INTERNATIONALIZATION OF JAPANESE COMPANIES IN THE 21ST CENTURY: A CASE STUDY

SÃO PAULO
2018
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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Field: GESTÃO E COMPETITIVIDADE EM EMPRESAS GLOBAIS

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SÃO PAULO
2018
Richard, Léo Jacques Christian.


89 f.

Orientador: Jaci Corrêa Leite.

Dissertação (MPGI) – Fundação Getulio Vargas, Escola de Administração de Empresas de São Paulo.


CDU 334.726(520)

Ficha catalográfica elaborada por: Isabele Oliveira dos Santos Garcia CRB SP-010191/O

Biblioteca Karl A. Boedecker da Fundação Getulio Vargas - SP
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MANAGEMENT AND COMPETITIVENESS IN GLOBAL COMPANIES

Approval Date
____/____/____

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ACKNOWLEDGMENT

I would like to thank my family and friends for supporting me during all my years of study in Switzerland, Canada, France, and Brazil. I would like to especially thank my mother Naomi, my father Olivier, and my grand-parents Françoise and Jacques, as they encouraged me to pursue my studies around the world.

I would like to express my sincere gratitude to Prof. Dr. Jaci Corrêa Leite for his advice and support during this exercise. He is a true inspiration and I am very grateful to have met him during my time in São Paulo.

Finally, I am particularly thankful to all the professionals who took the time to contribute to my master thesis with patience and kindness.
ABSTRACT

Japan is the world’s third-largest economy, enjoys state-of-the-art infrastructure, one of the most qualified labor workforce, a strong education system and it concentrates innovative technologies and unique know-how. Yet, Japan seems to be forgotten in the globalized economy, and academic literature has shifted to the wonders of the Chinese and South Korean economy. But Japan is experiencing challenges unique to the 21st century that need to be studied. One of the issues is that Japan has a demographic challenge: its population is not only aging fast, but it is also the first country in the world to experience a shrinking population. Japanese businesses, which thrived during the 70s and the 80s are invited to review their business model, and they need to globalize themselves, not only by exporting products as they did in the pre-bubble era, but also by localizing their businesses and working with foreign-based subsidiaries. The shrinking population problem is only one part of the equation: Japan’s recent trade agreements means that foreign competitors are coming to the Japanese market. Hence, not only Japanese companies need to deal with a systemic decline in the size of its domestic market on which their overall revenue largely depends on, but they might have a smaller share of this declining domestic market.

The main findings from this study is that Japanese companies seem to be aware of the shrinking population and its potential consequence on the domestic market. However, business actors in Japan believe that this is still a long-term problem and some of them even think that the demographic situation in Japan might be even useful for their companies as they will be the first in the world to address this demographic challenge amongst advanced countries. Hence, Japanese companies will be forced to consolidate, with better profitability levels which can be leveraged through increased productivity (especially with automation). The need for internationalization seems to be mainly coming from a competitive challenge by foreign companies in their domestic markets and the need to find some revenue growth to improve profitability. This study interviews business executives from Fujitsu, business leaders from the Japanese business ecosystem and the study of two use cases, by analyzing its financial and public reports.

RESUMO

O Japão é a terceira maior economia do mundo, conta com infraestrutura de última geração, uma das mão-de-obra mais qualificada, um sistema educacional forte e concentra tecnologias inovadoras e know-how exclusivo. No entanto, o Japão parece estar esquecido na economia globalizada, e a literatura acadêmica mudou para as maravilhas da economia chinesa e sul-coreana. Mas o Japão está passando por problemas únicos que precisam ser estudados. Uma das questões é que o Japão tem um desafio demográfico: sua população não está apenas envelhecendo rapidamente, mas também é o primeiro país do mundo a experimentar uma população cada vez menor. As empresas japonesas, que prosperaram durante os anos 70 e 80, são convidadas a rever seu modelo de negócios e precisam se globalizar, não apenas exportando produtos como na era pré-bolha, mas também localizando seus negócios e trabalhando com eles subsidiárias com sede no exterior. O encolhimento do problema populacional é apenas uma parte da equação: os recentes acordos comerciais do Japão significam que concorrentes estrangeiros estão chegando ao mercado japonês. Assim, não apenas as empresas japonesas precisam lidar com um declínio sistêmico no tamanho de seu mercado interno, do qual sua receita geral depende, mas podem ter uma participação menor desse mercado doméstico em declínio.

