Global Modular Course: MGMT 897
Sustaining National Competitiveness by Leveraging Capabilities:
Japan’s Approach, Progress, and Future Challenges

Course Information and Assignments (version: January 23, 2018)

Tokyo (and environs), Japan -- March 4-8, 2018

Dates in Japan: 6:30pm dinner on Sunday, March 4th; company visits from Monday, March 5 to Wednesday, March 7; panel discussions and wrapup, finished by 1pm on Thursday, May 8.

Pre-trip activities: One 2-hour class session on February 7, 8:00-10:00pm EST (5:00-7:00pm PST and 8:00-10:00am Japan). The instructors will introduce the course themes and requirements plus the TAs will provide travel tips for Japan. In addition, Mr. Kazuo Momma, WG88, Executive Economist at Mizuho Research Institute and ex-Executive Director at Bank of Japan will make a presentation on macroeconomic trends in Japan. This session is required; it will be taped for those who have an unavoidable schedule conflict. Plus you will have an advance writing assignment, described in detail below. This short paper is due at 11:59pm (in your time zone) on Wednesday February 28th, posted on Canvas.

Credit and eligibility requirements: 0.5 Credit Unit; course must be taken for a grade (no Pass/Fail or auditing); must submit short essay when applying (see below); open to current MBA and WEMBA students.

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Course Overview

The importance of Japan within the global economy is well-established; in 2016, it was #3 in the world in nominal GDP (after the U.S. and China), and #4 in the world in exports (after China, the U.S., and Germany). However, Japanese global dominance in many key manufacturing industries reached a peak in the 1980s and hasn’t reached the same level since. Indeed, the 1990s were a difficult period of recession for Japan and is considered “the lost decade”, i.e. a period of stagnation, following the burst of a housing bubble, with slow movement towards restructuring. Most significantly, the productivity advantage of many Japanese firms was dwarfed by the low labor costs of emerging economies, particularly in China which became the overwhelming choice for Western outsourcing investments. In addition, Japanese mastery of analog technologies slowed their movement into digital technologies, putting them suddenly at disadvantage as once-dominant firms like Sony, Sharp and Panasonic fell behind Korean rivals.

The 2000s were more economically favorable but were also characterized by exchange rate challenges from a strong yen that made Japanese exports expensive and increased the frequency of Japanese firms establishing production facilities in low labor cost countries. Meanwhile, competitors from Korea, the U.S., and various European countries continued to erode the Japanese competitive advantage in product innovation, supply chain management, and manufacturing in a number of key sectors, e.g. consumer electronics; telecoms; semiconductors. Even in the automotive industry, where Japanese firms continue to be strong global performers, the gap with competing automakers has closed considerably.

In response to these difficult times, Japanese firms and policymakers have responded by boosting competitiveness via improving and leveraging firm capabilities. As wages rise in China, Japanese manufacturers face a smaller cost disadvantage and can compete successfully with product and process innovation, new services, customization, and speed in developing and launching new products. Other Japanese firms excel in R&D breakthroughs or creative advances in cultural products that have a global audience.

Notable examples that we will study during this course include the following:

- Japan’s traditionally strong manufacturing companies are evolving to maintain global competitiveness via leveraging their technology portfolio, product design, manufacturing, and supply chain capabilities in new ways.

- Japan’s SME’s (Small-and-Medium-size Enterprises) operating in the manufacturing supply chain have learned to survive during the years of the strong yen and the pressure to outsource work to low-cost labor countries. Their mastery of *monozukuri* (literally “the act of making things” but more accurately “a state of mind, the spirit to produce not only excellent products but also to have the ability to constantly improve the production system and its processes”) remains crucial to the ongoing competitiveness of their large-firm customers and the country overall.
• Giant U.S. firms have dominated the medical equipment/devices industry by emphasizing radical product innovation, obtaining new technology through M&A, and offering a broad product line in all areas. Japanese medical equipment companies, on the contrary, internally develop core technologies and avoid outsourcing manufacturing in order to achieve precision, reliability and quick responses to customers’ requests for product refinements. They carefully choose product segments in which to compete to fit with their strengths and primarily conduct M&A for technical synergies, not volume or speed.

