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A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization: A Study of Japanese Automakers in the USA

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International Firms' Economic Nationalism and Trade Policies in the Globalization Era

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Table of Contents

Preface	xii
Chapter 1	
Economic Nationalism and International Business	1
<i>Luis Alfonso Dau, Northeastern University, USA</i>	
<i>Elizabeth M. Moore, Northeastern University, USA</i>	
<i>Amílcar Antonio Barreto, Northeastern University, USA</i>	
<i>Maria A. Robson, Northeastern University, USA</i>	
Chapter 2	
The Impact of Economic Nationalism on MNEs From Smaller Developing Economies: A Conceptual Framework	16
<i>Scott Hipsher, Webster University, Thailand</i>	
Chapter 3	
A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization: A Study of Japanese Automakers in the USA.....	35
<i>Kanji Kitamura, SOAS University of London, UK</i>	
Chapter 4	
Economic Nationalism and Globalization, Evidence From China (Belt and Road Initiative)	59
<i>Yang Liu, Southern New Hampshire University, USA</i>	
<i>Fabio Massimo Parenti, The Italian International Institute Lorenzo de' Medici, Italy</i>	
Chapter 5	
Russia: Traveling Scylla and Charybdis of Economic Nationalism – Could Economic Nationalism Be a Useful Tool to Boost Economic Growth and Development?.....	74
<i>Mikhail Y. Kuznetsov, Moscow State University, Russia</i>	
<i>Anatoly V. Zhuplev, Loyola Marymount University, USA</i>	

Chapter 6

Developing Institutions for the New Space Race: Examining the Privatization of Space
Exploration and Its Implications for International Business..... 99

Luis Alfonso Dau, Northeastern University, USA

Elizabeth M. Moore, Northeastern University, USA

James Arie Figgins, Northeastern University, USA

Julián Martínez-Rincón, Stanford University, USA

Chapter 7

Implications of the African Continental Free Trade Agreement (AfCFTA) on the Economy of
African States..... 116

Benjamin Enahoro Assay, Delta State Polytechnic Ogwashi-Uku, Nigeria

Chapter 8

Implications of the European Union (EU)-African, Caribbean, and Pacific Partnership
Agreements on Economic Nationalism: The Case of Zimbabwe 140

Jeffrey Kurebwa, Bindura University of Science Education, Zimbabwe

Shamiso Yikoniko, Bindura University of Science Education, Zimbabwe

Chapter 9

The Impact of Macroeconomic Indicators on Unemployment Rate: Western Balkan Countries..... 158

Eneda Vladi, Epoka University, Albania

Eglantina Hysa, Epoka University, Albania

Chapter 10

USA Economic Nationalism and the Second-Hand Clothes Industry in Sub-Saharan Africa 182

Thaisaiyi Zephania Opati, Riara University, Kenya

Chapter 11

Economic Nationalism and Foreign Domestic Investment (FDI)..... 201

Yang Liu, Southern New Hampshire University, USA

Chapter 12

Economic Nationalism and Corporate Social Responsibility 217

Duane Windsor, Rice University, USA

Compilation of References 244

About the Contributors 293

Index..... 297

Chapter 3

A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization: A Study of Japanese Automakers in the USA

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ABSTRACT

This chapter qualitatively examines cross-national managerial strategies employed at the Japanese automakers in the context of economic nationalism. It proposes and tests a simple yet versatile conceptual framework by developing existing models and integrating foundational concepts available in literature. Proposed as a tool for comparative analysis on management styles, the framework has two extreme ends of a continuum to capture not only variants of the social realities but also changes of businesses as it shifts between the extremes. The findings suggest that the force of economic nationalism likely affects the Japanese automakers' growth strategies, and the dynamics of managerial styles are company-specific under intensified globalization.

INTRODUCTION

The automobile industry, which constitutes a part of the manufacturing sector, has large multinationals, such as Toyota Motor Corporation (“Toyota”), Honda Motor Co., Ltd. (“Honda”), and Nissan Motor Co, Ltd. (“Nissan”). The major industry players have an extensive global network with localized subsidiaries worldwide. Toyota places a public release, dated January 16, 2018, on their website regarding their annual output in North America: With 46.5 thousand employees, Toyota manufactured 2.0 million

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vehicles in 2017. Despite their large-scale operations in the US, the Japanese automakers may need to expand further their establishments. Dated November 6, 2017, CNN online news features President Trump's trip to Japan and communication with Japan, Inc., including executives from the automakers. With the mission of reducing the nation's trade deficit with Japan by \$57 billion, the President asked them to increase the production of cars in the US instead of exporting from Japan. The mission appears to exemplify the current issue of economic nationalism, which tends to promote trade protectionism that can limit imports (Pryke, 2012).

Cross-national management has been an interest of researchers and practitioners. Takeo Fujisawa, cofounder of Honda, once explained his professional journey:

Japanese and American management is 95 percent the same and differs in all important respects. – T. Fujisawa, Cofounder, Honda Motor Corporation (Adler, 2000, xiii)

What differs between Japanese and American management, if not extinct, may not exactly be five percent today. However, it can be hasty to say that the two styles of management have converged with no material differences between them. This line of discussion seems to pose the question of how the Japanese multinationals manage their US operations and reconcile the “five percent” portion in the context of economic nationalism currently being intensified in the USA. Under such circumstances, the Japanese automakers may make more foreign direct investments in the USA for further growth and/or survival in the fierce competition. If the significance of the “five percent” portion is great, the two management styles will likely have more negotiations in cross-national settings. The difference of management styles seems to have direct relevance to the issue of economic nationalism, especially in the case of the country combination of Japan and the USA. This chapter will discuss the following three research questions: what elements constitute the “five percent” portion, why the two styles of management are different, and how the portion will possibly change in the context of economic nationalism, focusing on “all important respects”. This research has turned into the proposition of a new framework by developing existing models available in literature. The framework may be used to analyze management styles and their changes in the context of economic nationalism.

The existing body of literature offers rich discussions over the cross-national differences. Notably, Sako (1992) provides a useful framework entitled Arm's-Length Contractual Relation (“ACR”) and Obligational Business Relation (“OCR”), based on important evidence discovered in the electronics industry in the UK, where the local and the Japanese businesses were compared for Sako's study. ACR-OCR has two extreme ends of a continuum to capture any variants of the social realities sitting between the extremes. Also pertinent is the conceptual framework of liberal market economies (“LME”s) and coordinated economies (“CME”s) in the field of political economies (Hall and Soskice, 2001). Integrating these two frameworks, this chapter will propose a three-level framework named Arm's-Length Business Relation (“ABR”) and Obligational Business Relation (“OBR”), and test its theoretical validity. It is partially named after ACR-OCR because it is partly built on ACR-OCR. It differs from ACR-OCR in that it assumes general applicability to any trading relations between Japan and other countries, while ACR-OCR has its theoretical coverage of the electronics industry in Japan and the UK. The ABR-OBR framework is structured to be as all-embracing as possible. This chapter will begin with a review on ACR-OCR and LME-CME, establish the framework, and tests it against the qualitative findings obtained from the automobile industry.

The ACR-OCR Model

Sako (1992) conducted a comparative study between British and Japanese business practices in the electronics industry, focusing on British trading relationships (defined as ACR between British manufacturers and their suppliers in Britain) and Japanese trading relationships (defined as OCR between British subsidiaries of major Japanese manufacturers and their suppliers in Britain). Table 1 is a summary of the descriptive definitions.

