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The Experience of Foreign Multinational Enterprises in Japan, 1946-1974

Mira Wilkins

The paper provides an overview of foreign multinational enterprises (MNEs) in Japan during the "boom years" of the 1950s and 1960s, considering the post-World War II re-entries and new entries, including the predominance of joint ventures with Japanese firms. It explores explanations on the pace of foreign MNEs' involvements, the industrial composition, and the variety of experiences. Because of the relative importance of US MNEs, they provide the main focus, yet Dutch, German, Swiss and British MNEs are also included. In 1974, according to American statistics, US business in Japan was about ten times that of Japanese business in the United States. Yet, compared with other advanced countries, Japan in the years 1946-1974 (and subsequently) attracted a relatively small amount of inward foreign direct investments. The paper indicates the reasons for this that other authors have supplied and argues that the mixture of key reasons altered through time. It considers whether US-Japanese differences in human resources management offer a reason for the relatively low investment. The paper makes distinctions between US and Japanese human resources management and demonstrates the variety in the ways by which individual foreign MNEs dealt with the differences.

Key Words Multinational Enterprise, Japan 1946-1974,
Inward foreign direct investment, Human resources management

This paper covers foreign multinational enterprises (MNEs) in Japan, starting with the small numbers of entries during the Occupation and then concentrating on the Japanese "boom years" of the 1950s and 1960s, noting the great acceleration of new involvements in the late 1960s. The focus is on US companies that were by far the most important among the foreign MNEs. One 1965 study found that about two-thirds of the foreign businesses in Japan were American.[1)] Dutch, Swiss, West German, and British businesses were also present and we will not neglect them.

In preparing this paper, I have drawn on my own research and on the substantial amount already written on foreign, particularly American, MNEs that operated in Japan in these years.[2)] Professor Tetsuya Kuwahara asked me to pay special attention to the human resources management aspects of MNEs, and I have tried to comply.[3)] This is a unique approach to foreign MNEs in Japan.

In doing this, there has been, however, a trade-off: Japanese government policies and their impact on the behavior of foreign MNEs are not provided in any detail herein; but, then, this has already been discussed, in depth, in the literature.[4] So, too, because other contributions to this journal issue have been devoted to firms in the pharmaceutical industry, IBM and Unilever, I have purposely shortchanged the discussions of such MNEs.

Multinational enterprises are not a post-World War II phenomenon. Modern MNEs began in the late nineteenth century and have subsequently evolved—with continuities and discontinuities. Before World War II (and before World War I), a number of US and European MNEs in the process of their global expansion had invested in Japan.[5] Yet, Japan was far from a high priority for either US or European business abroad. In 1930, when US direct investment in Japan peaked (for the pre World War II years) less than one percent of all US outward foreign direct investment was in Japan. US direct investment in Japan was larger in 1930 than in 1936 or 1940 or 1941, as tensions rose—and as Japan tried to reduce any remnants of dependency on outsiders. I found that in 1941 (to my astonishment) Japanese business investments in the United States were larger than US direct investments in Japan.[6] This discovery (made in 1982) seemed odd; in retrospect, it seems less so. Nonetheless, clearly the impact of foreign (particularly US) MNEs in prewar Japan was far greater than was revealed by the value of the US investments or the share in the US totals.[7] I recognize now that as I was writing that paper in the early 1980s, Japanese direct investments in the United States (for the first time in the post World War II years) were once again exceeding US direct investments in Japan.[8] It was otherwise in the years covered by the present paper; US (and European) business in Japan far exceeded Japanese business abroad. The war and the Occupation created a sharp discontinuity in the role of most (but not all) foreign businesses in Japan. The period from 1941 to 1952, the date of the end of the Occupation, was eleven years, which meant marked changes in the management of many of the firms from the United States and Europe that had been prewar investors in Japan. These changes often involved not only personnel but managerial structures. To be sure, some US companies arrived in Japan during the Occupation. National City Bank in 1946 reopened its prewar offices in Japan, where according to its historians "the branches could share the business and enjoy the protection of the US military." The branches prospered and continued on after the Occupation ended.[9] Coca Cola was another prominent example, providing soft drinks to Americans in Japan—and only much later to the Japanese consumer. Likewise, IBM returned under the Occupation.[10] National Cash Register opened an office in Ginza in 1946, and by 1949 was restored to its prewar form.[11] So, too, the oil companies (Stanvac, Caltex, Tidewater, Shell) resumed, started anew, and enlarged business, under restricted conditions.[12)]

Data from the Ministry of International Trade and Industry (MITI) collected in 1950-1951 indicate that of the forty-five foreign companies authorized to do business in Japan, only two were 100 percent foreign owned.[13)] In the main, this was because of Japanese government requirements. Having joint venture partners meant by definition some kind of a meshing of the foreign and the domestic. The pattern of joint ventures predominance persisted throughout the period we are discussing.[14)] For the oil companies (as for other foreign firms), their joint venture Japanese partners were fundamental to their human resources management within Japan. The oil companies wanted, in these joint ventures, to resume business and to set up refineries; what was paramount was providing a local supply of refined oil. Foreign exchange was short. Imports of refined oil would be costly. Crude oil was cheaper. Thus, refining should be done in Japan.

It is often noted that foreign direct investments in Japan throughout the postwar years—in the boom years and beyond—has been small relative to the inward foreign direct investments in most advanced countries.[15)] Over the years, this relatively small size has been attributed to Japanese government policies (including the pressure to have joint ventures), to Japanese history and culture, to the difficulties of foreigners' doing business in Japan (the high costs of doing business in an unfamiliar country, the keiretsu barriers, the nature of the distribution system, the difficulties of hiring, the absence of Japanese companies available for acquisition), and to foreign home office corporate priorities (better opportunities in other parts of the world). Some scholars have recently placed their emphasis on the ignorance of foreign firms, their non-competitiveness, poor-quality products, lack of knowledge of Japanese customs, language, and business practices.

I am convinced that the mixture of key reasons for the relatively low inward foreign investments in Japan alters as we move through time. Data provided by Dennis Encarnation (based on US government figures) indicates, however, that for 1974 US direct investment in Japan was ten times that of Japanese direct investments in the United States. In the late 1960s and early 1970s, US direct investment in Japan was rising but was relatively small when compared with US outward direct investments in other developed host countries; by my calculation, in 1974 it was a mere 2.8 percent of all US direct investment abroad.[16)]

During the 1950s, for most American (and European) businesses, Japan remained very low on their international business horizons. At the end of the 1950s, as a percentage of US direct investment abroad, the share of US direct investment in Japan was still less than in 1929-1930.[17)] In the 1950s and 1960s, large US businesses expanded internationally based on their skills and technologies, on their brand names and their managerial abilities, and on their prior strength. At war's end, the United States was far above every other nation as the foremost industrial giant; yet as Europeans were complaining about the "American challenge" and the American invasion in the 1960s, the elevated role of the leader was being reduced *in relative terms*—as European recovery occurred and, far more slowly, as Japanese growth rates soared. In the years, 1955-1970, US direct investments abroad expanded more rapidly than the US economy. American companies were very competitive abroad. By 1970, when information is available, sales of US corporations' affiliates abroad outdistanced US exports. As in prewar years, it was companies in the vanguard of new technologies that invested in the rest of the world, from office equipment to computers. So, too, US oil companies enlarged their international business. After World War II, the US chemical industry acquired undisputed world primacy, and American chemical companies joined those from other industries in making substantial investments worldwide.[18) So, too, particularly in the 1960s, US banks expanded globally.[19)]

In the late 1950s and early 1960s, I was researching the history of Ford Motor Company's long-standing international business and I spent substantial time at the Dearborn, Michigan, headquarters of the Ford company. I am often asked why Ford, which expanded dramatically on an international scale in the 1950s and early 1960s, did not resume its prewar Japanese operations. The best answer to that question lies in its corporate priorities and its management's lack of knowledge. My reply to the question about Ford is relevant to a number of different American companies.