• Japanese automakers have been leading the industry in environmental technologies by developing hybrid and plug-in-hybrid energy, electric, and fuel cell vehicles with long-term technology portfolio strategy in mind. Although they developed these technologies in-house with strong Keiretsu network, some of them started leveraging open-innovation with non-traditional auto suppliers under the era of CASE (Connectivity, Autonomous driving, Sharing and Electric drive systems).

• Japanese product and process innovations continue to have a significant impact in Japan and foreign markets, from cultural products (manga; anime; youth fashion) to video games to robotics for consumer use and business services.

• Energy sustainability and “green” products/services have been a long-time focus of Japanese policymakers as well as an area of distinctive advantage for several Japanese firms in such areas as biofoods, transportation, energy efficiency, recycling, and logistics.

• Japan is displaying increasing levels of entrepreneurship. Besides more availability of venture capital funding from inside and outside of Japan, startups are increasingly encouraged with social legitimacy, organizational supports, and regulatory flexibility.

• Japan’s consumer electronics firms went through a difficult phase when traditional categories like analog TV were disrupted by new digital products with better capabilities provided by new companies that took market share. After years of underperformance, some of Japan’s tech giants are fighting their way back to record profits by revisiting their sources of competitive advantage and repositioning their technology portfolio to focus resources on producing best-in-class products. Surprisingly, for a company like Sony with high B2C brand recognition, B2B sales of high-tech components for products like iPhone are now a dominant source of both revenues and margins.

• Sogo Shosha is the name given to Japan’s diversified trading conglomerates. This type of vertically integrated trading company originated in the late 19th century and is for the most part a form of industrial organization that is unique to Japan. Certain soga shosha are still active in global trading and credit their resilience and success to their long-lasting corporate philosophies.
• The challenges of dealing with an aging society and a less-than-replacement birth rate have major implications for the labor force (and hence for immigration policy) and for social policy: services to the elderly. Private sector firms are innovating in response to these issues, with support from the government. One notable example is developing robots that can be deployed immediately in the service sector.

In past years, this course focused entirely on Japanese manufacturing and supply chain capabilities. Starting last year, the focus of the course has broadened to include the full range of activities undertaken by Japanese firms to sustain their competitiveness, both locally and globally, with the support of government policy makers eager to boost and diversify economic growth while preserving crucial aspects of the social fabric.

For this new design, we will organize company visits that can provide insights into many of the capability-building activities now being undertaken by Japanese firms. Our time in Japan will be devoted almost entirely to such visits, in a deliberate application of the important philosophy of genchi gembutsu, i.e. go and see, to the actual place and the actual situation. We will prepare students to get the most out of these visits through a pre-trip session (online), including pre-readings and a written assignment due before the trip. The learning from company visits will be reinforced via a team project carried out partially before and partially during the trip itself; and a closing individual reflection paper, due after the trip.

For each company visit, we will consider the following questions:

1. What is noteworthy about the capabilities of the Japanese company we are visiting? How might those capabilities provide competitive advantage along various performance dimensions?

2. What are the pressure points on the company we are visiting (past, present, future) and how do those forces threaten both capabilities and competitive advantage?

3. How has the Japanese company responded to these pressures in order to maintain capabilities and leverage them more effectively, both in Japan and globally?

4. How do domestic factors in Japan (from consumer preferences to demographics to fiscal policy to government support of key technologies) affect the focal firm’s ability to improve its capabilities and competitive position?