Table 1 summarizes the grounded elements of eleven features of the ACR and OCR patterns that are labelled (A)-(K), quoted from Sako (1992, 11-12), as listed in Appendix A. As presented, the OCR transaction patterns are contradictory from the ACR standpoint in the extreme sense, and vice versa. If a manufacturer and their suppliers agree on and strictly follow the ACR pattern for instance, the OCR pattern is no longer an option. In other words, the other practice is not transferrable as-is, though it may not always be the case. Sako (1992) begins her book with an important clarification: “It cannot be presumed that there is one single characteristic pattern of buyer-supplier relations in Japan and another in Britain” (1992, 2). ACR is not intended to assert that all British buyers and suppliers, without exception, equally exhibit all the ACR characteristics. By the same token, OCR never represents all Japanese buyer-supplier relations. ACR and OCR are “constructed to capture complex variations in buyer-supplier relations” and “best thought of as lying at the ends of a continuum” (Ibid.). Both Britain and Japan have “a range of actual trading patterns which lie on the ACR-OCR continuum” and in practice “the modal Japanese inter-company relationship is more OCR than the modal British one” (1992, 15). ACR and OCR are the extreme ends to capture complex corporate variations sitting somewhere between the ACR/OCR ends in the real business world. Figure 1 is an attempt¹ to illustrate the discussion:

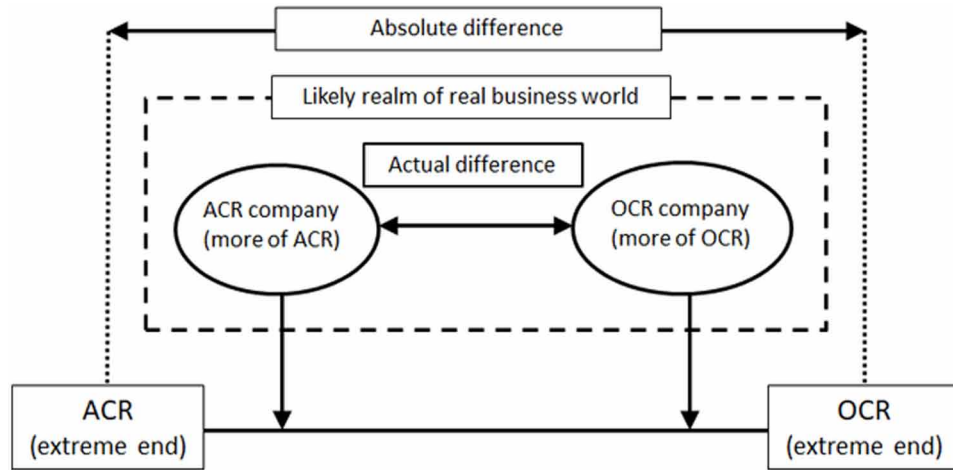
Sako (1992, 10) writes “There are two dimensions which capture the essence of ACR and OCR relationships, namely the degree of interdependence and the time span for reciprocity”. As described in Table 1, the ACR-OCR differences are attributable to the two dimensions. This chapter focuses on the degree of interdependence for the sake of brevity². Labelled (A) in Appendix, transactional dependence (Sako, 1992, 11) describes the extreme patterns of interdependence between the manufacturers and the component suppliers. Because the high degree of interdependence is non-existent in the extreme sense of the ACR pattern, it may be difficult to understand for those who are not familiar with the OCR pattern. This chapter refers to the unfamiliarity as the lack of mutual knowledge. Cited from Sako (1992, 10), the following explanation on goodwill trust mitigates the difficulty:

Table 1. A summary of the ACR and OCR patterns

ACR	OCR
<ul style="list-style-type: none"> ● Involving a specific, discrete economic transaction with an explicit contract, which spells out before trading commences each party’s tasks and duties in every conceivable eventuality, as far as human capacity for anticipation allows. ● Unforeseen contingencies to be settled by resort to some universalistic legal or normative rules. ● All dealings to be conducted at arm’s and length, to avoid undue unfamiliarity, with neither party controlled by the other. ● An easily available option of seeking an alternative trading partner when a contract comes to an end. 	<ul style="list-style-type: none"> ● Involving an economic contract covering the production and trading of goods and services. ● Embedded in more particularistic social relations between trading partners who entertain a sense of mutual trust. ● Transactions taking place without prior agreement on all the terms and conditions of trade because of the above underpinning. ● An incentive to deviate from the tasks and duties spelt out in a contract and do more than is expected by the trading partner: Such an incentive results from expectations that the act of goodwill will lead to a similar response from the trading partner.

(Adopted from Sako, 1992, 9-10).

Figure 1. ACR-OCR illustrated.



What underpins heavy mutual dependence as an acceptable, even preferred, state of affairs is the existence of ‘goodwill trust’. ‘Goodwill trust’ is a sure feeling that trading partners possess a moral commitment to maintaining a trading relationship. It may manifest itself in not taking unfair advantage of one’s circumstances (for which shared principles of fairness exist) and in offering preferential treatment or help whenever the need arises.

Goodwill trust is a “sure feeling” because it is a shared way of thinking beyond the corporate boundaries among the Japanese (OCR individuals) that Sako interviewed during her research. This interpretation suggests the necessity of examining the individual level, in addition to the organization level, for meaningful research. Firms have preferred styles, such as ACR and OCR, but professionals (or individuals) make the decisions that become the corporate decisions. Perhaps more precisely, firms are the reflections of individuals’ business decisions (Ketkar et al., 2012), some of which are driven by their individual beliefs that possibly pertain to Sako’s most grounded findings, which are the two dimensions as aforementioned. This chapter will establish a multi-layered model to include the individual level.

There is a later study that not only helps mitigate the lack of mutual knowledge but also tests the ACR-OCR framework. Toyoda (2003, available only in Japanese) conducted comparative research on the supplier contracts between the ACR and OCR patterns in the automobile industry. Table 2 summarizes his findings: the difference of the actual trade agreements made between the manufacturers and their suppliers in the automobile industry between *oubei* (the West in English) and Japan.

Table 2. Different trade agreements

J-System	W-System
Master trade agreement and separate or individual agreement(s).	Purchase order (PO) and accompanying documents.

A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization

The “West” can be further categorized in many ways, but Toyoda’s comparative approach is theoretically acceptable. Toyoda reports the shared elements in his findings obtained in North America and Europe through interview research. Due to the various differences of management styles between Japan and the West, many researchers adopt the distinction to focus on the critical points, not the relatively minor differences. Aoki (1994, 33) for example uses “the J-system” and “the W-system” to refer to “the Japanese corporate system” and “the corporate system found in the West” respectively. This chapter borrows Aoki’s terminologies for discussion purposes, as the W-system and the J-system are generally equivalent to the ACR and OCR patterns, respectively.

Toyoda (2003, 29-30) writes that, in the J-system, the master trade agreement is used for general terms and conditions, and the separate or individual agreement determines specifics such as pricing. The Japanese assume a continued business relationship based on the high degree of interdependence (Sako, 1992). The master agreement is typically automatically renewed unless both parties terminate it. In the W-system, the PO is usually valid for one year, and both parties negotiate for renewal every year (Toyoda, 2003, 30). The PO is a legally binding document: *The American Heritage Dictionary of Business Terms* defines it as “A buyer’s written order to a supplier indicating all of the terms of a proposed transaction. A purchase order obligates the buyer if accepted by the supplier” (Scott, 2009, 421). Regarding the practice differences between the systems, Toyoda (2003, 33-34) writes of the following two major points: i) supplier selection and ii) supplier involvement in new product development. Adopted from Toyoda (2003, 34), Table 3 describes the processes of supplier selection.

Toyoda (2003, 34) points out the critical difference in the supplier selection process: In the W-system, the PO is sent out in each selection stage, meaning that a real screening process takes place in each stage. In the J-system by contrast, a request for a trial piece usually means that commercial production is awarded unless there is a critical problem with the supplier. This J-system approach perhaps appears rather senseless to ACR business professionals.

Toyoda’s research makes three contributions: First, it supports the concept of ACR-OCR. Its findings reveal the supplier selection process that drives Sako’s two dimensions. Second, it has tested the theoretical applicability of ACR-OCR to the automobile industry beyond the electronics sector, where Sako carried out her research. Finally, it suggests that the ACR pattern generally represents the “West”, including the English-speaking countries, as Toyoda investigated the shared elements in those countries.