As principais conclusões deste estudo são que as empresas japonesas parecem estar cientes da população em declínio e sua conseqüência potencial no mercado doméstico. No entanto, os actores empresariais no Japão acreditam que este ainda é um problema a longo prazo e alguns deles até pensam que a situação demográfica no Japão pode ser útil para as suas empresas, uma vez que serão as primeiras no mundo a enfrentar este desafio demográfico entre as empresas, países avançados. Assim, as empresas japonesas serão forçadas a se consolidar, com melhores níveis de rentabilidade, que podem ser alavancados através do aumento da produtividade (especialmente com a automação). A necessidade de internacionalização parece vir principalmente de um desafio competitivo das empresas estrangeiras em seus mercados domésticos e da necessidade de encontrar algum crescimento de receita para melhorar a lucratividade. Este estudo entrevistou executivos de negócios da Fujitsu, líderes empresariais do ecossistema de negócios japonês e o estudo de dois casos de uso, analisando seus relatórios financeiros e públicos.

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<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AI</td>
<td>Artificial Intelligence</td>
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<tr>
<td>B2B</td>
<td>Business To Business</td>
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<tr>
<td>BCG</td>
<td>Boston Consulting Group</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<tr>
<td>CTO</td>
<td>Chief Technology Officer</td>
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<tr>
<td>EMEA</td>
<td>Europe, Middle East, and Africa</td>
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<tr>
<td>EMEIA</td>
<td>Europe, Middle East, India, and Africa</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>GAAP</td>
<td>Generally Accepted Accounting Principles</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>HQ</td>
<td>Headquarter</td>
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<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>IFRS</td>
<td>International Financing Reporting Standards</td>
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<td>IP</td>
<td>Intellectual Property</td>
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<tr>
<td>IoT</td>
<td>Internet of Things</td>
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<tr>
<td>JETRO</td>
<td>Japan External Trade Organization</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td>MNC</td>
<td>Multinational Corporation</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>SCAP</td>
<td>Supreme Commander for the Allied Powers</td>
</tr>
<tr>
<td>U.S.</td>
<td>United States of America</td>
</tr>
<tr>
<td>USSR</td>
<td>The Union of Soviet Socialist Republics</td>
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<td>WWII</td>
<td>World War II</td>
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1. Introduction

Japan, the world’s third-largest economy, is struggling. Following the stock market and property bubbles burst, Japan’s economy experienced a period of stagnating during the 1990s; an era referred to as the “The Lost 20 years”. Starting from the mid-1950s, the business policies and strategies of Japanese firms were characterized by financing through bank debt, investing in plant and equipment, hiring surplus of workers in anticipation of future economic growth and measuring success by market share (Abegglen, 2006). These very policies which enabled Japan to become the world’s second-largest economy during the so-called “Japanese economic miracle”; suddenly became counterproductive in the mid-1990s (Abegglen, 2006). Companies shifted their strategic plans to eliminating debt and moved their manufacturing facilities overseas.

As a textbook example of macroeconomy, wages were dormant, and consumption decreased in Japan. In 2011, Naoyuki Iwatani, a McKinsey senior partner at the Tokyo office, asked why are General Motors and Volkswagen more successful in China than Honda and Toyota? Why are LG and Samsung bigger in India than Panasonic and Sony? Why is IBM larger in Japan than Fujitsu is in the United States? The author argues that this situation comes from three factors: foreign companies’ penetration of Japan’s domestic market, a tired innovation model and a shrinking consumer base (Iwatani, Orr, & Salsberg, 2011). This dissertation will study what are the reasons of Japan’s relative “failure” to globalize themselves and what are the root cause of Japanese Multinational Companies (MNCs) inability to adapt to the numerous Japanese-specific challenges of the 21st century: an aging population economy, a shrinking local market and an increased competition from close neighbors South Korea and China. Last but not least, in the new world of young entrepreneurs, startups, and unicorns, Japan’s innovation model seems outdated.

Albeit being relatively important economically, Japan seems to be losing its global importance. This phenomenon is rather difficult to track using conventional macroeconomic measures such as the GDP: Japan’s GDP is not especially outstanding compared to other countries such as the U.S. or Germany during the last 50 years (The World Bank, n.d.). However, one needs to take a look to the Fortune Global rankings: from 1995 to 2008, the number of Japanese firms in the Top 500 has declined by more than 50%, from 141 companies to 64 companies (Black & Morrison, 2010).

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2 Private companies valued at more than $1bn.
In the same time, Black & Morrison (2010) finds that from 1995 to 2008, the U.S. kept its proportion of companies in the Fortune Global 500 while the proportion of European Union’s companies have raised during the same amount of time. All of this happen without a significant spread in the annual GDP growth between Japan and the U.S. or the EU (The World Bank, n.d.). However, Japan is still one of the biggest exporters in the world and the country hosts an innovative and advanced manufacturing base combined with world-class infrastructure, a highly skilled workforce and a large mature consumer market. On the other side, Japan is one of the most advanced countries when it comes down to demographic problems: it is predicted that more than a third of the Japanese population will be aged 65 or older by 2040 (Dobbs, Manyika, Chui, & Lund, 2015). As Japan’s demographic problems will be faced later by Western countries, this study aims to analyze how Japanese MNCs are reacting against a shrinking and aging population. One of the hypotheses of this dissertation is that Japanese companies will be forced to become more globalized as the local market will become less and less relevant. Hence, this dissertation wants to see what kind of strategies are put in place by Japanese companies, what kind of strategies already proved to be successful and what kind of decisions can be taken to address these problems.