Let me begin with the lack of knowledge. I think it is hard for all of us in the early twenty-first century to remember (or understand) the ignorance in the United States (and Europe) about Japan that prevailed even among the most educated. The travel distance before the jet airplane was huge. Transatlantic jet travel did not begin until 1958. Transpacific jet travel followed soon after. Very few Americans and individuals in western Europe knew the Japanese language. If Americans traveled internationally, they went to Europe. And, the same was true of Europeans: they crossed the Atlantic to the United States. I made my first trip to Japan in 1965. Over a decade earlier, I had taken a course with Edwin Reischauer at Harvard, so I wasn't entirely ill-informed. Yet, I had no conception of how technologically advanced Japan was; it was a great surprise. In the 1950s at Ford and many other US companies, the top management was entirely different from that of the 1930s. The Ford individuals who knew Japan in the 1930s had retired or lost influence within the company. New managers at Ford were not only ignorant about Japan but most important, they had other priorities—domestic and international. When in the late 1950s, early 1960s I was writing on Ford's worldwide history, I traveled to Europe, Canada, and Latin America.

Neither I (nor my co-author) visited Asia because, as we wrote in our book published in 1964, "the Japanese Ford company was inactive, the Indian [Ford] company in a state of voluntary liquidation and the Chinese [Ford] operation moribund."[20] We relied on material in Dearborn, Michigan, to document the history of Ford in Japan. It was not until 1965, when I was writing on the history of all American business abroad, that I realized I had to go to Japan. Not until the late 1960s and early 1970s did Ford, Chrysler, and General Motors finally begin to understand that they needed to have a stake in Japan. By then it was a defensive strategy.[21]

Before World War II, two of the largest US companies in Japan were General Electric and International Standard Electric (the successor to Western Electric and after 1925 a subsidiary of International Telephone and Telegraph Corporation). Both had long histories in participation in joint ventures in Japan. International Standard Electric had its origins in Japan in 1899, with the joint venture that Western Electric had in Nippon Electric Company (NEC). GE had become involved in joint ventures in Tokyo Electric Co., Ltd., in 1905 and in Shibaura Engineering Works in 1909. In 1939, Tokyo Electric and Shibaura merged to form Tokyo Shibaura (or Toshiba), in which GE initially had a 32.8 percent interest, but even before the start of the war that holding had been sharply cut by more than half.[22] Given the dynamic electronics industries in Japan in the 1950s and 1960s, it would have been logical to expect both GE and ITT to return—and return immediately. But GE was caught in the morass of US antitrust litigation and was in the immediate aftermath of World War II curtailing its vast international business, while ITT was soon to become a conglomerate, trying to diversify out of troublesome conflicts involved in international telephone systems and telephone manufacturing; its priority was to make major investments in the United States.[23] In 1951, ITT (International Standard Electric) was allowed to reinvest in Nippon Electric, at the level of 33 percent.[24] Subsequently, it would dispose of this stake—because of its domestic priorities.[25] GE's postwar return to Japan was unimpressive.[26] Both Westinghouse (which had a prewar affiliation with Mitsubishi Electric) and GE relied on licensing after the war. So did ITT's International Standard Electric.[27]

In the electronics industry, it was IBM (which Professor Uda's article in this journal issue covers) and a new American company, Texas Instruments, that took the initiative in making foreign direct investments in Japan, yet in the case of Texas Instruments not until the 1960s. And, IBM, while it reentered during the Occupation, did not engage in a real expansion in Japan until the 1960s. One author (Eleanor Westney) refers to the painstaking negotiations that led to these two entries and the significant technological quid pro quo.[28] Radio Corporation of America (RCA), which had a prewar investment in Japan, in the 1950s chose to license its new technologies to

Japanese firms. In the postwar years, it led in television developments. By 1962, it had licensed (or had technical agreements with) fifty-three Japanese firms. It did not reestablish itself in Japan in these years; its prewar affiliate, Japan Victor Co. (JVC), became in 1952 a subsidiary of Matsushita.[29)]

On the other hand, very early the Dutch MNE, Philips, perceived opportunities in postwar Japan. In 1952, it organized two joint ventures in Japan with Matsushita: one (Matsushita Electronics Corporation) in manufacturing components for the end products of Matsushita Electric Industrial Company and one (Philips Japan) for marketing Philips products in Japan. The first was the more important of the two, and it was controlled by Matsushita. In that joint venture, the Japanese prevailed. Philips invested, transferred its technology, and collected licensing fees, but did not manage the venture. Philips, however, had an overall policy of decentralized foreign operations. In the second, and unsuccessful, Philips Japan, Philips had a 75 percent interest; Matsushita a 25 percent one, that is, technically Philips had "control." It did not matter. As one author (Frans-Paul van der Putten) put it, Philips was unable to connect its distribution to Japan's domestic distribution system. For all practical purposes, both undertakings were under Japanese leadership. And, when in 1974, Philips's Japanese partner (Matsushita) decided to invade the US market, Philips had no ability to control, much less influence, the decision making.[30)]

What strikes one about the 1950s is the cautiousness on the part of most American (and European) companies about involvement in Japan. There were some well-known exceptions: National Cash Register, Otis Elevator, and Carrier Corporation (as well as Philips). So, too, were the investments of the international oil companies. In 1960, David J. Jones, in mapping out a strategy for Standard Oil of New Jersey for the next decade, recommended that "with over half the company's net investment... in the United States, any overall improvement in earnings would have to begin here. As a further step to safeguard earnings in an uncertain world, Jones also recommended that future investments be concentrated in those areas of the world with more favorable investment climates—North America, Western Europe, Australia, and Japan."[31)] It is interesting that Japan was included. Already, through Standard-Vacuum Oil Company (Stanvac), Standard Oil of New Jersey had investments in Japan. In 1961, as the break up of Stanvac was being expedited (it was required after 1960 owing to a US antitrust ruling), Standard Oil of New Jersey officials were expressing some wariness about the opportunities for foreign investors in Japan. Yet, added investments were made.[32)]

By the late 1960s, practically all the major US and European headquartered international enterprises were investing in Japan. They were doing so in a wide variety of different ventures, many of them associated with Mitsui, Mitsubishi, or Sumotomo groupings. A 1967 chart (from *The Japan Economic Journal*) shows, for example, that the foreign participants in the Japanese chemical industry included such American giants as Monsanto, Union Carbide, Dow Chemical (and Dow Corning), Du Pont, and Hercules; US oil companies took part in the newly created petrochemical industry: Standard Oil of New Jersey (Esso), Atlantic Refining, Continental Oil, Phillips Petroleum, Standard Oil (Indiana), Texaco, and Chevron Chemical. Shell had a joint venture with Mitsubishi Petrochemical. Two American rubber tire companies (B.F. Goodrich and US Rubber) had stakes in the Japanese chemical industry. So, too, the successors to I.G. Farben (Bayer, BASF, and Hoechst) had returned with joint ventures. The internationally-involved Swiss firm, Ciba, also had a presence.[33] Unilever, a predecessor of which had been in Japan from 1913 to 1929, dispatched a manager there in 1947 (during the Occupation). Negotiations for entry were tedious. Not until 1965 did Unilever open a factory in Japan. It was a joint venture with Hohnen Oil, making lard and margarine.[34] Japanese businesses desired US (and European) technological know how. They wanted, however, to control the extent of the entry.

The 1950s

The role of foreign business in Japan must be considered from a dual perspective. One: conditions in Japan (broadly defined and changing) and two: perceptions and strategies of the MNEs that considered those conditions. As is well known, the Japanese were in the 1950s highly skeptical about the entry of foreign business. There was a wish for the best of foreign technology. But there was also a keen sense that Japan must control its own destiny. It must develop its own economic course, under its own direction. Japan could not be dependent on outsiders. And, with this view, the Japanese government developed restrictions on the entry of foreign capital.[35] It should be pointed out that the restrictions on inward foreign direct investment had their counterpart in restrictions on outward direct investments, albeit the restrictions were very different in nature.[36] The latter were entirely related to foreign exchange limitations—and any foreign direct investment that would enhance Japanese exports was very much encouraged by Japanese authorities.