Table 3. Supplier selection processes

	J-System	W-System
Initial state	Master trade agreement made.	Pool of suppliers to be selected.
Vehicle development stage	Collaborative work between manufacturer’s engineers and suppliers’ engineers.	Product development request and PO sent to suppliers.
Early selection stage	Suppliers selected that manufacturer sends RFQ, based on supplier’s technology and past transaction history.	Suppliers selected that manufacturer sends RFQ, after comparing suppliers’ products.
Middle selection stage	RFQ and accompanying documents evaluated. Price negotiation between manufacturer and suppliers.	RFQ and accompanying documents evaluated. Manufacturer’s target price presented.
Final selection stage	LOI sent to selected supplier to make a trial piece: Commercial production promising.	PO sent to selected supplier to make a trial piece.

Note: “RFQ” and “LOI” stand for a request for quote, and a letter of intent, respectively.
(adopted from Toyoda, 2003, 34)

This section has examined the ACR-OCR framework in cross-national settings. The literature suggests that ACR-OCR has a potential to be used for a general comparison of managerial styles, as long as the two extreme ends are reasonably defined with the current specificities. The following section will examine the distinction of liberal market economies (“LME”s) and coordinated economies (“CME”s) in the field of political economies (Hall and Soskice, 2001). The LME-CME framework is structured at a broader level and encompasses the manufacturing sector.

The LME-CME Model

Hall and Soskice (2001) discusses the typology of capitalism, proposing two types of political economies: liberal market economies (“LMEs”) and coordinated market economies (“CMEs”). In LMEs, “firms coordinate their activities primarily via hierarchies and competitive market arrangements”, and “market relationships are characterized by the arm’s-length exchange of goods or services in a context of competition and formal contracting” (2001, 8). As for CME, they (Ibid.) write “In contrast to LMEs, where the equilibrium outcomes of firm behavior are usually given by demand and supply conditions in competitive markets, the equilibria on which firms coordinate in CMEs are more often the result of strategic interaction among firms and other actors”. Hall and Soskice make a positive contribution, but unfortunately it is often criticized for their oversimplified typologies. Campbell (2010, 102) writes:

Many critics of the varieties of capitalism approach have argued that it oversimplifies institutional reality. Real-world national political economies are in varying degrees complex institutional hybrids. They consist of a variety of interrelated institutions, some typical of liberal market economies and some typical of coordinated market economies.

Nevertheless, the LME-CME typology is frequently cited in academia, as many scholars perceive it as relevant and useful. In discussing institutional change in financial systems, Deeg (2010, 313-314) explains why:

There is... no simple correspondence between typologies of financial systems and typologies of capitalism. Comparative institutional theories of capitalism postulate anywhere from two to six types of capitalism, whereas institutional theories of finance typically postulate two or three types.... Thus for the purpose of simplifying discussion, we use the parsimonious Varieties of Capitalism typology to illustrate some of the key linkages between the financial system and firm behavior (financing patterns and market strategies) that are posited in the literature.

The discussions suggest that the LME-CME typology is still prevalent though has its weakness of being oversimplified. This weakness can be mitigated by treating each of the LME and CME typologies as the two extremes to capture a multi-dimensional spectrum of possible types of institutional theories. The LME-CME extremes may not capture all types of political economies around the world, but the mitigating treatment remedies their weakness. This chapter will make constructive use of the prevalent idea of LME-CME, rather than calling it a parsimonious type.

A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization

According to Hall and Soskice (2001, 20), the LMEs include Canada, the UK and the USA, all of which generally exhibit the ACR pattern (Sako, 1992; Toyota, 2003). The CMEs include Japan, which is typically OCR. The correlation seems to suggest that the models have a possible level of theoretical relevance. Figure 2 is an attempt to integrate the two frameworks:

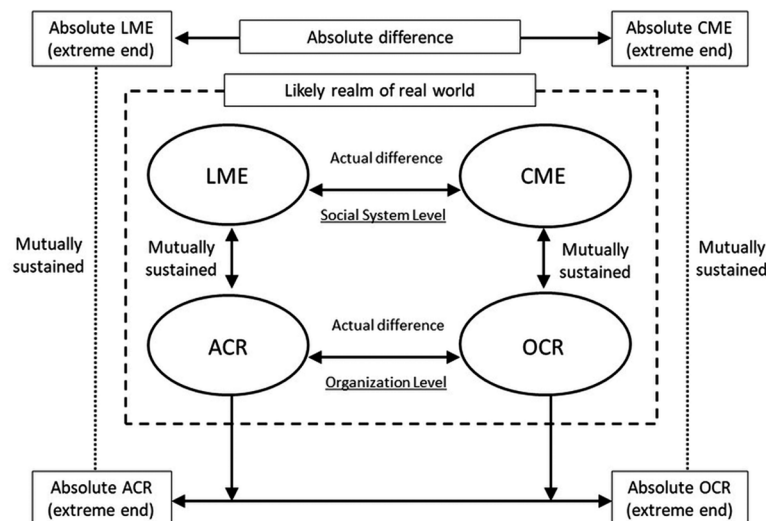
Each of the LME and CME definitions contains a key word to characterize the pattern: “Arm’s-length” (“ALP”) for LME and “strategic interaction” for CME. This CME feature of strategic interaction is, in Sako’s words, “embedded in more particularistic social relations between trading partners who entertain a sense of mutual trust” (Sako, 1992, 9) in OCR examined earlier. Sako (1992, 10) refers to this mutual trust as goodwill trust, which is the shared way of thinking under the unique dimension.

The shared notion of goodwill trust appears to explain the existence of keiretsu in Japan. The word *keiretsu* often means a series of subcontractors organized under a principal manufacturer (vertical keiretsu), and at other times, refers to a group of large firms in diverse industries (horizontal keiretsu)” (Hoshi, 1994, 287). “Most of Japanese industry was a collection of big industrial groups like Toyota” (Miyashita & Russell, 1994, 1) can be an appropriate remark made by Boone Co., cited in their book. Goodwill trust, or the high level of interdependency, denotes the OCR relationships within the OCR company groups. On the other side, LME and ACR are connected through the ALP, which is the shared cardinal rule for the paradigms. This classification corresponds with the fact that no keiretsu exists in LME (Miyashita & Russell, 1994).

One way of describing the LME-CME framework can be the typology of wealth creation (Hampden-Turner & Trompenaars, 2000). This chapter presupposes that LME and CME represent the patterns of wealth creation in the respective societies. Such patterns can be placed at a higher level than ACR-OCR, which captures trading relations at the organization level.

This section has examined LME-CME and its theoretical correlation with ACR-OCR. The following section will examine the pertinent literature concepts, which support this study’s multi-level approach. It will then create a combined model entitled ABR-OBR to be tested.

Figure 2. Integration of LME-CME and ACR-OCR.



The ABR-OBR Model

Arie de Geus (2002, 77-128) writes of the concept of an entity's persona, originally coined by a renowned German psychologist, William Stern, who developed the intelligence quotient (IQ) formula. "To Stern, each living being has an undifferentiated wholeness, with its own character, which he called the *persona*" (2002, 84). To explain the concept, de Geus introduces a vertical ladder that William Stern drew in 1919. The ladder has five levels, namely *Deity/Divinity/Godhead* being on the top row, followed in descending order by *Nation, Tribe, Family* and *Individual* placed on the lowest row, each of which is "a persona in its own right" (2002, 87). As de Geus refers to the concept as "persona (identity)" in his book, the closest colloquial expression of *persona* can be *identity*, though they may not be semantically identical. Borrowing Stern's ladder, de Geus illustrates a company (for example Royal Dutch/Shell discussed in his book) using a ladder with seven levels, namely *Society* being on the top, followed in descending order by *Corporation, Company, Division, Work Group, Team* and *Individual*. The regionally unique pattern, such as LME and CME examined earlier, can be the persona of the society. The structure of this chapter corresponds with their idea to describe the whole. Across the levels, each entity (an OBR firm for example) has its unique characteristics, constructing its persona of the OBR pattern. The concept of persona supports the theoretical structure in this chapter.