After an introduction and orientation on Monday morning (March 5), the full group will travel together for company visits on Monday afternoon and the full day Tuesday (March 6). On Wednesday March 7, we will divide into two groups that will each visit two different companies in a single day. Students will be pre-assigned to teams corresponding to each company we will visit. Teams will prepare via background research and carry out observational tasks during the visit. Upon returning to meeting rooms at Global Business Hub Tokyo on Wednesday afternoon, teams will be given a few hours to prepare and give a short presentation on their assigned firm.
On Thursday, March 8th, we are organizing a set of speakers who will address the issue of Japanese competitiveness from a variety of issues. Included will be Prof. Takahiro Fujimoto of Tokyo U., expert on the automotive industry, who will speak to the shifting nature of Japanese competitiveness over time; Prof. Emi Osono of Hitotsubashi U., who is in charge of the Porter Prize, which was established to bestow recognition on Japanese companies that have achieved and maintained superior profitability in a particular industry by implementing unique strategies; and one or more executives from Porter Prize-winning companies. A closing luncheon will allow for final discussions among faculty, students, and panelists. This final session will end at 1:15 pm on Thursday, March 8th so that WEMBA students who need to get back to the U.S. for class sessions on Friday and Saturday can depart later that same afternoon.

A Canvas site will also be established for distribution of course materials and submission of written assignments. Before the trip, we will post various resources on Japan.

Students interested in this course are invited to submit a short statement (maximum 1 page) stating the reasons why you are interested. This may relate to past experiences; your future career; a learning goal; and/or interest in a specific topic. Please submit your statement to: mgmt890JapanGMC@gmail.com by 11:59pm on Monday, November 12, 2017. At the top of the page, provide the following background information: a) your name; b) your year and program at Wharton; c) your academic major or focus at Wharton; and d) your current or most recent job. The rest of the page should make the case for you being chosen for this course.

Grading and Assignments

30% is allocated to your level of active participation in all course activities, including the pre-trip session; being present for all activities in Japan; preparing for Q&A sessions during company visits on March 5-6; contributing to the team project work on March 7; preparing for active involvement in the final discussions with speakers on March 8th.

20% is allocated to the individual pre-trip paper that you will write, due at 11:59pm (in your time zone) on Wednesday, February 28th. See below for the specific assignment.

20% is allocated to the presentation that your assigned team will prepare and deliver after company visits on Wednesday March 7th, assignment questions to be determined.

30% is allocated to an individual reflection paper that is due roughly two weeks after your return from Japan, at 11:59pm on Sunday, March 25th.

Travel, hotel, and meals

Students are responsible for all travel to and from Tokyo. A package price will be available to cover all hotel costs, meals, and local transport; the higher rate will provide single occupancy, the lower rate will be for double occupancy. Details forthcoming, including dates for paying the initial deposit and the remaining balance.
Pre-Trip Paper Assignment (individual assignment worth 20% of your grade)

In 2000, Michael Porter (of HBS and strategy “five forces” fame), along with Hirotaka Takeuchi and Mariko Sakakibara (both of Hitotsubashi University in Tokyo) wrote a book with the provocative title *Can Japan Compete?* In it, they set out a compelling analysis of both strengths and weaknesses of the Japanese economy in order to account for the disappointment of the 1990s, the so-called “lost decade” after Japan’s steady post-war ascent. Their analysis covers both the Japanese government’s approach to economic policy and the Japanese management model found at both large and small (and both global and domestic) companies and it concludes with recommendations for both public policy and how firms are managed. We are assigning you three chapters to read that focus on Japanese firms, since that is our primary focus for this course. (We won’t deal much with Japanese government policy, despite its obvious importance, due to time constraints in this short course.)

Start by reading these chapters (posted on Canvas): 1) The Japanese Model of Competitiveness; 3) Rethinking Japanese Management; and 6) Transforming the Japanese Company. Remember that these chapters were published in 2000 and are therefore based on data from the 1990s. The intention is for this reading to provide you with a baseline timeframe and understanding to analyze developments since then.

