

RISE AND FALL OF JAPAN

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The impressive, indeed meteoric, rise of the Japanese economy, since the Second World War, which has raised it to the position of the world's third largest industrial producer, has been one of the most significant and unexpected changes of recent history. Its ability, despite the destruction wrought by the Second World War, to overtake and Outstrip the leading industrial countries, to build up powerful and technologically advanced industries almost from scratch, and to establish a leading position in the world market, has attracted wonder, admiration and foreboding. At a time when older industrial countries were in a state of stagnation or decline, Japan continued to press forward vigorously in spite of enormous expenditure on imported oil. The rapid expansion of the motor car industry, for example, was not checked by the post- 1974 energy crisis, and Japan established itself as the world's leading producer. World recession slowed Japan's advance, however, hitting hard some industries which had over-expanded during the boom. The economy also suffered high-level inflation. Nevertheless, Japanese business has taken such setbacks as a challenge, pushing all the harder to reduce costs of production, to develop new products and expand overseas markets. The appearance of continuous success and the ability to overcome problems with resolve conceals many weaknesses. There are internal contradictions, untoward side-effects of rapid expansion and increased vulnerability to external shocks which have to be examined before the picture can be complete. Nevertheless, the first task must be to discuss the reasons for Japan's success and to explore the peculiarities of the Japanese model of industrialization.

In 1995, Japanese companies were listed in fortune 500 list with 35.2% of revenue and in 2009 it got reduced to 11.2% with 68 companies in the list. Japan's loss was the advantage or gain for

emerging market. BRIC countries rose from 0.9% to 10.4%. We will have to do surgical scanning to know where Japanese went wrong Why were they not able to continue the meteoric rise? Research revealed that factors that caused their rise or early success were the reason for their failure. The seismic shift or transformation that was required to be done was not performed. Japan was unable to change their culture that propelled their early export led growth into those needed for global leadership. They were required to break their business model by reducing their reliance on potential domestic market, also to cope with diverse labour force and break their homogeneous leadership.

Right word that was coined for their infatuation was “THE WAY” they always talked about ‘Toyota way’, ‘Toshiba way’, ‘Takeda way’ etc. Japan being a large unvaried market, companies developed strong asset base which allowed them to achieve economy of scale and drive down cost. They even had excellent quality that was liked by the finicky Japanese customer. Slowly they developed strong export, to the extent that 95% of the goods sold by Japanese companies (1986) were made in JAPAN.

In establishing efficient manufacturing capacity Japanese created strong corporate values, practices and culture which reinforced their devotion to “THE WAY”. It became deeply entrenched into their business model. This hurt their operations in foreign markets. Japanese sent their own team of expert everywhere and thus they failed in doing glocalization.

They thought that whatever Japanese performed was accepted by the whole world. After 1990 they went wrong in this. In 2000 handset division of Panasonic, Sharp, NEC, Toshiba failed outside as they could not understand the demand of foreign market.

Japan entered the developed world from the bottom of the pyramid and the emerging economy from the top of the pyramid In India they had distaste for the middle income group and for this reason they failed in developing countries thus in January 2012 Japan had the first annual trade deficit in 31 years. Now a huge challenge awaits for them to make their mark in the developing world. It is always safe to enter into growing segment

C. K. Prahalad had rightly said that the market is at the bottom of the pyramid. Goldman Sachs has predicted that developed countries will grow by 2% and developing countries by 7% till 2020.

To do well in the emerging economy Japanese corporate has to concentrate on

1. Merger and acquisition to grow fast the supply chain of BRIC countries is very difficult.
2. Hiring professionals from the home country.
3. Show their commitment by investing in the developing countries.

The developing countries will have to take care that they don't fall into the trap ie [WAY].