan, a country of technological innovation, many new products are too much optimized to the particular demand in the domestic market, which results in losing compatibility in the global market. The second issue is to cultivate a new global market. Japan's food industry needs to develop a product targeting the volume zone including the BOP market in addition to selling the high-spec (highly specified) products targeting the emerging market with the rising demand of the middle upper income class in the world.

For moving towards globalization, cross-cultural management is the key subject for Japan's food

industry. As the Sanno University's survey result shows, there are many points to be improved for efficient cross-cultural management. We also notice some improvements in respect of cross-cultural management, which includes a recent movement towards collaboration between industry and academia for promoting globalization based on globalized human resource development. For this, some of the top rated Japanese Universities have started reforming their educational system by upgrading from the domestic standard to the world standard. The purpose of this reform is centered to globalize human resources by encouraging exposure and interaction of students in the global circumstances. Whether Japan will be appreciated again as a country of good craftsmanship and service development depends on the success of global human resource development and cross-cultural management.

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