Your assignment is to absorb these readings and then to do your own research on the Internet to identify four company examples and to summarize their current situation vis-à-vis the baseline of the Porter et al book. More specifically, two of these examples should be chosen to support the analysis of the strengths and weaknesses of Japanese companies, according to Porter et al, and two of these examples should be chosen to challenge that analysis, i.e. because the example does not support or conflicts with the logic of that analysis. Based on past experience, we suggest that you think about finding these examples within the following categories:

**Support**

Type 1. Firms that lack strategic focus, compete just on operational effectiveness, slowed by consensus decision-making, etc. or

Type 2. Firms that have overcome those exact liabilities, either from their start or in adapting to difficulties, i.e. not a typical Japanese firm

**Challenge**

Type 1. Firms that have continued to be successful despite having the attributes criticized by Porter et al. or

Type 2. Firms that aren’t like the typical Japanese firm, i.e. they have strategic focus, restrict scope, emphasize profitability over growth, do M&A, (similar to “support” type 2)

Variety is encouraged, i.e. it is fine to cover a big, well-known global company but it would also be valuable to find smaller firms, lesser-known firms, primarily domestic firms. You’ll learn more if you reach beyond examples that you already know something about it. For example, if you have followed the difficulties of Sharp in home electronics, it won’t be as interesting to
cover this example as to find a different example not previously known to you. (And it will be much more interesting for us if we don’t have to read 35 papers that all discuss Sharp!)

*The paper should be 1,250 words, plus or minus 5%, with normal margins, normal font, and double-spacing. Please put your name and the word count at the top of the first page.* I will read the papers as part of my final preparation from the course and may draw on them for examples at various points in our time together. The papers will be graded by the TA’s, under my guidance as to grading criteria, after we return from Japan. We will discuss this paper assignment during the intro session.

**Team Assignment (worth 20% of your grade)**

You will be placed onto a team of four students and given an assignment related to one of our company visits. Some teams will do advance work before our visits and then will be asked to brief the rest of the group, most often while we are traveling (together on the same bus) to the site. On Wednesday, March 7th, when we divide into two groups for separate company visits, other teams will be assigned to gather information *during* the visits and to prepare a short report for the rest of the group at the end of that day. With the help of the TAs, we will gather information on your preferences across the set of companies that we will visit so that we can match the team assignment to those preferences as much as possible. We’ll use Canvas to communicate more about the process of assessing your individual preferences, the formation of teams, and the specific assignments for each team.

**Final reflection paper (individual assignment – worth 30% of your grade)**

This individual assignment is an opportunity to reflect on what you have learned in the course and during your time in Japan. It is worth 30% of your grade and is due by **11:59pm on Sunday, March 25th**, posted on Canvas. You should give your thoughts on 1) the current status, 2) future trends and 3) key drivers of Japanese capabilities and competitiveness, drawing on your observations and reflections from our company visits plus any other experiences during the entire trip that influenced you. Our guideline for length is 1000 words, roughly four pages, although this is a recommended, but not required, length; your paper can be either shorter or longer, as long as it captures your thoughtful reflections on your experience in the course.
Course Schedule (details to be confirmed)

Sunday, March 4th

Arrive in Japan; check in at Marunouchi Hotel (near Tokyo Station); welcome dinner at 6:30pm, location to be announced.

Monday, March 5th

Morning: Introduction and Orientation – Prof. MacDuffie and Mr. Endo will introduce the course. Mr. Hiromichi Nakahara from Ministry of Economy, Trade, and Industry (METI) will introduce the current state of the Japanese economy and the government policies for growth and future investment affecting Japanese competitiveness.

Midday: Visit to Terumo (Tokyo), a major maker of medical equipment and devices. Terumo is known for its strength in catheter systems and other cardiovascular products. Mr. Hikaru Samejima, Senior Executive Officer and Vice President, Interventional Systems Division (Production), Cardiac and Vascular Company, will present the division’s competitive strategy.