Given that the majority of foreign companies that made inward direct investments in Japan in the 1950s (and at least the start of the 1960s) were required to do so as joint ventures (often without control), given that few Americans or Britishers or individuals from continental Europe knew the Japanese language, human resources policies almost by definition were strongly influenced by conditions within Japan. Given the distance from the home office and the place in the priorities of the home office, there was frequently a gulf between what foreign managers in Japan and what home offices perceived or desired. Economists call this the "agency problem." Home offices looked globally, concentrating on the most important areas and simply requiring results from those affiliates of lesser significance. The "agent" abroad, faced with differing circumstances, shaped his own agenda. There might well be a clash between home office and its key deputy (deputies) abroad. The more important (in terms of size of market, profitability, strategic value) the host country, the more attention from top management at the home office. And, it was not until the mid and late 1960s that many American companies woke up to the significance of Japan to their international business. During the 1950s, 1960s, and early 1970s, we see many cases of "trial and error."[37)]

With Japan, foreign companies had the special problems of hiring in an environment that was unfamiliar. Often these were solved by the joint venture partner. There were problems of communication. And, there were problems of incomprehension on the part of the parent and sometimes the agent.[38)] During the 1950s and early 1960s, since entry through direct investment (with "control") was difficult, many foreign companies (especially US ones) hoping to gain some return on their business in Japan engaged in the licensing of Japanese firms. While the Japanese government in the 1950s and early 1960s was wary about the balance of payments, there was never any hesitancy in permitting Japanese companies to pay licensing fees for patented technologies. Eager to revive postwar Japan, Japanese businesses wanted all the best technology, which they could then modify and adjust. Foreign companies, unable to make controlled direct investments in Japan, felt that licensing and/or technical assistance agreements would be a means of getting a return not otherwise available. There were abundant technology transfer/licensing accords.[39)] Indeed, by the mid-1960s far more foreign exchange was required to pay licensing fees than to pay out dividends to foreign MNEs.[40)]

Before World War II, licensing agreements had been accompanied by explicit division of market arrangements. Postwar US antitrust policies made that an impossible proposition for US companies; American companies could not (under US law) restrict the markets of Japanese firms. Initially, foreign MNEs did not perceive this as a problem. Japanese companies would not, it was believed, ever be competitive in US or international markets with American firms. The results of the licensing shocked Americans. Japanese enterprises became very competitive—and by the end of the 1960s businessmen were beginning to recognize this.[41)]

The foreign MNEs that went to Japan in the decades after the war did so in the context of their global strategies. If we think about MNEs from the standpoint of transaction cost economics, we must recognize that transfer abroad of existing, known policies and strategies, is going to be less costly than making modifications. Yet, every experienced MNE manager recognizes that conditions are different in different national settings and that modifications are going to be required. The depth of experience varied by MNE (and individuals within the MNE). Each company handled its choices differently, constrained by corporate histories, corporate experience, the uniqueness of individual managers (at home and in the host country, or in charge of a region when there was a regional corporate organizational structure), and also the role of foreign joint venture partners. Professor Kuwahara asked me to look at industry differences in human resource policies and as I considered the foreign investors in Japan of the 1950s and 1960s, I was not certain that in "human resource" matters, among the foreign MNEs there were distinctions that could be defined by industry—at least I am agnostic on this question, for I have not done adequate research on the numerous companies in the oil and chemical industries, for example, where there may have been more commonalty of responses to these questions. In any case, at present it seems clear to me that distinctions appear to be more by company than industry.

And, there was a matter that was crucial. Practically all the foreign MNEs that went to Japan had prior experiences in other countries around the world. The global experience may in many cases be more germane than the interrupted Japanese experiences for those companies that had been in Japan before World War II. By interrupted Japanese experience, I am referring to the fact that for the most part—at least in top management at home and in Japan—there was a change from the prewar experience. Thus, it did not make a difference that Ford had been in Japan before the war since 1925 or GE since 1905. I met in Japan in 1965 a number of GE representatives, who told me a great deal about the history of the company. Howard Bibber from GE told me how he was the first person from the United States within his company to learn Japanese. He was a rarity.[42]

From a parent company standpoint, internationally companies often went through unsynchronized phases; thus, a company could be highly decentralized, adopting "local" management to a large extent in one period, and then find that this got out of hand, and pull in, re-centralizing its activities. The development of organizational capabilities was an uneven process, as was the accumulation of global knowledge and information.

1960s

Japanese growth rates in the 1950s were phenomenal; they were even more phenomenal in the 1960s. By the mid-1960s, jet travel had cut back distances. The European Economic Community was a reality. Almost overnight, Japan entered the radar screen for international businesses. By then, most of the leading US enterprises interested in international business as well as the largest businesses in the European Community and in Britain had some kind of a presence in the Japanese market. James Abegglen in 1966 established in Japan the first international consultancy for the Boston Consulting Group. Abegglen became a legend, as he explained Japanese life to foreign managers.[43)]

As Japanese growth amazed observers, so did there arise the questions: would Japan liberalize and open up to foreign business; could profits be remitted; could Americans and Europeans take advantage of the expanding markets that were emerging as economic growth rates pushed upward. In addition, Japan had begun exporting on major scale. What was making the Japanese so competitive? Japan had to export. It needed to import raw materials. In the 1950s and early 1960s, balance of payments problems had been a constant worry. Foreign exchange shortages had been key to many of the earliest restrictions. Part of the Japanese concerns over foreign business were political, social, and cultural, but many had been based on purely economic considerations: foreign investors would make profits and want to remit them. Foreign exchange was very limited. The early validation arrangements for foreign MNEs usually had provisions on blocked remittances. In the mid-1960s the Japanese governmental restrictions began to ease, as the previous desperation over foreign exchange dissipated.

By the mid-1960s, when I took my first trip to Japan, American and European companies were beginning—gradually—to understand that Japan was becoming a formidable actor on the world stage. For companies with affiliates in Japan, their managers knew that was the case, but home office often still needed to be convinced. There remained the joint venture requirements in strategic industries, which many foreign companies found curtailed their flexibility. Yet, the worries in Japan over foreign exchange were disappearing. And by the late 1960s, formal governmentally imposed restrictions on both inward and outward foreign investments were increasingly relaxed. By the late 1960s, as the state-imposed restraints on inward foreign direct investments were reduced, Japanese companies had learned from foreign technology, imitating and innovating, copying and surpassing what was done abroad. By the early 1970s, Japanese companies were beginning to take on a worldwide role. Nonetheless, Mark Mason has argued that "Japanese restrictions posed major barriers to foreign direct investments in Japan throughout the 1970s." Indeed, Mason argued (in a book published in 1992) that "rather than U.S. multinational [and other foreign MNE by implication] 'neglect' of or 'indifference' toward the Japanese market so often emphasized in previous accounts to explain the low levels of U.S. direct investment, the importance of Japanese restrictions in impeding U.S. investment in modern Japan... merits greater emphasis."[44)]

Professor Kuwahara pushed the participants in the Kobe Business History Conference to look at performance and the ability of foreign MNEs to deal with the unique features of the Japanese business environment as a way of explaining the extent of foreign MNEs' involvement in Japan. Did foreign companies try to enter and fail, because of bad human resources management decisions? All during the 1950s and 1960s, foreign MNEs had to look closely at the requirements that doing business in Japan entailed, which requirements went far beyond those covered in the business-government relationships. Those foreign firms that entered and did business in Japan found it difficult to hire: some Japanese thought it disloyal to work for foreign firms. Recruitment was only one of the many problems. For the Japanese manager it was lonely working for a company, where virtually no one in top management in Japan from abroad much less in the overseas home office spoke Japanese. The joint ventures obviated that difficulty.