Williams and Zumbansen (2011, 12) write about the concept of embeddedness, which is helpful in conceptualizing the connections between the levels mentioned previously. To explain *embeddedness*, Williams and Zumbansen (2011, 8) first borrow the following quote with respect to "a sociological and institutional perspective to bear on a fundamental observation" (Granovetter 1985, 481-510):

Markets are embedded within the social and political systems in which they arise. Thus, the markets cannot be considered free-standing institutions outside of a society, as the 'free market' often had been, and still is in some contexts. Rather 'the market' must be understood as an embedded institution that manifests the social and political values of the society in which it is embedded, including the professional and transnational networks that affect the market, even as it develops its own logic and values.

This 30-year old quote still attracts many academic interests perhaps because it provides something critical today. Following the quote, Williams and Zumbansen (2011, 8) offer their observation:

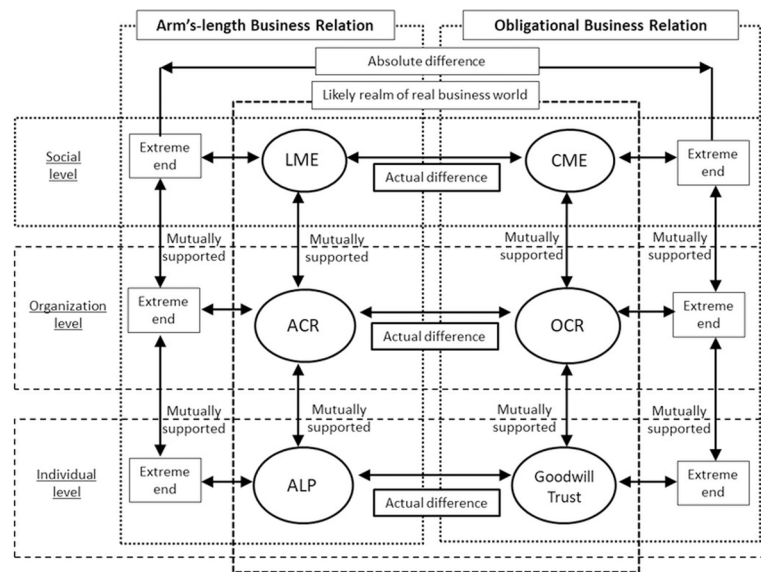
One implication of this view is that corporate governance reforms cannot be considered in isolation from a thorough understanding of the social and cultural context in which companies arise, and in conjunction with a thorough understanding of the complementarities between companies, corporate governance systems, and the political and institutional frameworks in which companies operate.

They appear to have borrowed Granovetter's work in order specifically to discuss corporate governance, but Granovetter's implication appears broader than that. The shared part of their arguments can be that institutions and markets are embedded in a society and manifest social values, and that is why those cannot be discussed in isolation from social values. An example of a social value can be goodwill trust (Sako, 1992, 10) as examined earlier. Combining the concepts reviewed herein, Figure 3 illustrates the proposed ABR-OBR model to be tested:

This diagram is entitled the ABR-OBR model to distinguish its differences from Sako's ACR-OCR. ABR-OBR assumes the widest theoretical applicability to any trading relations in any industry between

A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization

Figure 3. ABR-OBR model.



Japan and other countries, though this chapter focuses on the differences between Japan and the English-speaking countries in the manufacturing context. The model has the social system, organization and individual levels. This structure is set based on the assumption that the three levels are vital for discussion and not too much for a single research project. At the individual level, ABR has the ALP, which represents the individuals' trust in the arm's-length principle and the shared preference of it over goodwill trust in the extreme sense. In relation to the ALP, there is a relevant specificity, which is *freedom*, to elaborate ABR. In his well-known book *Capitalism and Freedom*, Friedman (1962, 195) explains it as "a belief in the dignity of the individual, in his freedom to make the most of his capacities and opportunities according to his own lights [*sic*], subject only to the proviso that he not [*sic*] interfere with the freedom of other individuals to do the same". The ALP is cardinal, perhaps because it best regulates the ABR entities with the freedom of choice. On the other hand, goodwill trust is an unspoken code of conduct in the OBR extreme. It governs the OBR entities including the keiretsu groups.

Miyashita and Russell (1994, 7) write "The word *keiretsu* does not translate neatly into English, and that is the beginning of the problem". It is problematic in a cross-national setting because their purposes of existence are not exactly the same. de Geus (2002, 100) argues "There are in fact two different types of commercial companies in existence today, distinguished by their primary reason for being in business". Below is a summary of the two types cited from de Geus (2002, 100-103):

The first type is run for a purely "economic" purpose: to produce maximum results with minimum resources. This sort of "economic company" is managed primarily for profit.... The economic company is not a work community. It is a corporate machine. Its sole purpose is the production of wealth for a small inner group of managers and investors. It feels no responsibility to the membership as a whole.... The second type of company, by contrast, is organized around the purpose of perpetuating itself as an ongoing community.... Return on investment remains important. But managers regard the optimization of capital as a complement to the optimization of people. The company itself is primarily a community.

His discussion explicates the different purpose of existence for the two forms of alliances. The first type (of economic company, “E-type”) and second type (“C-type”) represent the W-form and the J-form, respectively. Perhaps the notion of a “work community” or a “community” may require an additional explanation because individuals, who are only familiar with the E-type, are naturally unfamiliar with the C-type. The preceding quote reads that any C-type company can be a community “with the purpose of perpetuating itself as an ongoing community” (“C-type purpose”). This C-type purpose, however, applies to various industrial groups besides a company. A keiretsu group can also be a diffused level of “community”. The Japanese have goodwill trust beyond the corporate boundaries following the C-type purpose. The keiretsu groups are organized around the C-type purpose, while Western strategic alliances are not. This chapter presupposes that the proposed three levels have a mutually nurturing relationship in the respective societies.

To reiterate, the model is set up not to propose the rigid dichotomy but to capture the social realities, in which the profit-making firms operate following the ALP and goodwill trust to varying degrees. Similarly, the model is not to judge which pattern is better than the other. This study focuses on the pattern differences for analysis and considers that neither pattern is superior to the other. In the model, the concept of embeddedness (Williams & Zumbansen, 2011) is expressed as the connection, which supports the mutual existence of the three levels. This chapter tests the ABR-OBR model against the findings and evaluates its theoretical validity. ABR-OBR can be used as a tool for analyzing cross-national business strategies in the context of economic nationalism, which may change the environment of cross-national businesses.

METHODOLOGY AND DATA COLLECTION

This research employed methodological triangulation, as well as data triangulation for maximizing research confidence. Triangulation refers to the process of “using more than one method or sources of data in the study of social phenomena” in order for greater confidence in findings (Bryman & Bell, 2007, 413). This chapter triangulated document analysis and case studies. There seems to be an academic debate as to whether case study research is a methodology or a choice of what is to be studied, but literature generally suggests that case study research can be “a strategy of inquiry, a methodology, or a comprehensive research strategy” (Creswell, 2013, 97). Perhaps the bottom line is that a methodology is “a way of thinking about and studying social reality”, and methods are “a set of procedures and techniques for gathering and analyzing data” (Strauss & Corbin, 1998, 3). In terms of document analysis, literature generally suggests the four criteria for choosing documentary sources: authenticity, credibility, representativeness, and meaning, all of which are vital for the sources to be genuine, accurate, free from error or distortion, typical of its type, comprehensive, and unambiguous (Denscombe, 2003, 220; Bryman, 2004, 381). This research’s focus on the automobile industry has helped have appropriate data sources. Evidential data, for example interview results posted in the news media dedicated to the automobile industry, are readily available for research on everyday cross-national interactions and pertinent topics, such as the Japanese keiretsu. The choice of industry has come with a high level of data availability, data suitability and research effectiveness. Methodologically speaking, this research adopted the case-study driven grounded theory approach (Strauss & Corbin, 1998) with document analysis on secondary data.