Are Japanese leaders and executives conscious that something is wrong? Tadashi Yanai, President of Fast Retailing – clothing store Uniqlo being a subsidiary – analyzes his country as suffering from “superficial globalization” (Lewis & Tabeta, 2016). In other words, Japan never succeeded to embrace globalization. One can see this analysis as a bit harsh. Panasonic, Canon or Toshiba are global brands, Japanese cars such as Toyota, Nissan or Honda have conquered the world and Sony or Nintendo are powerhouses in the entertainment industry. But it is also true that Japanese companies are losing their competitive edge and somewhat “failed” to globalize themselves. Following this hypothesis, prominent Japanese business figures have taken a strong stance in favor of their companies’ deeper internationalization. Hiroshi Mikitani, CEO of Rakuten (Japan’s largest online retailer), stressed the fact the greatest risk faced by Japanese businesses today is to “stay at home” (Lewis & Tabeta, 2016). Interestingly, Mikitani has launched an ambitious program to shift the company’s language to English, in order to expand the recruitment pool in computer science and no longer be dependent on his home market’s talents (Lewis & Tabeta, 2016; Neeley, 2011). On the other hand, department store chain Isetan
Mitsukoshi’s CEO, Hiroshi Ohnishi, has held discussions over opening branches in Europe and in the U.S. as securing a “certain size of overseas market” is necessary to avoid difficulty as a retailer (Lewis & Tabeta, 2016). Last but not least, Tadashi Yanai experienced the threat of globalization from worldwide market-dominators in its home market when Gap, the American clothing company, opened its flagship store in Tokyo back in 2011: the Japanese CEO realized that his companies survival depends on going global (Lewis & Tabeta, 2016). These three examples from successful and relatively new Japanese ventures show us that Japan’s executives are thinking about a stronger internationalization of their firms resulting from a threat to their local business and domestic market. It might also show that Japan’s multinational companies are late to adapt to internationalization and recent trends on their domestic market and the characteristics of the 21st century economy is bringing change to the behaviors of Japanese business leaders. These observations lead us to this study’s research question in attempt to verify these assumptions.

**Research questions:** Are Japanese companies reacting against an increased globalization and a threat to their domestic market? What are the challenges faced by Japanese companies on their path to internationalization?

**Research objectives:** The study’s main objective is to understand if Japanese companies have acknowledged new challenges faced by their companies in the beginning of the 21st century. This study will base its analysis on a case study of Fujitsu, a Japanese company that has started and abandoned an extensive internationalization strategy in a span of 10 years since 2000s. This view will be supported by other examples from Japanese companies to see how Japanese companies are facing the globalization challenge. The analysis of the research questions will be discussed around factors preventing Japanese companies to go abroad (we may think of a human resource problem) or factors encouraging Japanese companies to internationalize themselves (such as demographic problems or threats to the domestic market). Moreover, as Japan’s population is expected to shrink by a third within the next 50 years, this study will consider the assumption that Japanese companies are forced to reconsider their business model and strategy, with regards to a shrinking market.
This paper will focus on Fujitsu, a Japanese multinational in Information and Communications Technology (ICT), and to see how this company is potentially dealing with challenges arising from the 21st century. This approach will be reinforced by several observations from executives in other Japanese companies or foreign companies based in Japan coupled with a case analysis of comparable companies in the same sector using their financial reports. This approach will give us the possibility to cover several gaps identified in the academic literature. The first important gap to analyse is exploring what happens when a country as a whole declines, instead of the shrinking of a specific industry within a “healthy” economy. The second gap to be explored in this dissertation is what kind of strategic response do corporations have – if they have any. The third gap considers the shallow knowledge we possess around Japanese management and way of doing business in the 21st century. To conclude, this dissertation will verify how the Japanese multinational internationalization strategy is transforming from an export-driven model to a more “westernized” internationalization strategy.

The research outcome would be to understand what kind of decision is made in a situation of a shrinking market, taken from the Japanese case based mainly on the example of Fujitsu. Thus, this research will present the consequences on a business strategy of a shrinking local market. The general objective is to find the most effective set of decisions for a company against a shrinking population, as it will certainly be a major trend in most Western countries in the coming years.
2. Literature Review

The following chapter covers three academic fields and this research aims to fill a gap by reunifying these three fields. Before presenting the three different areas of research, this chapter will start with a brief history of Japan’s economy, so that the reader can have a better idea of the context and Japan’s unique path to a world-class economic powerhouse. Then, this chapter will first look at what are businesses that can be considered as Japanese, with a special focus on existing literature of Japanese companies’ internationalization practices and the Japanese business system. Secondly, this literature review will focus on research on population decline and its economic impact. Third and lastly, this chapter will cover the literature on corporate strategy and especially the area of strategy in the context of declining industry. These three areas will be the framework from which we will be able to build up a methodology to study the impact of shrinking markets on corporate strategic decisions.