In 1967, in an essay written in English, Gen Numaguchi (in a publication called *Management Japan*) documented the specific human resource differences that foreign companies encountered as they established themselves in Japan. I want to use his list as a point of departure.[45)] I will mesh his ideas with insights from Professor Hirschmeier and Yui's business history volume as well as from my own interviews and my drawing on the numerous other works that have discussed the distinctiveness of Japanese management.[46)] As Professor Kuwahara has found, so, too, I have discovered that different foreign MNEs came to terms with the Japanese "business system" in varying ways. What follows is a great oversimplification. It does not deal with the "Japanese production system," nor with "Quality Circles," nor with many features of the stylized Japanese firm that have been so thoroughly discussed. Moreover, what follows is not original to me, but instead a very tentative attempt to consider the experiences of foreign firms as they entered Japan in the 1950s, 1960s, and early 1970s from a human resources management perspective.

Numaguchi (in his 1967 article) argued that the Japanese had a different approach to seniority. While Numaguchi saw this as undergoing modification, he maintained that American managers wanted to promote based on an individual's work record and capabilities, while the Japanese view of seniority followed a set of established rules. Numaguchi noted, as did many of the Japanese that I interviewed in the 1960s, that decision making in Japan was based on a collective system. The group from the bottom up participated in decision making. By contrast, the American emphasis was placed on the individual; senior executives made decisions which were expected to be executed top down. This distinction (as did all the others) exaggerated, for in the Japanese case in the new activities there was clearly initiative taken from the top and in the US case in MNE operations, there was also clearly a bargaining—or negotiating—relationship between the agent abroad and the home office (i.e. joint decision making, sometimes from the bottom up). Yet, even though an exaggeration, the typology did have a strong element of legitimacy—and personnel and wage systems reflected these defined characteristics. Japanese recruitment came from the high schools and universities and there was an expectation that an employee would remain loyal to the company (and the company in turn would remain loyal to him). A rotation system relating to jobs meant that company men took on different tasks and were flexible. Americans, by contrast, expected to be able to hire experienced people from other firms. It was explained to this author in 1965, if a Japanese man changed jobs, people did not trust him. "People who do this are not trusted."[47] I also heard in 1965 that this was in flux, that it was indeed possible to hire from other companies, and that there were differences between large and small companies in this regard. And, obviously some American companies were able to hire from other companies, as documented in Professor Kuwahara's study of General Foods. He shows how General Foods was able —in 1962—to bring in Hirosi Enomoto, who was the director of the programs for NET Television, and other executives as well.[48] Yet, General Foods was not a success in Japan. There is no question, however, in my mind that the incentive systems in Japan (then and now) were differently structured. So, too, the views in Japan toward labor relations, toward "the work force," toward unions (and the enterprise unions themselves), can be distinguished from those in the United States and western Europe (which, in turn, were very different by country and industry).[49] Numaguchi noted in his 1967 article that labor disputes had already occurred in relationship to a number of the foreign companies present in Japan.[50] Indeed, Numaguchi suggested that since "a vast difference may be observed between Japanese enterprises and their foreign counterparts in terms of personnel administration, promotion, wages and the like, it should seem that there is ample material for labor disputes." And, he concluded with the hope that foreign managers would strive to acquire a "firm grasp" on such matters.

To a large extent, it was human resources management that seemed in the 1950s, 1960s, and early 1970s to differentiate the Japanese and "foreign" systems. There were other differences that also seemed key. The first related to distribution channels—with the Japanese distribution network—very unfamiliar to the foreign businesses. Numaguchi describes the distribution system in terms of "human relations," so perhaps as we consider the distinctions between Japanese and foreign businesses in terms human resources management this should be included. I notice also that Professor Kuwahara seems to equate human resources management and the development of organizational capabilities, including those in distribution.[51] Practically, every foreign company history that covers a firm's business in Japan deals with the firm's coping with how to reconcile existing MNE practice with the Japanese distribution system. In 1968, for example, when Standard Oil of New Jersey was attempting to expand its sales in Japan, the company's "marketing coordination department" (a department subsumed in a regional division) reported that the firm needed more specialized national studies: "the kinds of outlets required in Japan are not necessarily the same as in Australia." (How obvious this seems yet it was part and parcel of a 1968 report). Standard Oil of New Jersey's "regional" organization (which included Japan and Australia, and also the Philippines and Malaysia) was described in this 1968 report as follows: "The region's role might be stated as one of strategic planning and direction while the [national] affiliate is responsible for tactical planning, implementation, and control." By the mid-1970s, Standard Oil of New Jersey's home office was marveling how since the early 1960s oil markets in Japan had expanded "beyond anyone's imagining."[52]

The second difference related to decision making on investments and re-investments (short- and long-term perspectives), with differing views by foreign businesses and their Japanese counterparts. And, perhaps this too can be thought of in human resources terms, in dealing with decision making and values. Here quite often foreign companies—if they had control—would centralize such decisions. If they did not, they tended to negotiate these matters. And, among the foreign companies (and their representatives in Japan) and their joint venture Japanese partners, it seems clear that such policies were not uniform.[53] The third difference (not included by Numaguchi) involved the relationships within Japanese supplier networks, in particular, the role of the keiretsu. Personal relationships mattered.

In recent years, the field of human resources management has stressed differences in "Japanese negotiation behavior," styles of interaction. The Japanese are described as less aggressive, more polite. Threats, commands, and warnings are seen as contrary to the "style." I have heard discussions of the differences in the use of the word "no," and what it means.[54] In retrospect, as I look back on those years of the Japanese boom and foreign business in Japan as well as Japanese business in the United States, which highlights the problems from a different perspective, it does seem that the human resources management issues do help us to understand substantial differences, at least between US and Japanese enterprises (research on European and Japanese businesses suggest comparable asymmetries in approaches). Incentives, rewards, and even motivations were usually different. To me, most critical, for American companies personnel matters and human resources management were one function (and subordinate to the overall business strategy and structure), while in Japanese business, human resources management, from recruiting onward, assumed a very different status in the business organization.

It is important that even though many of these differences persisted, there were changes. Hirschmeier and Yui discuss modifications in distribution that took place from the mid-1950s onward.[55] They also note that in the 1960s, "as modernization and the influence of American management techniques spread, the general staff was added [in many corporate structures].[56]" Thus, there were changes in Japan with foreign MNEs' having influence as participants in Japanese economic life. It was not merely a them and us confrontation but interactions.

How exactly did foreign MNEs cope with the existing differences in the "business systems"? Were the methods of dealing with these differences fundamental to the success of the foreign MNEs? I totally agree with Professor Kuwahara's view that each company was different. And, what emerges in each case is an admixture of the foreign and the Japanese that alters over time. In 1965, I had long discussions with key individuals (American and Japanese) in a number of US affiliates, including National Cash Register. What follows is based on those 1965 interviews.[57] Unlike many other foreign companies, in the case of National Cash Register (NCR) there was a direct continuity with the prewar operations. NCR's prewar experience and connections in Japan made a difference—and after the war "we got back as quickly as possible." Initially, NCR was involved in merely repairing cash registers; then, it participated in assembly of the cash registers. And, by 1957, NCR was manufacturing in Japan. In telling me about its history, the reentry process, the negotiations, the assurance on remittance of dividends was critical. NCR increased capital through reinvested profits; every increase needed Finance Ministry, MITI, and Bank of Japan approval which was received. And, what about human resources: "Our Japanese executives are career men.... Every man is a cash register man. We are better off when we talk about cash registers." How did NCR in Japan differ from NCR in Dayton, Ohio (corporate headquarters): its system of pay was different. "Our bonuses are by the Japanese system; seniority plays a key part." Recruitment followed Japanese practices. So, too, decision making was from down up rather than from top down. This Japanese approach was accepted. On the other hand, NCR did not adopt the Japanese distribution system. On this matter, home country policies prevailed. "We introduced our method of selling," even before World War II. "Office equipment was sold around the world on a pattern established in Dayton." So, too, the manufacturing methods were American. Yet, there was product modification: the key board with a Japanese script, for example. The factory made necessary changes. The affiliate had a Japanese president, an American chairman of the board. The Japanese Fujiyama family had long been involved. "The business is run by