Stewart (1984, 14) warns of the disadvantages of secondary data available in literature: “Category definitions, particular measures, or treatment effects may not be the most appropriate for the purpose

at hand.” As a result, “Not all information obtained from secondary sources is equally reliable or valid” (1984, 23). The grounded theory approach, which involved the act of making constant comparisons, helped mitigate the disadvantages. This research is structured in such a way that its arguments are based on its original findings supported by the literature findings. In other words, the original findings and the literature data mutually supported each other.

FINDINGS

The High Level of Interdependence

This section will report on the shared value of goodwill trust embedded in the following qualitative data regarding the Toyota³ group’s major supplier, which is chosen for analysis as it is a part of the Toyota keiretsu. In the interview with Automotive News conducted on June 30, 2014 (Greimel, 2014), Tadashi Arashima, President of Toyoda Gosei Co., Ltd. (“Gosei”)⁴, spoke of his vision for the future:

I want to change this company into a true, real global supplier. That is the goal. In Japan, we can rely on Toyota very much. But if it is outside of Japan, except for maybe Indonesia or Thailand, Toyota’s market share is still quite low and not so stable. We have to have a broader customer base.

This short yet quality interview data contains many implications. For analysis, it is disaggregated into two: i) in Japan, Gosei relies on Toyota and ii) outside Japan, Gosei needs to be on its own and expand its business by finding new customers. The first unit is straightforward evidence that supports the continued existence of goodwill trust shared within the Toyota group. As discussed previously, goodwill trust is the representative Japanese societal value subsumed under the dimension of the high level of interdependence. Goodwill trust is unique to OCR, which is the extreme pattern of the Japanese manufacturer-supplier relation.

The second unit of analysis concerning Gosei’s non-Japanese operation may appear remote from goodwill trust at first. The expansion of non-Toyota businesses can be a growth strategy common for all major automotive suppliers in any countries in order to survive in the increasingly globalizing automobile industry. Nevertheless, the second unit is evidence to support the OBR pattern observable in the Toyota group. The following is another interview data for further analysis regarding Toyota’s recent development. In the interview with Automotive News conducted on July 7, 2015 (Greimel, 2015), Yasunori Ihara, President of Aisin Seiki Co., Ltd. (“Aisin”, another major Toyota supplier), explained Aisin’s growth strategy:

Before, Toyota’s purchasing policy was ‘Don’t sell to non-Toyota,’ ‘Please insist on Toyota.’ But now they are promoting it, that we should sell to non-Toyota. They have changed their policy.

Why has Toyota changed their policy? Akin to Gosei, Aisin is selling parts to non-Toyota. Greimel (2015, 52) offers a good explanation on Toyota’s global strategy:

It may seem counterintuitive, but Toyota installed former board member Yasunori Ihara as the new president of one of its most important suppliers with the mission to selling more parts to Toyota’s rival

automakers. But Toyota's strategy is hardly altruistic. Indeed, its thinking goes: If Aisin, the Toyota Group parts maker Ihara now runs, sells more to Toyota's competitors, Aisin's own products will improve in price and performance. Call it the virtuous cycle of Toyota Group suppliers stepping up business with outside automakers.

If successful, this strategy will yield an obvious benefit: "The higher sales volume brings down parts prices for all carmakers, benefiting new partners as well as long-established customer No. 1, Toyota" (Greimel, 2015, 52). The strategy pertains primarily to economies of scale, the concept of which may be seemingly remote from goodwill trust. The critical point here is Aishin's ultimate goal, which is to be a good Toyota supplier based on their goodwill trust with the suitable business strategy for the on-going industry-wide globalization. It is wrong to judge, based on the superficial part of the strategy change, that the Toyota group has ended making keiretsu transactions. If a researcher only examines Aishin's new relationships with non-Toyota companies, overlooks Aishin's shared goal within the Toyota group, and claims "Toyota no longer employs the keiretsu system", this wrong conclusion exhibits "the ecological fallacy that arises from a mismatch of unit of analysis" (Neuman, 2006, 168). The unit of analysis here is the continued existence of the Toyota keiretsu based on their goodwill trust, not their strategic adjustments necessary for survival.

It is important to reiterate that Yasunori Ihara, Aishin's president, is dispatched from Toyota for the shared goal: Aishin to be a better, stronger Toyota supplier in order to provide more affordable parts for Toyota. Tadashi Arashima, Gosei's president, is also sent from Toyota. According to his biography available in Bloomberg⁵, he first joined Toyota in 1973 and then served Toyoda Gosei Co. Ltd, Toyoda Gosei Meteor GmbH, Toyota Motor Europe NV/SA, Toyota Motor Sales USA, and Toyota Motor Marketing Europe during this career with the Toyota Group. All of his job changes are solely based on Japan's mandatory job rotation system under lifetime employment (Ono, 2010), which is a pillar of Japanese management (Abegglen, 2006). The pieces of evidence together indicate that Toyota has coordinated Gosei and Aishin's growth strategies. This coordination stems from the primacy of interdependence in the OBR context.

The Low Level of Interdependence

The previous section has identified the high level of interdependence observable in today's Japanese automobile industry. Moving onto the other side, this section first examines the belief in the arm's-length principle ("ALP"), which is the very essence of ABR. Scott (2009, 23) defines an arm's-length transaction as "a transfer of property between a willing buyer and a willing seller with no coercion or advantage being taken by either party. An arm's length transaction is most likely to result in a fair price to both the buyer and the seller". "A fair price" usually refers to a market price in the regional sense, which is generally taken for granted in the LMEs, including the English-speaking countries. This chapter perceives the belief in the arm's-length concept as a shared way of thinking within the regions. As noted earlier, this view does not mean to assert that all transactions are purely based on the ALP in the ABR societies, nor that no transaction conforms to the arm's-length rule in the OBR societies. The belief in the ALP is a dominant constituent of the ABR pattern, which is in theory one extreme end. On the other end, the OBR pattern hinges on goodwill trust. All businesses, including ABR and OBR entities in the real world, stand somewhere between the extremes.

A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization

Edward Lapham, the executive editor of Automotive News, writes of his opinions in his article with the headline “Comment: Times change, but supplier talk doesn’t” (Lapham, 2008) in Automotive News. It talks about the ACR suppliers’ relationships with General Motors Company (“GM”), Ford Motor Company (“Ford”) and the US operation of Fiat Chrysler Automobiles (“Chrysler”), all of which are multinational automakers headquartered in the US. Because his comment is short yet high in quality and cohesive in conveying his message on the ABR pattern, the entire comment is quoted as evidence:

I ran across an upbeat headline the other day: “A brand new way... to do business: GM and suppliers to be partners.” No, the story wasn’t about the happy talk of the need for collaboration, heard at the Management Briefing Seminars this month. The headline was from the February 25, 1985, issue of Automotive News. It quoted Donald Pais, who was then director of materials management for General Motors’ Chevrolet-Pontiac-Canada group. The rhetoric never seems to change. One executive who was in Traverse City, Michigan for this year’s seminars told me that the presentation by Ford purchasing boss Tony Brown about the company’s preferred suppliers sounded a lot like the spiel that former Ford purchasing boss Carlos Mazzorin used to deliver nearly a decade ago. In the same session, John Campi, Chrysler’s executive vice president of procurement, used a PowerPoint slide that showed his view of healthy supplier relations. It had three main elements: lowest total cost, highest quality and fastest time to market. Though worded differently, Lopez’ three benchmarks that suppliers had to meet were the same: quality, service and price. But in 1992, most suppliers were certain that Lopez really only cared about lowering GM’s cost and would use any excuse to tear up supply contracts and renegotiate prices. Times and circumstances change. You can call companies that sell stuff to automakers’ vendors, suppliers, partners or collaborators. But by any name, suppliers still depend on their customers. And like shoppers everywhere, automakers want the best price they can get. The rhetoric never changes, because the basic relationships don’t change. (Lapham 2008)

This comment candidly talks of the ACR social reality from the suppliers’ viewpoint, without being deceived by the sales patters made from the large automakers’ viewpoint. It offers many insights: GM and its suppliers are, in reality, not collaborative partners in the true sense of the word. GM’s US operations and its Canadian operations are by and large managed in the same manner with respect to purchasing. The three benchmarks “quality, service and price” are paramount for the Detroit Three, which refers to GM, Ford and Chrysler. Among those three benchmarks, “price” in the ABR sense represents the arm’s-length principle. Lapham points out that the culturally-driven practice of the ABR pattern (“rhetoric” in his words) never changes, suggesting that the stability of the ABR pattern is high through economic ups and downs over the past 30-plus years.