2.1. A brief history of Japan’s Economy since the Meiji Revolution

From a historical perspective, we can set the start of Japan’s economic development at the end of the 19th century with the Meiji Restoration (1868), which restored imperial rule and carried out a series of modernization measures by importing and adapting ideas from Western countries (Yuzawa, 1994). Under the Fukoku Kyohei (literally, “enrich the state, strengthen the military”) policy, three characteristics emerged from this period that ended in 1912: a very strong private sector initiative (with the constitution of zaibatsu⁴ – large business conglomerates that controlled most of Japan’s economy), a thriving industrialization in light industries (especially in textiles) and a coexistence of modern Western technology and traditional local technology from the Edo Period (Ohno, 2006; Yuzawa, 1994). These conglomerates helped Japan to build an empire and supported Imperial Japan’s military power and ambitions that led to Japan’s implication in World War II.

Post World-War II recovery

However, following the surrender of Japan in 1945, General Douglas MacArthur, Supreme Commander for the Allied Powers (SCAP) implemented several reforms in a destroyed Japan to

⁴ They were four major zaibatsu: Mitsui, Mitsubishi, Sumitomo and Yasuda (Kakabadse et al., 1996)
restore democracy and the domestic economy (Kakabadse, Okazaki-Ward, & Myers, 1996). Among them, one of the most important was the breakup of the zaibatsu, family-owned and other holding companies that had an immediate impact of increasing competition within all industries and a renewal of top executives in Japan’s largest companies, thus marking the first steps to the postwar economic growth (Kakabadse et al., 1996; Yuzawa, 1994). Nonetheless, American reforms were not successful enough and it’s only with the “help” of the Korean War in 1953 that Japan entered an era of high growth in an economic situation where Japan experienced higher than average inflation; a new fixed exchange rate that overvalued the yen; a restoration of market mechanisms (by abolishing tight government controls and subsidies) and the end of the U.S. economic assistance (Ohno, 2006). In addition to the Korean War, Japan’s rapid growth can be explained from a neoclassical growth theory: growth rate being the sum of labor inputs, increase in capital inputs and as well as an increase in productivity; the latter being the biggest contributor to growth in the 1960s – 6.6 percent of the 10.6 percent growth is imputed to the rise of productivity (Kanamori, 1985). Moreover, exports grew by a factor of 2.7 and production increased by nearly 70% between 1949 and 1951 (Kakabadse et al., 1996).

**Japan’s Economic Miracle**

From 1958 to 1973, Japan experienced what is called its “economic miracle”. By 1968, the Japanese GNP grew at an average real annual rate of 10.9 percent, placing Japan as the third biggest GNP in the world after the US and the USSR (Kakabadse et al., 1996). As living standards were rising and the population was getting more educated, important changes occurred in the business groupings’ structure: following the need for capital investment, and as financing by debt was too expensive, companies turned to the stock market (Kakabadse et al., 1996). Following a stock price crash in 1964, shares were bought again by incorporated companies and banks, thus leading to a concentration of shareholding and re-establishing corporate cross-shareholding (Kakabadse et al., 1996). The first oil crisis in 1973 proved to be a period of turbulence as the industrial structure of the country shifted to “knowledge-intensive”, high-technology industries (such as automobile and electronics), thus making Japan’s economy less vulnerable to imported oil (Kakabadse et al., 1996).

**Japan’s internationalization**
The 1980s saw the internationalization of the Japanese economy and led Japan to develop trade surpluses but also an expansion in asset values that will lead to a “bubble burst”. This decade is an interesting period regarding this study. As it is in 1980 that Honda marked the beginning of the globalization of the Japanese industry by establishing a car manufacturing plant in the US as an answer to trade embargoes and quotas (Kakabadse et al., 1996). In addition, high quality and mass-produced goods that succeeded in a highly competitive market were exported which led to an increase in Japan corporations’ profits, the latter being spent into further technological innovation in the absence of pressure from shareholders (Kakabadse et al., 1996).

**The Bubble Burst and its consequences**

The early 1990s was a period of upheaval for the Japanese political system and the bursting of the “bubble economy” badly damaged the Japanese financial system and led to a recession in which some symbols such as lifetime employment have been called into question (Yuzawa, 1994). If the problems of the “bubble economy” was mainly due to over-borrowing for investment in land and housing, and with the addition to an appreciation of the yen in 1993, Japan economy enters a period of stagflation which will be named as the two “lost decades” (Yuzawa, 1994). The lost decades are an era when Japan lost much of its competitive edge and when productivity growth has steadily eroded in all sectors of its economy (Dobbs et al., 2015). A strong indicator of Japan’s eroding economy is the number of Japanese companies in the Fortune Global 500 list: in 1995, the U.S. and Japan had almost the same number of companies ranked (151 vs 149 respectively) but by 2017, U.S. companies counted 131 companies against Japan’s 51 companies.