Japanese," I was told. Indeed, everyone agreed on this. Yet, an American added, even though they (the Japanese) run the company, "they don't do anything they like." There was obviously a give and take. From the American standpoint, it was important that the company was 70 percent US owned and the 30 percent of the Japanese shares were traded. The affiliate had two Americans, one German, one Dutch, one Australian, and four Britishers; all the rest of the employees were Japanese. NCR in 1965 had 4000 people employed in Japan. It was flourishing. Because of its experienced Japanese management (and their connections), its relationships with the Japanese government were fine. On the other hand, NCR-Japan often had difficulties convincing Dayton, Ohio, that it was doing things properly. The top management in Dayton was perceived by the American and British managers whom I interviewed in Japan as lacking in understanding. Head office thought it knew more than it did. It wanted to get rid of the bonus system. At least this was the perception, from its "agents" in Japan. I have this detail on NCR. It is very specific to that company in the 1950s and 1960s. Different foreign companies (head offices and affiliates) responded differently. I would suggest that all foreign enterprises in Japan had to come to terms with the differences in the business systems and the way they did so was highly nuanced—with a combination of application and adaptation.[58] And, while the Japanese distribution system presented a special problem to some companies, others managed to bypass it entirely. Thus, when in 1971, McDonald's opened its first store in Japan, it was a joint venture with the Japanese partners in control. But, it employed the McDonald's operating system and sold the standard fast food menu. The Japanese partners followed the American norms with (as Geoffrey Jones reports) "particular success."[59]

Conclusions

For every foreign company in Japan, by definition, there had to be a meshing of American (or British, German, Dutch, or Swiss) and Japanese practice, but how this occurred and how it changed over time varied, as did the performance of the MNEs. Home office and representatives might disagree on what was appropriate. Was there a relationship between the effective "mixture" of foreign home office strategies and Japanese practice and the success of enterprises? How, then, did foreign companies cope with the marked differences between the way things were done at home and in Japan in the boom period, and how did this relate to the "success" of the foreign MNE? What does the exercise of "control" mean?

I want to deal with the last question first. How an affiliate was "controlled" varied substantially. This did not always correlate with the extent of foreign equity ownership, although there was a relationship. Often, even when there was sizable foreign equity ownership, the home office was remote and control was decentralized, but not always to Japanese personnel; it could be to the individual(s) dispatched from home office or from another enterprise's international operations. Control over brand names or production processes could well be very different from control over hiring or negotiating with a union, in cases where there was a union. How foreign companies dealt with differences in distribution varied substantially. So, too, control over dividend and reinvestment policies was diverse. We must see the affiliates of foreign MNEs in Japan (as elsewhere) in complex rather than simple terms, applying what was known at home but in different aspects adapting it. Later, beginning in the 1980s and certainly by the 1990s we get reverse diffusion. Foreign affiliates got ideas in Japan, which were transferred back across borders. I found little, if any, of that in the 1960s much less in the 1950s.

The term success is very elusive. How do we determine "success"? Is success defined by the affiliate's profits, its market share, its exports, its ability to persist (to remain in business), its ability to grow in size (size of employment, revenues, etc.), its good "image," its role as a good employer, its avoidance of conflict? Do we define success narrowly in terms of the affiliate's activities in Japan, or more broadly in terms of the entire MNE? The first set of criteria that I elaborated related to *Japan*, but success for a MNE might be defined in terms of learning from its Japanese operation and how the Japanese business is integrated into the whole MNE's profitability. This, over time, became more important. The same affiliates may be successful by certain criteria and unsuccessful by others, successful in one period and not successful in a second period (or vice versa). An affiliate may have long periods without "success," and then—based on persistence (or luck) or changed management—may turn out to be a great success. National Cash Register in Japan, which by most measures, seems to have developed in the 1950s and 1960s effective organizational capability and done well in the boom period, was unable to use its Japanese business to transform its American one. The parent NCR is no longer in existence.

In 2003 a very wise Japanese executive (Fujio Mitarai), lecturing on "hybrid management" (the combination of global and national "styles" necessary in international business), noted that his company's success in MNE activities came from its innovative activities; the strategies of Canon, he argued, were identical in the United States and Japan: a quality product, zero defects, a product desired by the consumer. But the ways this was accomplished, he added, would obviously vary in the United States and Japan, because there were differences in the business systems. And, the differences that he discussed related very much to our topic herein, the matter of incentives, pay scales, recruiting, decision making processes, and so forth—human resources management. What was global was the vision; what was "national" were aspects of the implementation.[60] Capitalism takes a variety of forms; this has persisted even as communication, knowledge, information, and global transactions soar.[61] In Japan's boom period, foreign MNEs succeeded if they had products and processes that were competitive in Japan, had a commitment from their home office, and were able to adopt and to adjust appropriate organizational capabilities; they succeeded all the barriers to entry and to operations in Japan notwithstanding.

Notes

1) Data provided to me (24 Sept. 1965) by Kiyoshi Yamazaki, Mitsubishi Economic Research Institute.

2) My own work on this subject is included in Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad from 1914 to 1970* (Cambridge, Mass.: Harvard University Press, 1974); in addition, see, for example, Mark Mason, *American Multinationals and Japan* (Cambridge, Mass.: Harvard University Press, 1992); Dennis J. Encarnation, "Cross-Investment: A Second Front of Economic Rivalry," in Thomas McCraw, ed., *America versus Japan* (Boston: Harvard Business School Press, 1988), 117-149; Dennis J. Encarnation, *Rivals beyond Trade: America versus Japan in Global Competition* (Ithaca: Cornell University Press, 1992), esp. 36-78; Aaron Forsberg, *America and the Japanese Miracle: The Cold War Context of Japan's Postwar Economic Revival, 1950-1960* (Chapel Hill: University of North Carolina Press, 2000), esp. 169-197. Many company histories of US and European MNEs have materials on particular firms in Japan. I apologize for not knowing the Japanese language; I have seen citations to many works that are obviously germane to this topic.

3) A good summary of the English language human resources literature is in John L. Graham, "Culture and Human Resources Management," in Alan M. Rugman and Thomas L. Brewer, eds., *The Oxford Handbook of International Business* (Oxford: Oxford University Press, 2001), 503-536; see also D. Eleanor Westney and Srilata Zaheer, "The Multinational Enterprise as an Organization," in ibid., 349-379. I will also try to incorporate in my paper the crucial insights on the Japanese business system in these years that I have gotten from Johannes Hirschmeier and Tsunehiko Yui, *The Development of Japanese Business, 1600-1973* (Cambridge, Mass.: Harvard University Press, 1975), esp. Chap. 4, and Tsunehiko Yui and Keiichiro Nakagawa, eds., *Japanese Management in Historical Perspective* (Tokyo: University of Tokyo Press, 1989).

4) This is, for example, the focus of Mason, *American Multinationals and Japan.* The story in relation to European multinationals is less complete, but many of the government-business problems faced in Japan by US companies were also encountered by western European MNEs as they sought to invest in Japan.

5) For the pre World War II activities, see Mason, *American Multinationals and Japan,* 16-99; Mira Wilkins, "The Role of U.S. Business," in Dorothy Borg and Shumpei Okamoto, eds., *Pearl Harbor as History: Japanese-American Relations, 1931-1941* (New York: Columbia University Press, 1973), 341-376; Mira Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1950,"

Business History Review, 56 (Winter 1982), 497-518; Takeshi Yuzawa and Masaru Udagawa, eds., *Foreign Business in Japan before World War II* (Tokyo: University of Tokyo Press, 1990); Eleanor Westney, "Japan," in *Oxford Handbook of International Business,* 642-648; and Tetsuya Kuwahara's contribution to this journal issue.

6) Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1952," 497-498, 504-507, 518. The reason Japanese direct investments in the United States were greater than US direct investments in Japan in 1941 was based on the reduction of US interests in Japan *not* on any sizable amount of Japanese investment in the United States. When I wrote this article in the early 1980s, I had not anticipated these results.

7) This has been documented. For the impact on Japanese modernization, see, for example, papers in Yuzawa and Udagawa, eds., *Foreign Business in Japan.* By contrast, the impact of Japanese direct investments in the United States in the 1930s was, I have argued, more associated with *Japanese* than with US development. Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1952," 517-518.

8) Based on data in various issues of the *Survey of Current Business.* See also Encarnation, *Rivals Beyond Trade,* 101. After the early 1980s, Japanese MNEs continuously had greater investments in the United States than US firms had in Japan. For context, at year-end 2005, Japanese direct investments in the United States totaled $190.2 billion, while US business in Japan was a mere $75.5 billion. *Survey of Current Business,* Sept. 2006, 81, 124. For all countries, at year-end 2005, Japanese outward direct investment was $386.6 billion, while the inward foreign direct investment was $100.9 billion. *World Investment Report 2006,* 303.

9) Harold van B. Cleveland and Thomas F. Huertas, *Citibank 1812-1970* (Cambridge, Mass.: Harvard University Press, 1985), 218, 220, 222, 261.

10) Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1952," 514-515.

11) "Historical Highlights of National Cash Register Company's Activity in Japan," prepared by National Cash Register Co. (Japan), Ltd., n.d. [1965?] in Mira Wilkins Files, Miami, Florida.

12) Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1952," 515, and Laura E. Hein, *Fueling Growth* (Cambridge, Mass.: Harvard University Press, 1990), 209-212.

13) Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1952," 515n.

14) A list of foreign MNEs in Japan provided to me on 24 Sept. 1965, by Kiyoshi Yamazaki, Mitsubishi Economic Research Institute, included both "A" form companies, authorized by MITI, and so-called "B" form companies ("yen companies"), not set up under government authorization, where each individual foreign exchange transaction had to be cleared separately. (The "B" form option was no longer available after 1963). This list included some 575 companies. As I reviewed the material I was surprised at the number identified as 100 percent foreign owned. Most however were joint ventures. Other data provided in Forsberg, *America and the Japanese Miracle,* 182, indicated that of the 354 "validated [foreign] establishments" in Japan, 1950-1965, only 28 were 100 percent owned, i.e less than 8 percent. There tended to be a far higher share of 100 percent owned companies in the group that came in without validation and no guarantees of profit remittances, so these two lists could be

reconciled

15) This was, for example, the theme of Masaru Yoshitomi and Edward M. Graham, eds., *Foreign Direct Investment in Japan* (Cheltenham: Edward Elgar, 1996); see also my review of this volume in *Business History,* 39 (July 1997), 168-169. Westney, "Japan," 646-647, has an interesting discussion of barriers in the 1980s. The most recent figures give, by my calculation, based on year-end 2005 figures, US direct investments in Japan as 3.6 percent of all US direct investment abroad, higher than in 1929 (0.8%) or 1974 (2.8%), but still rather low when compared with US direct investment in the UK, Canada, the Netherlands, Australia, Germany, and Switzerland. *Survey of Current Business,* July 2006, 33.

16) Encarnation, "Cross-Investments," 118 (1974 ten times: $3.3 billion from US in Japan; $0.3 billion from Japan in the US). All these figures are "stock" figures, i.e. the level of foreign direct investment. Encarnation's figures came from the *Survey of Current Business.* Since they were out of keeping with other figures I had seen, I went back to the *Survey of Current Business* to recheck his data and found them to be accurate. The *Survey of Current Business,* Oct. 1975, 53, gives 1974 figures for US FDI in Japan as $3.3 billion, which corresponds to Encarnation's figures. Ibid., 52, gives 1973 figures for US FDI in Japan as $2.7 billion. John Dunning and John Cantwell's 1973 figure on inward foreign investment in Japan (which is often used to support the low inward investment argument) is $1.6 billion in 1973, and included all inward foreign investments not just the US ones. The discrepancy is quite substantial, and is the result of differing definitions of foreign direct investment. John H. Dunning, *Multinational Enterprises and the Global Economy* (Workingham: Addison-Wesley, 1993), 20 (for his and Cantwell's data). A.E. Safarian, *Multinational Enterprise and Public Policy* (Aldershot: Edward Elgar, 1993), 239, also gives inward FDI in Japan (stock figures) as $1.6 billion in 1973, based on Bank of Japan data (cumulated flows and excluding reinvested earnings). By *Survey of Current Business* figures (with the reinvested earnings and other valuation adjustments made), in 1974 US investment in Japan was very large compared with Japanese investment in the United States. But, the $3.3 billion for inward US investments in Japan (*Survey of Current Business,* Oct. 1975, 53) was as noted a mere 2.8 percent of all US direct investments abroad, much higher than in earlier years to be sure, but still relatively small. As for Japanese direct investment in the United States, *Survey of Current Business,* Oct. 1977, 27, gives the $0.3 billion figure for 1974 and a $0.2 billion figure for 1973. The change in the next decade was dramatic. By 1984, Japanese direct investments in the United States would be almost double that of US direct investments in Japan. Encarnation, "Cross-Investments," 118. In commenting on the relatively small size of FDI in Japan, Encarnation pointed out that all during the 1960s and the 1970s, foreign direct investments contributed roughly one-tenth of one percent to the gross fixed capital formation of Japan, the lowest figure among all advanced nations. Ibid., 134. These figures appear to include all foreign direct investment in Japan, not just that from the United States.

17) By my calculations, based on data in US Department of Commerce, Office of Business Economics, *US Business Investments in Foreign Countries* (Washington, 1960), 92, as a share of total US direct investments abroad, in 1959 US direct investment in Japan was lower than in 1929: 0.7 percent in 1959, 0.8 percent in 1929.

18) See Wilkins, *Maturing of Multinational Enterprise,* esp. 374-379. During the 1960s, the sales of US foreign manufacturing affiliates in the chemical industry were second only to those in transportation equipment (principally automobiles). Ibid., 376n. Europeans worried about the American challenge, one of management and new technology. See J.J. Servan-Schreiber, *The American Challenge* (English translation, New York: Atheneum, 1968).

19) Cleveland and Huertas, *Citibank,* 164; Geoffrey Jones, *British Multinational Banking* (Oxford: Clarendon Press, 1993), 321 (on US bank expansion).

20) Mira Wilkins and Frank Ernest Hill, *American Business Abroad: Ford on Six Continents* (Detroit: Mich.: Wayne State University Press, 1964), 447.

21) Mason, *American Multinationals and Japan,* 234-238.

22) Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1952," 498-504. The Toshiba name was adopted in 1942.

23) Wilkins, *Maturing of Multinational Enterprise,* 294-295 (GE), 304, 424n (ITT and domestic business).

24) Wilkins, "American-Japanese Direct Foreign Investment Relationships, 1930-1952," 517.

25) Mason, *American Multinationals and Japan,* 241.

26) Interviews in Japan, fall 1965.

27) Writing in the early 1970s about the 1960s, I noted the low rank of "electrical machinery" in the sales of US foreign manufacturing affiliates and that one could "hazard a prediction that sales of electrical machinery [by foreign affiliates of US manufacturers] should rise in standing in the years ahead since the two leading U.S. companies in that industry (General Electric and Westinghouse) have recently greatly revived interest in foreign investment, after a period of retreat." Wilkins, *Maturing of Multinational Enterprise,* 379n.

28) Westney, "Japan," 643; Mason, *American Multinationals and Japan,* 174-186, is particular good on Texas Instruments' experience in Japan. It began to assemble integrated circuits there in November 1968.

