

Ohmae, Kenichi. *Triad Power: The Coming Shape of Global Competition*. New York: The Free Press, 1985.

Reviewed by: Terrence J. Thomas, Library of Parliament.

Why are Japanese corporations so successful? For many who study multinational corporations that has become the key question of the eighties. Some answer it by pointing to Japanese discipline and management skills -- the basis for unmatched efficiency. Others suggest that Japan is almost closed to foreign competitors, so Japanese corporations develop and thrive in a large, protected market then invade foreign markets from a secure base.

*Triad Power* is the latest in a long line of books dealing, at least in part, with Japanese business. But the book offers a revisionist approach -- Japanese firms are not always supremely efficient when they operate in other countries and foreign firms are now competing very effectively in Japan.

Kenichi Ohmae, the author of the book, is the Managing Director of the Tokyo office of the well-known consulting firm McKinsey & Company. His business includes advising Japanese companies on how to operate outside Japan and non-Japanese companies on how to operate in Japan, so it is not surprising that his book reflects this experience. *Triad Power* is written for executives of large corporations, although there are numerous insights into the emerging structure of world business that will be useful to anyone interested in multinational corporations.

The triad of the title refers to the three major blocks of developed countries in the world -- North America, Western Europe and Southeast Asia. The theory of triad power is that major corporations wishing to operate outside of their triad blocks should form international consortia with major corporations in the other triad blocks. According to the traditional model of multinational corporations -- called the waterfall model by some -- corporations develop products for the domestic market, export those products or set up branch plants in other developed countries and then repeat the process in developing countries. Products spill over from one developed country to other developed countries to the developing countries.

Ohmae gives four reasons why the traditional model should be replaced by his triad model: (1) the growth of capital-intensive manufacturing, (2) the change in the pace of adaptation of new technology, (3) the similarity of consumption patterns around the globe and (4) the rise of protectionism. The first three are reasons why the global market is changing; the fourth is the principal reason why forming international consortia -- the keystone of triad power -- is preferred to beefing up global marketing from a home base.

No longer, according to Ohmae, does a technological edge guarantee success. The diffusion of new technology is so rapid that a firm cannot exploit an innovation at home and then look to foreign markets. The time between domestic development and foreign catch-up is now a matter of months; the examples of computers, integrated circuits and video cassette recorders show how fierce international competition has become.

Protectionism, which intensified with the global recession in the early 1980's, prevents firms from immediately exporting products produced with a technological advantage. It is not dumping, of course, to sell at a lower price products produced at a lower cost, but few nations will stand back to see domestic firms harmed by foreign competitors -- especially if the lower cost is due to a temporary technological edge. The advice of Triad Power is simple: If you can't beat them, join them. The result is the international consortium.

Many academic economists now discuss multinational corporations in terms of transaction cost models. The type of business structure chosen (traditional branch plant global links or the newer international consortia) will be that which minimizes transaction costs. With a changing global environment -- and Ohmae is excellent at documenting the important changes -- different corporate structures will emerge. It is a weakness of Triad Power that Ohmae did not attempt to place his theory in the context of the transaction cost model.

This is the quibble of an economist; those in business schools will wish Ohmae had discussed his model in terms of other management models, such as the model of corporate strategy developed by Michael Porter at the Harvard Business School. There is a two page presentation of the McKinsey and Company business system framework and scattered references to a few existing models of multinational corporations. In general, however, Triad Power is self-contained, and not as persuasive as it might be because of this.

Although fascinating as a study of the evolution of global business practices and as a source of anecdotal information on Japanese business, Triad Power will be of limited use to the student of communication in Canada. Specialists in industrial organization with a further specialty in communication industries might find the book of some practical use. Major producers of communications equipment -- telephones, televisions, VCR's, computers -- may be changing their global strategies in line with Ohmae's theories and this could affect the apparent structure of their industries. Those not studying the hardware side of communications, however, will find the book of little professional interest.