**Today’s Japan: a new turning point**

Japan is still the world’s third-largest economy despite the two “lost decades”: its technology know-how is world-class, its companies are still global brands, the country enjoys infrastructures that are hardly matched in other countries and, most important, it has a large and sophisticated consumer market (Dobbs et al., 2015). Japan’s demographic challenge has started to materialize with the total population shrinking by 1 million people in 2015, compared to 2010 and with a quarter of its population being over 65 in 2013 (Dobbs et al., 2015; Taylor, 2016). Moreover, Japan’s productivity growth has stalled below 2 percent due to a lack of competitiveness and an

---

5 Date of the first Fortune Global Ranking
inadequate model of lifetime employment and hazardous attempt to make the labor market more flexible\(^6\) (Dobbs et al., 2015; Patrick, 2018).

However, there is room for optimism: Japan has recovered well from the 2008-09 Great Recession and the government increased the consumption tax in 2014 (Patrick, 2018). More important, but difficult to quantify, Japanese business executives are realizing the urge to globalize their firms, as seen from examples in the introductory part of this paper: Rakuten CEO is making all of his company’s employee to speak in English (Neeley, 2011); Fujitsu is putting an end to its age-based promotion system\(^7\); Uniqlo established itself as the 3\(^{rd}\) biggest casual fashion chain by sales in the world (Okutsu, 2018); and Softbank has established a $100 billion venture capital fund with a majority of foreigners as decision-makers (McBride, Wang, & Elstrom, 2018). Actually, the origin of the author’s motives relies on the fact that Fujitsu’s CEO Tatsuya Tanaka has identified the internationalization of Fujitsu Japan’s business unit as a key success factor and part of its strategy in 2017\(^8\). Fujitsu has attempted to focus on international growth to hedge themselves against a slowing Japanese company and diversify its business portfolio at the beginning of the 2010s. The author has witnessed efforts made by Fujitsu to internationalize themselves as well as being part in one the measures that was taken to internationalize the group. More interestingly, the author came back to work for Fujitsu to discover that the strong internationalization stance has disappeared at the executive level. What has happened? What kind of changes in strategy was decided by Japanese executives? Finding answers to these questions might help understand how Japanese companies are evolving in the context and new challenges of the 21\(^{st}\) century. Last but not least, Prime Minister Abe pledges to double venture capital investment with a goal to have 20 Japanese “unicorns” by 2023 (Lewis, 2018). This “business mood” from business managers and executives in Japanese companies is what we want to capture in this paper, as it will show if and how Japan is reacting to demographic pressure and international competition.

### 2.2. Internationalization and Japanese companies

**Internationalization**

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\(^6\) Especially with the use of temporary workers.

\(^7\) According to some discussions of the author and several employees at Fujitsu in Japan.

\(^8\) According to internal documents and videos that cannot be publicly shareable.
One of this study’s objective is to find if internationalization is used as an end-game strategy pursued by a Japanese firm in a shrinking market or a declining domestic market. First of all, we will consider internationalization and globalization as synonyms in this paper, and they will be used with the same meaning defined by the following definition: globalization can be seen as the increasing economic interdependence among countries, as reflected in the flow of goods and services, financial capital, and knowledge across country borders (Gupta, Govindarajan, & Wang, 2008). Internationalization of markets and industries makes difficult to think of some firms as domestic companies, as it increased the range of opportunities for companies to do business in different national markets (Hitt, Ireland, & Hoskisson, 2003).

For a given company, internationalization is the process in which the firms gradually increase their international involvement and it is a product of a series of incremental corporate decisions (Johanson & Vahlne, 1977). In our analysis, we will also consider the percentage of revenue that is made outside of the domestic market. As a consequence, we will consider that the bigger the international revenues are, the more internationally developed is a company. Johanson and Vahlne’s (1977) definition is based on the Uppsala model of internationalization and the notion of psychic distance, which is defined as a sum of factors preventing the flow of information from and to the market (such as language, education, business practices, culture, and industrial). This academic background is important as it allows us to better understand a company’s path to internationalization.

**Multinational companies**

A multinational corporation is a business organization with activities located in more than two countries: a country location where the firm is incorporated and another country location where the corporation has a branch or a subsidiary (Smelser & Baltes, 2001).