Afternoon: Visit to Itochu (Tokyo), a leading non-zaibatsu general trading company, founded in 1858 by Chubei Ito and an industry pioneer in business in China. In 2016, they achieved the top position in net income among major Japanese trading firms. Company representatives will explain Itochu’s business scheme, unique to Japan, and Sampo Yoshi, the management philosophy that has persisted since its founding 160 years ago.


Tuesday, March 6th

Morning: Visit to Nissan’s Advanced Technology Center, a R&D hub for innovative technologies to accelerate advanced technology development and create new values on future mobility by featuring new concept office to invoke collaboration in/outside Nissan and Advanced vehicle & Electric Powertrain Labs. Haruyoshi Kumura, Fellow in charge of Technology Intelligence will speak about Nissan’s mid- & long-term technology portfolio strategy and will have a facility tour.

Afternoon: Visit #1 to Euglena, a venture company originated at U. Tokyo, that achieved the first large-scale outdoor cultivation of euglena (a type of microalgae) worldwide
in 2005. Euglena is rare for being able to photosynthesize using its chloroplasts; it contains most of the nutrients required for human survival and is used in foods and cosmetics. The winner of 1st Nippon Venture award in 2015 launched by The Ministry of Economy, Trade and Industry (METI).

Visit #2 to DeNA (pronounced "D-N-A"), founded in 1999, which develops and operates a range of mobile and online services including games, e-commerce, entertainment, healthcare, automotive telematics, and other diversified offerings. "Mobage Town" (now known as "Mobage"), the company's original game and social networking site for mobile phones, has proven extremely popular among young people and shown rapid growth. Starting in January 2017, DeNA started collaborating with Nissan to develop a new mobility service that uses autonomous driving technology. Building on the morning’s visit to Nissan, we will hear about this initiative as well as DeNA’s other activities.

**Wednesday, March 7th**

**Group A:** Morning visit to Softbank (Tokyo) – demonstration of “Pepper”, a human-shaped robot, called “the first humanoid robot capable of recognizing the principal human emotions and adapting its behavior accordingly”. Pepper is being used in more than 140 SoftBank Mobile stores in Japan as a new way of welcoming, informing and amusing customers and has also been adopted by 1700 companies including auto dealers, mega-banks, elderly care homes, etc. Softbank will export Pepper to the U.S. next year. Collectively we will undertake a brainstorming session on “Where could Pepper fit into the B2B market in US?”

Afternoon visit to Hamano Products, small supplier of metal stampings to the automotive industry, known for effective collaboration with universities, start-ups, and SMEs (Small & Medium-sized Enterprises) from other industries. This winter, METI awarded Hamano its seventh monozukuri Nippon Grand Award.

**Group B:** Morning visit to Sony, a conglomerate which extensively operates the electronics business known for "Bravia" LCD TVs, "PlayStation" game machines and "Xperia" smartphones while having the movie, music and financial businesses under its aegis. The company has been suffering prolonged slowdown since the late 90s. It is working to restructure its business into profit-yielding company.

Afternoon visit to Hobonichi, a Japanese company that runs a web magazine without advertisement to attract customers and directly sell internally-planned and developed products via the Internet. The flagship product "Hobonichi Techo" (a personal day planner) accounts for around 70% of the total sales and expanded the sales of the English version of the day planner to the US and China, and the overseas sales ratio accounts for nearly 20%. They went public last March.
Thursday, March 8th

Morning: Speakers on Japanese competitiveness from academic and practitioner perspectives, with discussion to follow. Speakers to include:

Prof. Takahiro Fujimoto, U. of Tokyo, director of Manufacturing Management Research Center (MMRC)

Prof. Emi Osono, Hitotsubashi U, head of the Porter Prize Organizing Committee.

Mr. Masashi Mizunaga, President and CEO, Founder of real estate firm Star Mica, 2011 winner of Porter Prize, for its Pre-owned Condominium Division

Luncheon: Each student shares a few early reflections on her/his experiences during the Japan GMC. Adjourn at 1:15pm