Change in the Degree of Difference

The preceding two sections have presented evidence that substantiates the two extreme ends of the proposed framework. To explore the dynamics of trading patterns in the real business world, this section will examine Nissan’s North American operation (“Nissan NA”), which appears to have become more of ABR. This study differentiates Nissan NA from Nissan because it may not be operationally identical to Japan’s Nissan. In her Automotive News article *Nissan Aims to Improve Its Supplier Relationships*, Chappell (2016) makes the following comments on Nissan NA: “Nissan is vowing to mend its ways with North American parts suppliers, following a year of criticism that it is pushing too hard for price

reductions” (2016, 20). Her article contains Nissan’s explanations, delivered by Mr. Chris Reed, a Nissan North America executive as follows:

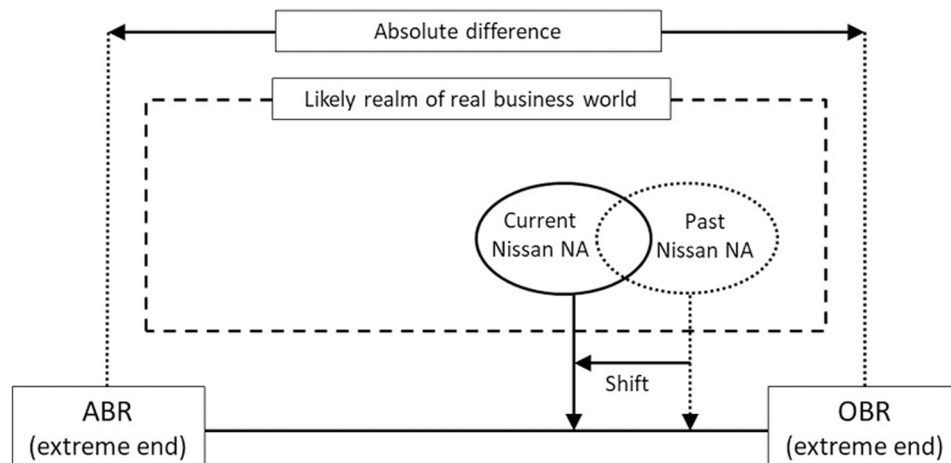
By bringing suppliers into the planning too late, the automaker has often already locked into hard cost targets, and that suppliers looking at such cost targets might be limited in what they can give the company.

Portrayed in his explanation, Nissan NA’s approach to its suppliers seems to have departed from the typical OBR practice, which features a high level of interdependency for the planning based on goodwill trust between an OBR automaker and their suppliers. The interview data suggests that Nissan NA’s management has possibly become more remote from the OBR end, or alternatively said, Nissan NA’s practice (of Nissan-supplier relationship) has been localized in the USA more than it used to be. The following section will present additional evidence for the OBR characteristic and the change of Nissan NA’s managerial style. Figure 4 attempts to illustrate the pattern change of Nissan NA in terms of manufacturer-supplier relation at the organization level.

To reiterate, this change took place not in Nissan’s Japanese operation but in their North American operation. The shift distance represents how much Nissan NA has moved towards the ACR side on the linear scale between the ABR and OBR extremes. One possible reason for Nissan NA’s shift from the OBR pattern may be that, as widely known, Nissan’s top management has become highly international since 2000 or around. The CEO change at Nissan’s Japanese headquarters might have allowed Nissan NA to change under the influence of the local ABR pattern, becoming more remote from the OBR end. The CEO change probably have lessened the restriction of the prevailing Japanese OBR pattern, on which Nissan NA’s expatriate Japanese managers based their business decisions in the past. All these scenarios can be theoretically illustrated in the ABR-OBR framework.

This section has examined the evidential comments made by the high-level managers that support the proposed framework. The next section will summarize the findings and envisage the consequences of a greater level of globalization under the economic nationalism from the standpoint of the Japanese multinationals.

Figure 4. Change of Nissan NA



DISCUSSIONS

The findings have supported each of the patterns in the proposed ABR-OBR model. Table 4 summarizes the categories of findings elicited in this research and borrowed from the literature, presented in the form of two extremes to capture the social realities.

This research has developed the categories through the grounded theory approach (Strauss & Corbin, 1998) by constantly making theoretical comparisons of the findings. This interplay helped satisfy the need to condense all the findings into the grounded element: Each society has the nexus of categories across the levels. The actual state of each of the categories is not as binary as the extremes presented, but the findings indicate that the extremes generally represent the modal patterns in the respective societies. Table 4 answers the research questions: It signifies the “5% portion” (Adler, 2000, xiii), and the extremes give shape to the differences of managerial styles. ABR-OBR can capture a change of a management strategy.

As mentioned earlier, no pattern is superior to the other. A normative practice in one society may not always so once it goes beyond the national boundary. The following subsections will look at the positive and negative sides of global expansion.

Positive Consequences

This section will discuss the positive scenarios of globalization by analyzing publicly available research, “Tier 1 Supplier Working Relations Index” or “WRI” (Hedge, 2015) in the OBR context in the ABR-OBR framework. Planning Perspectives, Inc. (“PPI”), a Michigan-based research firm, annually conducts a useful study on automobile manufacturer-supplier relationship. Developed by Dr Henke, president of PPI, as well as a Professor of Marketing at an American university, WRI is “a quantification of suppliers’ working experiences with a company to whom they are supplying products and/or services” according to their website⁶. Appendix B shows their study’s 16 variables (adopted from Figure 1 in their webpage⁷), and Figure 5 illustrates the quantified results transformed to a linear scale of 0 to 500 (adopted from Figure 2 on the same webpage). Figure 6 illustrates their results over the last decade. According to their

Table 4. Summary of findings.

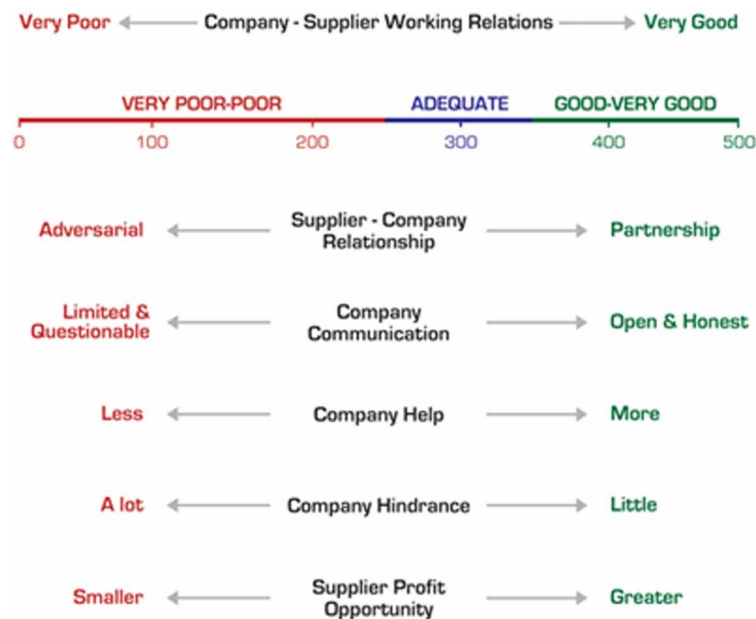
Grounded finding	Arm's-Length Business Relation (ABR)	Obligational Business Relation (OBR)
LME-CME patterns of wealth creation at the social system level		
Business relationships	Market relationships	Non-market relationships accepted
Transaction	Formal contracting	Non-formal contracting accepted
Unique corporate form	Strategic alliance	Keiretsu
ACR-OCR trading patterns in the manufacturing sector at the organization level		
Degree of interdependence	Low	High
Time span for reciprocity	Short	Long
Supplier selection process	Conducted every vehicle life	Conducted every relationship
Underlying beliefs at the individual level		
Principal rule	Arm's-length principle	Goodwill trust
Social orientation	Freedom	Interdependency
Shared purpose	Economic purpose	Community purpose

A Conceptual Framework for Managerial Analysis Under Economic Nationalism and Globalization

press release (Hedge, 2015), their study has been carried out for the last 15 years, and in the recent 2015 study “541 sales persons from 435 Tier 1 suppliers - representing 1,595 buying situations (e.g. supplying brake systems to FCA, tires to Toyota, seats to GM) and 59% of the six OEMs’ annual buy - responded to the survey. Demographically, the supplier-respondents represent 44 of the Top 50 NA suppliers and 67 of the Top 100 NA suppliers.” These descriptions indicate that the WRI is generated from a massive research project.