29) RCA's prewar entry into Japan was through Victor Talking Machine Co., which it acquired in 1929. Mason, *American Multinationals and Japan,* 36-41. By 1941, RCA's Japanese affiliate (Japan Victor Co. or JVC) had sold out to Shibaura (soon to be Toshiba), which in turn sold JVC to Matsushita in 1952. See Wilkins, *Maturing of Multinational Enterprise,* 250; Togo Sheba, *Konosuke Matsushita* (Tokyo: Rengo Press, 1969?), 73, 79-81 (Japan Victor); Tony A. Freyer, *Antitrust and Global Capitalism, 1930-2004* (Cambridge: Cambridge University Press, 2006), 190 (53 Japanese companies), and Mira Wilkins, "The History of Foreign Investment in the United States, 1945 to the Present," book-length manuscript, in process (on RCA's antitrust problems). See also Mason, *American Multinationals and Japan,* 94-95, and Alfred D. Chandler, *Inventing the Electronic Century* (New York: Free Press, 2001), 22, 52-53.

30) Mira Wilkins, "Dutch Multinational Enterprises in the United States: An Historical Summary," in *Business History Review,* 79 (Summer 2005), 245; Frans-Paul van der Putten, "Corporate Governance and the Eclectic Paradigm: The Investment Motives of Philips in Taiwan in the 1960s," *Enterprise and*

Society, 5 (Sept. 2004), 492, 497, 499. I have benefited from discussions (in the fall of 2004) with Philips historian Ivo Blanken on these investments. See also Sheba, *Konosuke Matsushita,* 65, 81, 106.

31) Bennett H. Wall, *Growth in a Changing Environment: A History of Standard Oil Company (New Jersey)/Exxon Corporation, 1950-1975* (New York: McGraw Hill, 1988), 35.

32) Ibid. 46. In the early 1960s, Standard Oil of New Jersey and Socony Mobil Oil Company (the 1955-1966 successor to Socony-Vacuum Oil Company and in 1966 renamed Mobil Oil) worked out a court ordered division of their jointly-owned affiliate, Standard-Vacuum Oil Company (Stanvac). Stanvac was reorganized out of existence in 1962. Subsequently, as Standard Oil of New Jersey made investments in the Japanese petrochemical industry; it did so on its own—with Japanese partners. Ibid., 196, 505, 509, 512-513 (the split up of Stanvac), 197, 210, 221, 513 (its petrochemical activities); see also ibid., 287 and 291, on Esso Standard Sekiyu (its Japanese sales company), and ibid., 505, 513, on Esso Standard Eastern (the regional company). Ibid., 513, is the best page for exactly what happened in Japan. The name Standard-Vacuum Oil Company became the property of Standard Oil of New Jersey, which acquired 100 percent voting ownership on 30 Mar. 1962, when it changed the name to Esso Standard Eastern. Ibid. Esso Standard Sekiyu was a 100 percent owned subsidiary of Esso Standard Eastern. I have in my own files, a huge chart on "Foreign and Japanese Oil Companies" as of December 1962, that emerged as Stanvac (called SVOC on this chart) was dismembered. The chart contains information on some 125 companies, including "corporate relations," technical aid, crude oil supplies in December 1962, product supplies, and marketing arrangements. At the pinnacle of the chart are Standard Oil Co. of California and Texaco, jointly involved in California Texas Oil Company. There were Standard Oil Co. (New Jersey) and Socony Mobil Oil Company newly separated. Then there was Shell Transport & Trading Co. and Royal Dutch Petroleum (Royal Dutch Shell). Getty Oil Co., and its partly owned subsidiary Mission Development, had interests in the Tidewater Co. The chart is invaluable on the complexities of these interrelationships. Once Stanvac was dismembered, the chart shows that, like Standard Oil of New Jersey, Socony Mobil Oil Corp. (Mobil Oil as of 1966) set up a 100 percent owned regional company, Mobil Petroleum Co., which had a wholly owned sales subsidiary in Japan, Mobil Sekiyu. See *The 100 Year History of Mitsui & Co. Ltd., 1876-1976* (Tokyo: Mitsui & Co., 1977), 223-224, on what happened in the Mitsui & Co. Mobil Oil story after 1963. Mobil Sekiyu, the sales company, remained an important marketer of oil in Japan.

Depending on the function, regional company, sales company, refining unit, the corporate structures varied. Regional companies were wholly-owned by the foreign MNE, sales companies could be joint ventures; refining was typically a joint venture relationship.

33) Mason, *American Multinationals and Japan,* 211 (for the chart from *The Japan Economic Journal*). The chart was not complete. It indicates that Esso Research was involved with Japan Synthetic Rubber in Japan Butyl, but it omits the joint activities of Standard Oil of New Jersey and Mobil Oil—25 percent each-in Toa Nenryo Kogyo K.K. (Tonen), which in turn owned a petrochemical complex in Kawasaki, in which Standard Oil of New Jersey and Mobil each held a 25 percent share. Wall, *Growth in a Changing Environment,* 513. Not only did Standard Oil of New Jersey's affiliates in Japan set up a technical service laboratory (in the mid-1960s) to aid in marketing butyl rubber but they also

completed a plant to manufacture a special alcohol for plasticizers used in making "flexible vinyl." In 1966, in Japan, Standard Oil of New Jersey was adding to its various chemical investments. Ibid., 210, 221. Although Mobil had been in the initial negotiations with Mitsui & Co. on Mitsui Petrochemicals plans (and apparently had a joint venture with Mitsui & Co. in Kyokuto Petroleum Industries), it seems that when specific foreign joint ventures emerged with Mitsui Petrochemicals they were with Du Pont, Hoechst, and Texaco, and not with Mobil. Compare *The 100 Year History of Mitsui & Co. Ltd., 1876-1976,* 222-223, 236, and Mason, *American Multinationals and Japan,* 211. And, then there was Standard Oil of California's subsidiary, California Chemical Co., which reached an agreement with Kao in May 1961 to establish a joint venture (Kalonite Chemicals) to manufacture lubricating oil additives; the venture was 45-45-10 (Nomura), so it was Japanese controlled. Akira Kudo and Motoi Ihara, "Consumer Chemicals and the Case of Kao," in Akira Kudo, Matthias Kipping, and Harm G. Schröter, eds., *German and Japanese Business in the Boom Years* (London: Routledge, 2004), 231-233. In 1962, California Chemical Co. also had a joint venture with Nippon Petrochemical Co. (45-55) in Nippon Oil Detergent Co. See "Foreign and Japanese Oil Companies" (December 1962), Wilkins Files, which does not include Kalonite Chemicals.

While the "interpenetration of national markets" in the chemical industry has long been recognized, while there are excellent historical studies of MNEs in this industry, while there is a wealth of information on international business in chemicals, I know of no study of US MNEs in chemicals, covering the 1950s, 1960s, and the early 1970s, when Dow, Monsanto, Du Pont, and other companies (as well as the US oil companies) made major international investments in the chemical industry. The quotation on "interpenetration" is from Asish Arora and Nathan Rosenberg, "Chemicals: A U.S. Success Story," in Ashish Arora, Ralph Landau, and Nathan Rosenberg, eds., *Chemicals and Long-Term Economic Growth: Insights from the Chemical Industry* (New York: John Wiley & Sons, 1998), 99. In their excellent article on the Japanese chemical industry in that volume, Takashi Hikino, Tsutomu Harada, Yoshio Tokushisa, and James A. Yoshida, "The Japanese Puzzle," in Arora, et al., *Chemicals and Long-Term Economic Growth,* 124-130, consider the evolving characteristics of the Japanese chemical industry in this period, yet where the foreign direct investors fit into the story (except vis-a-vis licensing, see note 41 below) seems neglected. Graham D. Taylor and Patricia E. Sudnik, *Du Pont and the International Chemical Industry* (Boston, Mass.: Twayne, 1984), 190, indicate that in 1953 Du Pont arranged to license nylon to a Japanese company and from 1953 to 1963 entered into joint ventures there in neoprene and polyethylene plastics. They deal with Du Pont's attitudes toward international ventures in these years and its priorities; Japan was not one of them. Ibid., 187-193.