Considering this definition, we will define a Japanese multinational corporation as a company which is incorporated in Japan, with official headquarters (HQ) in Japan. This definition is sufficient, as in our cast study, Fujitsu has incorporated in Japan as well as NEC and Panasonic (Fujitsu Limited, 2017; NEC, 2018; Panasonic Corporation, 2018a).
Japanese keiretsu: horizontal and vertical

Why is it so important to understand the keiretsu? A distinctive feature of the Japanese business landscape are the keiretsu, an established and recognized networks of Japanese firms, usually characterized in two-forms: horizontal and vertical keiretsu (McGuire & Dow, 2009).

The horizontal keiretsu are descendent of the pre-war zaibatsu (for Mitsubishi, Mitsui and Sumitomo, with the last two of them merged in a single company as of today) and from major banks of the post-war period (Dai Ichi Kangyo, Fuyo, and Sanyo) (McGuire & Dow, 2009). The “horizontal” feature refers to an organization close to the pre-war zaibatsu organization with spin-offs of internal divisions in separate entities (Lincoln & Shimotani, 2009). Horizontal keiretsu were often organized around a large commercial bank to coordinate different entities of the group (Lincoln & Shimotani, 2009). Somewhat, horizontal keiretsu can be seen as different business units in different areas controlled by a financial vehicle in its middle. Benefits from being a horizontal keiretsu are the following, as summarized from existing literature from McGuire and Dow (2009): (1) an access to stable financing; (2) insulated from market pressures; (3) a reduction of risk; (4) monitoring benefits and the reduction of information asymmetries; (5) mutual assistance. Our studied company, Fujitsu, belongs to this category, as it is owned by the Dai-Ichi Kangyo keiretsu (Lincoln & Shimotani, 2009). This makes sense when we look at the diversity of its portfolio, ranging from mainframe computers to air conditioning and consumer telephones. Similarly, NEC was an entity of the Sumitomo group, hence belonging to the horizontal keiretsu type (Lincoln & Shimotani, 2009).

The other major keiretsu form was the manufacturing and/or supply chain groups which were organized between suppliers, subcontractors and distributors in a vertical division of labor around a “core” manufacturing firm at the center of the network (Lincoln & Shimotani, 2009; McGuire & Dow, 2009). In contrast to a “reciprocal holdings” in the horizontal keiretsu model, the vertical model has a slightly different capitalistic model where suppliers are holding small or no financial participation in the “core” manufacturing firm (McGuire & Dow, 2009). A prime example that illustrates this model is Toyota and Panasonic (Lincoln & Shimotani, 2009). This vertical integration model allows close cooperation and a long-term, solidarity-oriented kind of relationship as the core manufacturing firm will guarantee low prices while suppliers have a
lower but guaranteed revenue over the long term while not hesitating to help their suppliers to perform better (Lincoln & Shimotani, 2009; McGuire & Dow, 2009).

Today, the keiretsu view is no longer a significant feature of the Japanese economic landscape (Lincoln & Shimotani, 2009). However, it is an important historical factor and it is important to have an understanding of this concept for two reasons. First, it is to give a historical perspective and to describe it so that the reader has a better understanding of the Japanese economic context since this a strictly Japanese phenomenon that was observed from the post-war economy to the early 2000s. In addition to that, this system was one of the reasons behind the Japanese economic success and how Japanese corporations thrived using this capitalistic structure. Second, the fact that keiretsu is not as relevant today can be seen as a sign of globalization and reforms that were made into Japan’s economy and way of doing business, and the fact that more and more Japanese companies are being westernized (Lincoln & Shimotani, 2009). Now, we won’t discuss if the irrelevance of keiretsu in the new economy is a consequence of globalization, or if it is a pro-active strategy from Japanese corporations to embrace a more westernized model as this will get us out of our main focus.

**Japanese multinational corporations**

They are some strategic and structural aspects to explain Japan’s Multinational Companies successful economic growth until the 1990s, but that could also explain their relative inertia towards change since the bubble burst. Firstly, Japanese companies had a bias toward stability: along with the well-known lifetime employment, wage and promotion practices (correlated to employment seniority), Japanese B2B relations are characterized by long-term and continuous transactions (Yuzawa, 1994). As a matter of example, banks and firms hold each other’s shares which tend to guarantee a stable and long-term business relationship (Yuzawa, 1994). In addition, employees are encouraged to stay and work harder as they may also own some of their company’s shares (Yuzawa, 1994).

As this study aims to understand a company’s corporate strategy, it is important to mention and understand Japan’s management model and its specificities. This will help our selection process for interviews in the methodology section in order to identify key people in a Japanese
organization. In a comparison with the U.S. management model, Pudelko (2009) provides a framework of traditional Japanese management practices, such as:

- Company objectives are financial and non-financial and with the aim to secure long-term survival, independence, and growth of the company.
- Japanese companies are pursuing long-term market share positioning.
- A company’s main stakeholders are, in order of importance: first, employees; second, clients; and third, shareholders.
- The corporate governance model is a “behind closed doors” model with an insider system of management and control (which are not very transparent as it can be seen in U.S. companies).
- Strategically, Japanese companies are leaning towards status quo and stability orientation with changes that are often incremental. Those incremental changes follow a product strategy of gradual improvement of products and processes.