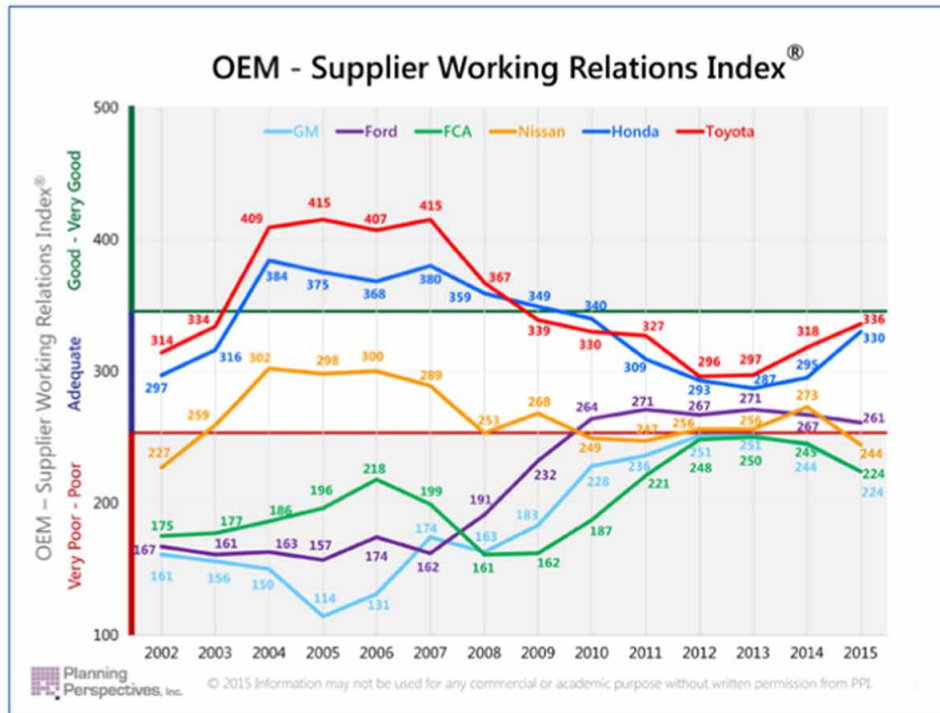
PPI does not release their survey questionnaires nor the formula to compute the WRI index values, so their results may only be used to have general ideas on their 16 variables classified into the five components, with regard to the automakers’ North American operations. However, this chapter borrows the WRI as evidence because it is easy to interpret and is based on a large number of survey data. One feature of their study is supplier-driven: It is the sum of the suppliers’ judgment results on the OEMs such as GM and Ford. The WRI components and variables read that, other than Supplier Profit Opportunity, their components correlate to the ACR-OCR patterns in a way that the more OCR (more of the J-system), the higher the scores are on the linear scale. Their study results cannot be taken as definitive evidence but considered a general consensus that the highly rated manufacturers respect collective collaboration with the suppliers for quality improvement. The WRI results indicate that the Japanese 3 (Toyota, Honda and Nissan) have scored higher than the Detroit 3 (GM, Ford and FCA), though Nissan has not been rated high in the last seven years. In their study report, Hedge (2015, 3) explains “One word can explain the difference in supplier relations between Toyota and Honda and the other four automakers, said Henke: Commitment.” His key word signifies goodwill trust in the OBR pattern, rather than the freedom of choice given to the ABR suppliers. One possible interpretation of the study can be that the respondents (suppliers) rate Toyota and Honda well, because Toyota and Honda are more collaborative about the

Figure 5. Working relations index (WRI)
(adopted from Planning Perspectives, 2013, Figure 2)



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Figure 6. OEM supplier working relations index
(adopted from Hedge, 2015, 1)



parts quality than the others, even in North America. Toyota and Honda’s North American operations can be generally influenced by a typically J-system way of management developed in Japan (Liker & Hoseus, 2008), though the level of cross-national influence may differ company by company. However, the OCR entities tend to believe that continued, often quasi-eternal, manufacturer-supplier relationship is vital for new product development and secures financial sustainability for the OCR group in the long run. This belief is nothing but goodwill trust (Sako 1992, 10) - “a sure feeling that trading partners possess a moral commitment to maintaining a trading relationship” - the core component of OCR. In the extreme OCR pattern, having an evergreen relationship outweighs following the arm’s-length criteria, which is used to choose the cheapest deal and as a result breaks the existing trading relationship.

The WRI findings indicate that Nissan NA has not been rated high since 2010. The change of Nissan NA indicates that, while Toyota and Honda are more OCR even in North America than the Detroit 3, the Nissan suppliers see Nissan NA as ABR as the Detroit 3. The results show that in the recent years Nissan NA has possibly become more ABR than it was before.

Obtained from the standpoint of automobile suppliers, their findings suggest that the OBR pattern can generate positive results in the globalized context. The OBR trading relationships tend to be longer than the ABR extreme, where the buyer-supplier relationships practically have no end date because of goodwill trust (Sako, 1992). However, the favorable topics discussed in this section may be the tip of the iceberg. The following section of a short case study will examine the negative consequences of global expansion with the case theme of price-fixed automobile parts.

Negative Consequences

According to Automotive News (Greimel 2016, 3), “US auto dealers and consumers are suing parts makers, saying they paid more for their vehicles because of price-fixing by the suppliers. The civil suits follow numerous criminal cases filed by the federal government over price-fixing.” Indeed, the Antitrust Division of the US Department of Justice (“DOJ”) has been investigating into price-fixing since 2011 in collaboration with the FBI, according to the Department of Justice’s webpage⁸. Dated May 31, 2018, the DOJ places the latest news on their webpage about a Japanese auto parts company, which is to pay a \$12 million criminal fine. The news reads “The Antitrust Division’s prosecution of widespread collusion in the auto parts industry has yielded more than \$2.9 billion in fines and convictions of 46 corporations and 32 executives”. Morgan Lewis offers a useful report *Automotive Parts Investigation Summary*⁹ that lists the 65 criminal cases, most of which are Japanese businesses, as of February 1, 2017. Greimel (2016, 32) reports on the background behind the lawsuits:

The plaintiffs cite what they call the Japanese business practice of shoken, meaning “respecting commercial rights” or “respecting incumbency.” The understanding was if one supplier had an existing relationship with an automaker, the others wouldn’t muscle in on that territory. They would “pretend” to compete but ensure their bids were too high, the suits claim. Suppliers also allocated business among themselves geographically, the suits say.

The definition of shoken appears to mirror goodwill trust, which promotes the C-type purpose between an automaker and its suppliers based on their long-term business relationships for collaboration to produce quality vehicles at their best in their OBR approach.

As discussed earlier, Toyoda Gosei Co., Ltd. (“Gosei”) and Aisin Seiki Co., Ltd. (“Aisin”) are Toyota’s important suppliers. In 2014, both agreed to plead guilty for fixing prices and rigging bids on automobile parts. Gosei and Aishin were to pay \$26 million¹⁰ and \$35.8 million¹¹ in fines, respectively.