34) Geoffrey Jones, *Renewing Unilever* (Oxford: Oxford University Press, 2005), 83, and the contribution of Tetsuya Kuwahara in this journal issue (on Unilever's entry and experience).

35) These restrictions have been very well documented. See, in particular, Mason, *American Multinationals and Japan,* 105ff and a number of the other studies cited above.

36) Westney, "Japan," makes the point that the restrictions were both on inward and outward foreign investments.

37) Tetsuya Kuwahara, "Takokuseki-kigyou no Tainichi-shinshutu to Soshiki-nouryoku no Koutiku:

Koudo-seityouki no General Foods no Ryuutsuu Channel Seisaku o Tyuushin toshite" (Foreign Multinationals in Japan and of Their Organizational Capabilities: Case of the General Foods Corp. in Her Economic Miracle Days) in *Kokumin Keizai Zassi* (*Journal of Economics and Business Administration*), 192: 4 (Oct. 2005). I used an English version of this paper, Kuwahara, "General Foods," 2 (trial and error). The experience of General Foods with instant coffee was not alone.

38) As Professor Kuwahara points out in the General Foods case, and which I found more generally, often the foreign company's representative(s) had little experience with Japan and stayed only brief periods.

39) Mason, *American Multinationals and Japan,* 151, writes that between 1950 and 1970, the Japanese government authorized some 7,845 contracts (with durations of over a year) that involved technology transfers from foreign companies to Japanese enterprises. Such contracts could be accompanied by foreign direct investments—typically in a minority role—or without any foreign direct investment.

40) Data collected on my 1965 trip to Japan. This was not the case by 1973, when US balance of payments income from American FDI in Japan ($260 million) exceeded that from royalties and license fees ($130 million). *Survey of Current Business,* Oct. 1975, 58 ("US balance of payments income") and 49 (royalties and license fees).

41) In my *Maturing of Multinational Enterprises,* 541n.29, I noted that despite the antitrust injunctions, a number of companies retained the market restrictions. Recently that has been clearer to me: see Wilkins, "Dutch Multinational Enterprises," 225-226, 244-245, "on honoring the old voided arrangements." Hikino, et al., in "Japanese Puzzle," 111, point out that when "Japan's chemical companies became active in importing foreign (particularly) American technology in the 1950s, the Japanese enterprises had to agree to long-term export restrictions. Foreign companies seldom inserted the restrictive clause in the main contract, possibly [MW: surely] for antitrust reasons. But usually they attached a side letter, which articulated geographical areas that Japanese parties were prohibited from entering." Hikino and his co-authors believe that such restraints were effective in the chemical industry, impeding Japanese MNE expansion (note by contrast that the behind the scenes market-division mandates did *not* hold in many facets of the electrical and particularly the new electronics industries). The Hikino, et al. article also adds other reasons why Japanese chemical companies did not become MNEs.

42) Mira Wilkins interview with Howard Bibber, 30 Sept. 1965, Wilkins Files, Miami

43) His book, *The Japanese Factory* (Glencoe, Ill.: Free Press, 1958) was considered basic reading for all Americans in Japan. See James C. Abegglen, *21st Century Japanese Management: Redesigning the Kaisha: New Systems, Lasting Values* (Hong Kong: CLSA, 2005), 224-225, where in Abegglen documents his Japanese career. Abegglen died in Tokyo, 3 May 2007.

44) Mason, *American Multinationals and Japan,* 241, 247.

45) For the entire article, see Gen Numaguchi, "Present and Future of Foreign Enterprises in Japan," *Management Japan,* Oct,-Dec, 1967, 13-18. Using a 1967 article as a guide has the advantage in that it deals with how contemporaries perceived the differences.

46) Hirschmeier and Yui, *Development of Japanese Business.* I have also found very useful Masahiko

Aoki, *Information, Incentives and Bargaining in the Japanese Economy* (Cambridge: Cambridge University Press, 1988), and Masahiko Aoki, "Toward an Economic Model of the Japanese Firm," *Journal of Economic Literature* 28 (Mar. 1990), 1-27, albeit Aoki's material is mainly based on the late 1970s and 1980s rather than the 1960s. In my thinking on these matters, I have been very influenced by the work that Professor Tetsuo Abo and his group have done on the problems of Japanese "management" abroad. While they have emphasized factory management, they have tried to define how Japanese practice has to be modified as it extends over borders. Thus, they have been required to define what is distinctive to Japanese management. In the introduction to Kazuo Shibagaki, Malcolm Trevor, and Tetsuo Abo, eds., *Japanese and European Management* (Tokyo: University of Tokyo Press, 1989), x-xi, Shibagaki writes that the book had as its main task an analysis of "characteristics unique to Japanese management."

47) Interview with Messrs. Fujiyama and Tanaka, Sept. 1965, Wilkins Files, Miami.

48) Kuwahara, "General Foods," 8. See also Aoki, *Information, Incentives,* 63-69, for a far more sophisticated treatment of job mobility and separation rates than in the Numaguchi presentation.

49) There is a huge literature on this topic, and I hope my reader will forgive my inadequate documentation and my imperfect rendition.

50) Numaguchi cited disputes related to foreign airlines, banking institutions, and "enterprises dealing in business machines." I did not—on my 1965 trip—hear about these. I do not know how prevalent such disputes were; what companies were affected; and what was the impact of such disputes on corporate activities.

51) And, a few decades later when the field of "Human Resources Management" became well established within the international business discipline, how sales calls were made became a topic of great interest to students of human resources management. Graham, "Culture and Human Resources Management," 524.

52) Wall, *Growth in a Changing Environment,* 531, 541, 545. For the structure of Japanese petroleum markets in 1973, see Yoshi Tsurumi, "Japan," in Raymond Vernon, ed., *The Oil Crisis* (New York: W. W. Norton & Co., 1976), 118. There were at that time (1973), sixteen fully Japanese-owned and twelve jointly Japanese-foreign owned oil (petroleum) refineries; these competed to sell their output to thirteen wholesalers, including six subsidiaries of foreign firms.

53) The differences were not always simple. Thus, a Caltex representative told me in 1965 that home office in New York wanted high dividends. Caltex (Japan) desired to reinvest the earnings and expand. Its Japanese partner in the refining company, Nippon Petroleum Co., favored high dividends, so as to get good "portfolio ratings." The Japanese parent (Nippon Oil) needed this for prestige purposes. Mira Wilkins, interview S.E. Van Nostrand, Tokyo, Oct. 1965, Wilkins Files, Miami.

54) Graham, "Culture and Human Resources Management," 529.

55) Hirschmeier and Yui, *Development of Japanese Business,* 269-274.

56) Ibid., 281.

57) At the conclusion of my talks with individuals at National Cash Register in Japan (some of the sessions were with foreign managers; some with Japanese managers; and some with both present), F.M.

Wilson, Director & Secretary, National Cash Register Co. (Japan), Ltd., wrote me on 1 Oct. 1965, that he looked forward "to having a preview, in due course, of any reference you may be kind enough to make to NCR Japan which arises from our talks together." Now more than forty years later, after NCR was taken over by AT&T in 1991, and AT&T itself was merged out of existence and absorbed into the new AT&T, I regret that I have not been able to clear these comments with Wilson. Given the over four decades, I present this material without a corporate "clearance" and trust it accurately reflects the views of that time.

58) I am indebted to Professor Tetsuo Abo for the approach, which emphasizes the "application/adaptation" paradigm. It is a very significant contribution to the literature.

59) Geoffrey Jones, *Multinationals and Global Capitalism* (Oxford: Oxford University Press, 2005), 143.

60) Lecture at Bunkyo Gakuin University, 12 Dec. 2003.

61) See Wilkins, "Dutch Multinational Enterprise," 193-273, wherein I discuss Dutch MNEs in the context of varieties of capitalism. In that essay, I comment on how remarkable it is that in an age of unprecedented global exchanges, there is a persistence in distinct national business and economic systems. Curiously, in that article I did not discuss differences in human resources management.