These elements rejoin Hinterhuber et al. (2006) comparison of three main corporate governance systems: Germany, the U.S., and Japan. In his study of Japanese-Style Management, Pudelko (2009) showed that the Japanese managers see their management model as “clearly more negative for the present business environment compared to that of the past” and that Japanese managers have “a distinct desire to change their own management practices”. This is an interesting element to be considered while conducting our interviews as it is somewhat linked to our subject: if there is a change in management practice, is this due to pressure from international competition or is this a recognition that “traditional” Japanese methods have failed?

**Japanese multinational corporations’ internationalization path**

It is interesting to take Black and Morrison’s (2012) model of the Japanese company’s internationalization path is particularly compelling and deserves to be developed in this literature review. Black and Morrison views over Japan’s business environment is particularly interesting, as they have both been involved in Japan for over three decades, starting in 1978 and engaging with Japan’s most prestigious companies by advising senior executives on their internationalization strategy (Black & Morrison, 2010). Black and Morrison’s model is based on a disguised Japanese multinational case study and they identify six stages of a Japanese company’s globalization process (Black & Morrison, 2012):
• **Stage 1: domestic birth**
  The usual Japanese company was not born globally and has over 100 years old, starting out by focusing on simple consumer goods on a domestic market. As we have seen in the first part of this literature review, the Japanese market was a very competitive one that forced companies to invest in R&D and produce a better quality product (Kakabadse et al., 1996; Ohno, 2006).

• **Stage 2: domestic focus and starting exports**
  The executives from this traditional Japanese company have noticed that since competition is really high in Japan, their products were likely to outperform competitors in other, less competitive markets. The reason why Japanese companies at the time focused on exporting rather than implementing themselves physically by opening a branch or subsidiary of the company was the fact that it was easier to capture unit cost reductions and improve margin using economies of scale, leveraging existing domestic operations. This strategy made sense, since shipping costs were not important compared to the economies of scale. Moreover, there was a strong incentive from the Japanese government to export goods and protecting the domestic market. Along with these factors, a booming economy in the US and in Europe and the lowering tariffs due to the General Agreement on Tariffs and Trade (GATT) helped this export phase.

• **Stage 3: internationalization**
  Japanese companies started to realize that they are local preferences which are different from Japanese consumers’ taste. To adapt to foreign customers demanding a more tailored product, Japanese companies started to have a foreign direct investment in order to establish factory plants and subsidiary abroad, exporting, at the same time, its own management model led by Japanese managers. However, still struggling to adapt to local preferences and being too shallow in their knowledge of the local market, the Japanese HQ started to search for local talent in order to adapt their products.

• **Stage 4: localization**
  As Japanese managers had usually a tenure of 5 years abroad, the management power gradually shifted to local managers. Localized subsidiaries started even to produce products that aren’t made in Japan. By the end of the 1990s, the authors explain that most of the foreign operations were headed by foreign managers.
• **Stage 5: globalization**
  The Japanese companies started to realize that their worldwide operations were completely distinct – which resulted, for example, for dozens of different financial and accounting systems with no standardization whatsoever. This subject became especially prominent as revenue growth is not as strong, and the Japanese management started to look at their international endeavors’ cost structure. Hence, Japanese executives came up with a plan to integrate and rationalize their corporate structure. However, these plans didn’t meet well with local leadership resulting in the return of Japanese expatriate.

• **Stage 6: borderless globalization**
  Black and Morrison (2012) argue that Japanese companies have not reached this stage, as they are struggling to recruit foreign talent to help them with a globalized company. The authors’ point is that Japanese firms are falling further behind and they are struggling to become internationalized.

Interestingly, Black and Morrison (2012) also pointed out pitfalls in which Japanese organizations fall during their globalization process and countermeasures to it. The model’s stage 6 resonates with the introduction of this study: to cite again Uniqlo CEO’s words, Japan is suffering from “superficial globalization” (Lewis & Tabeta, 2016). Japan and its companies are struggling to maintain their position and if there seems to be a human resource and talent management problem addressed by Pudelko (2009) seen above, it shows that Japan is not yet fully internationalized. It is an important hypothesis on which this study is based because we assume that Japanese companies are coming up with a strategy to become more global. Hence, we will use to Black and Morrison’s (2012) countermeasures (“impatriation” of foreign talents, early expatriation, global leadership talent and the use of powerful symbol) to test if internationalization is taken seriously by the senior management for interviews within the studied company, Fujitsu.