One important implication of this case study is that Japanese multinationals should be aware that some of the OBR aspects cannot be transplanted or translated as-is to the ABR society. As examined earlier, the concept of embeddedness may be expressed as the nexus of tight connections between regional practices and societal specificities, including laws. When a foreign practice of OBR is imported to the USA and turns out incompatible in the destination society, the imported OBR practice may result in serious consequences.

CONCLUDING REMARKS

This study’s findings suggest that each society has its character, which can be expressed for example as LME or CME. Within the proposed framework, the social specificities have mutually nurturing relationships across the levels in the respective societies. No pattern can be superior to the other, as the compatibility between the specificities can weigh heavily in one society. Under the intensified globalization in the context of economic nationalism, the major Japanese automakers may need to be more knowledgeable when expanding their US operations. The expansion may entail a greater level of localization that probably calls for sensible cross-national management. No automakers can build cars without supplier support, yet their managerial strategies appear to vary by management and location. The framework

may be used as a supporting tool to analyze what is effective and preferable in the respective societies by comparing the different attributes, which affect supplier relation.

Huntington (1996/2011, 21) argues “In the Post-Cold War world, the most important distinctions among peoples are not ideological, political, or economic... They are cultural” in his famous book *The Clash of Civilizations and the Remaking of World Order*. His definition of *culture* appears to overlap the OBR belief in goodwill trust being referred in this chapter. The findings support the existence of various dichotomies with two extreme ends and consequently the idea that the world is not homogeneous. In the respective societies, educators and researchers conduct research on regional business practices and introduce them as correct practices at educational institutions. The graduates then become the business decision-makers, following the contents of their education and the institutional rules laid out at the workplace. The chain of whole social activities is carried over by generations. Regionally shared patterns at each level, which together support the development of the social chain, deserve attention in today’s globalizing world.

Lastly, the best way of applying the proposed ABR-OBR framework is not to argue that the sets of patterns are inevitably uncompromising and unmanageable but to consider how to reconcile them between societies. There is a saying: Opposites attract. Two best friends are often likened to the opposite poles of a magnet. Their friendship is the result of good communication and reconciliation. ABR-OBR is intended as a theoretical tool for positive and constructive use to help identify cross-national differences and overcome the lack of mutual knowledge.

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ENDNOTES

- ¹ All figures are created by the author unless otherwise specified.
- ² Refer to Jacobs (1991) for the time span for reciprocity.
- ³ Toyota and its subsidiaries sold over nine million cars, trucks and buses worldwide under the Toyota, Lexus, Daihatsu and Hino brands in the fiscal year ended March 31, 2014. Toyota manufactures vehicles and parts in 27 countries and regions around the world and sells them in more than 170 countries and regions. Fact sheet available at <http://www.toyota.com/usa/investors/> (accessed 24 January 2016).
- ⁴ Gosei is one of the major Toyota-affiliated (“keiretsu”) component suppliers. Toyota has a 42.65% ownership interest in Gosei. Sales to Toyota account for more than 60% of Gosei’s consolidated sales on a global basis. Gosei has 65 group companies in 18 countries and was founded in 1949 as a spin-off of Toyota’s rubber product division. Fact sheet available at <http://www.toyoda-gosei.co.jp/kigyuu/library/> (accessed 24 January 2016).
- ⁵ <http://www.bloomberg.com/research/stocks/people/person.asp?personId=22865682&privcapId=319676> (accessed 13 August 2017).
- ⁶ <http://www.ppi1.com/> (accessed 20 March 2016).
- ⁷ <http://www.ppi1.com/working-relations-index/> (accessed 20 March 2016).
- ⁸ <https://www.justice.gov/atr/division-update/2015/auto-parts-investigation-2015> (accessed 13 March 2016).
- ⁹ <https://www.morganlewis.com/news/morgan-lewis-report-aggressive-global-cartel-enforcement-to-continue-in-2017> (accessed 1 September 2018).
- ¹⁰ <https://www.justice.gov/opa/pr/toyoda-gosei-co-ltd-agrees-plead-guilty-fixing-prices-and-rigging-bids-automobile-parts> (accessed 13 March 2016).
- ¹¹ <https://www.justice.gov/opa/pr/aisin-seiki-co-ltd-agrees-plead-guilty-customer-allocation-automobile-parts-installed-us-cars> (accessed 13 March 2016).

APPENDIX A

Table 5.

ACR	OCR
<ul style="list-style-type: none"> • (A) Transactional dependence: Buyer seeks to maintain low dependence by trading with a large number of competing suppliers within the limits permitted by need to keep down transaction costs. Supplier seeks to maintain low dependence by trading with a large number of customers within limits set by scale economies and transaction costs. • (B) Ordering procedure: Bidding takes place; buyer does not know which supplier will win the contract before bidding. Prices negotiated and agreed before an order is commissioned. • (C) Projected length of trading: For the duration of the current contract. Short-term commitment by both buyer and supplier. • (D) Documents for exchange: Terms and conditions of contract are written, detailed and substantive. • (E) Contractualism: Contingences are written out and followed strictly. • (F) Contractual trust: Supplier never starts production until written orders are received. • (G) Goodwill trust: Multiple sourcing by buyer, combined with supplier's low transactional dependence. • (H) Competence trust: Thorough inspection on delivery; the principle of caveat emptor predominates. • (I) Technology transfer and training: Only the transfer, training or consultancy which can be costed and claimed for in the short run occurs. • (J) Communication channels and intensity: A narrow channel between the buyer's purchasing department and the supplier's sales department, with frequently kept to minimum necessary to conduct business. • (K) Risk sharing: Little sharing of risk; how risk, resulting from price and demand fluctuations, is to be borne by each party is spelt out in explicit prior agreement. 	<ul style="list-style-type: none"> • For a buyer, avoidance of dependence is not a high priority; it prefers to give security to few suppliers, though may still dual or triple source (some from a fringe group of suppliers with whom it has ACR relation) for flexibility. For a supplier, avoidance of dependence is not a high priority, but it may well have several OCR customers (plus, perhaps, a fringe group of ACR customers). • Bidding may or may not take place. With bidding, buyer has a good idea of which supplier gets which contract before bidding. Without bidding, there is a straight commission to supplier. Prices are settled after decision about who gets the contract. • Continued beyond the duration of the current contract. Mutual long-term commitment. • Contracts contain procedural rules, but substantive issues are decided case by case. Contracts may be oral rather than written. • Case-by-case resolution with much appeal to the diffuse obligation of long-term relationships. • Supplier often starts production on the basis of oral communication, before written orders are received. • Sole sourcing by buyer, combined with supplier's transactional dependence. • Little or no inspection on delivery for most parts. (Customer may be involved in establishing supplier's quality-control systems.) • Not always fully costed, as benefits are seen as partly intangible and/or reaped in the distant future. • Extensive multiple channels, between engineers, quality assurance personnel, top managers, as well as between purchasing and sales managers. Frequent contact, often extending beyond the immediate business into socializing. • Much sharing of risk, in the sense that the relative share of unforeseen loss or gain is decided case by case, by applying some principle of fairness.

APPENDIX B

Table 6.

Components	Variables
Supplier-Company Relationship	1. Supplier trust of Company 2. Supplier-Company overall working relationship
Company Communication	3. Company open and honest communication with suppliers 4. Company communicates timely information 5. Company communicates adequate amounts of information
Company Help	6. Help Company gives to suppliers to reduce costs/hourly rates 7. Help Company gives to suppliers to improve product/services quality
Company Hindrance	8. Company late/excessive product/services design/specification changes (reverse measure) 9. Conflicting objectives across Company functional areas (reverse measure) 10. Supplier given flexibility to meet established cost/quality objectives 11. Supplier involvement in Company product/services development
Supplier Profit Opportunity	12. Company shares savings from suppliers' cost reduction proposals 13. Company rewards high performing suppliers with new/continued business 14. Company covers sunk costs on cancelled or delayed programs 15. Company concern for supplier profit margins when asking for price reductions 16. Suppliers' opportunity to make acceptable return over long term