One criticism we can address Black and Morrison’s (2012) model is the fact that it is a historic-based one rather than a model that can be applied to more recent Japanese companies. However, this model is fine for this study, as the studied company is matching with the proposed model. In fact, the words and expression used by the model are very similar to the studied company.
Finally, the authors seem to argue that, in order to continue being successful and last as a global player in the long run, Japanese companies must internationalize themselves (Black & Morrison, 2012). However, they don’t really mention why should Japanese companies internationalize, and this is a gap that this study needs to address. The two candidates, as defined in the research question, are a shrinking domestic market and a competitive challenge on the domestic market by foreign firms will be analyzed in order to fill the gap.

In addition, some existing literature focuses on the fact that Japanese companies always struggled to get to the internationalization path. Picard and Groth (2001) pointed out that, despite being successful on the domestic market, Japanese companies find the international scene as a significantly different set of challenges from those encountered domestically, thus skills, attributes and structural functions of those firms are not translating to global success. Consequently, the authors pleaded for a fundamental change in Japan’s management philosophy to compete successfully on the global market but pointing out the following factors that reduce the country’s competitiveness at the global level: protectionism, outdated corporate governance structures, resistance to joint ventures and foreign direct investment (Picard & Groth, 2001).

2.3. Demography, aging population and population decline

Aging population
Population aging is a major demographic trend in many countries, and it is expected to have major macroeconomic implications (Bloom, Canning, & Fink, 2010). The aging population segment concerns people aged 60 and over (Bloom et al., 2010). According to figures from the United Nations, Japan’s shares of a population aged 60 or over is set to increase from representing 27% of the total population to 44% of the total population by 2050 (Bloom et al., 2010). This phenomenon is not only affecting wealthy and industrialized countries such as South Korea or Germany, but it will also affect India and China as they will count respectively 20% and 30% of their population aged 60 and over by 2050 (Bloom et al., 2010). A country’s population is aging due to three main factors: age dynamics (variations of birth and death rates and its consequences on a country’s age structure), declining fertility rates and a rising life expectancy (Bloom et al., 2010).
Regarding the economic impact of an aging population, one key factor to look after is the relative and absolute size of the labor force (Bloom et al., 2010). However, it is expected that the labor force decline does not present an immediate economic crisis and the decline can be compensated by an increase in productivity, longer working period for the working force and an extended savings period, the latter can be used for investment that will fuel human capital and technological progress (Bloom et al., 2010; Dobbs et al., 2015).

If we have seen that aging population has a certain impact on a country’s macro economy and on consumer preferences, we choose to ignore this factor, as this is not exactly what we want to measure in this study. Moreover, we have seen that the aging population does not pose an immediate threat to a country’s economy, thus it does not really impact a private company. On the contrary, a company can find growth drivers within the silver economy9 by capturing old consumers’ buying power (Cornet, 2015). This study’s assumption is that population decline is the next level behind an aging population as it is difficult to market a product and find growth paths from dead people! Hence, this study will only focus on the population decline factor.

Population decline
Population decline arises from a combination of low birth rate, high death rates and net emigration (Coleman & Rowthorn, 2011). Population decline is a rising trend among Western countries and it will become a trend for many developing countries within a few decades (Coleman & Rowthorn, 2011). In addition to this, the contemporary form of population decline is accompanied by an aging population which was not the case in the past (decline was provoked by a spike in death rates, usually through famines, epidemics or wars) (Coleman & Rowthorn, 2011). It is important to distinguish between population aging and population decline: the former phenomenon arises when a country experiences lower birth rates while the latter only occurs if the birth rate falls below the death rate (Coleman & Rowthorn, 2011).

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9 Silver economy is an umbrella concept that designate services and goods target to ageing generations (Cornet, 2015)
Since labor is a key input to a country’s GDP growth along with capital, we historically observed the fact that an increase in population translated to an increase in economic growth. If at first sight, it can be seen as a disadvantage, Coleman & Rowthorn (2011) argue that unless there is a rapid decline in a country, we still lack empirical evidence that contemporary population decline will lead to a depress in investment and individual wealth. They take the example of the Federal Republic of Germany that saw its population fell between 1973 and 1985 while improving its GDP by 26% over the same period (Coleman & Rowthorn, 2011). In order to counterbalance potential economic consequences of a population decline, the authors recommend raising taxes immediately and they cite the fact that retirement age should be raised in order to minimize the macroeconomic impact (Coleman & Rowthorn, 2011). Interestingly, the Japanese government already took some measures to increase taxation by raising sales tax for the first time in 17 years in 2014 and planning to raise it again in the close future (Kihara, 2018). Coleman & Rowthorn (2011) talk briefly about consequences to a private company on population decline, especially around employment, even if companies will be forced to review their operations' efficiency. It is, however, an unsatisfactory answer to the challenges posed by a population decline to private companies, and this study will try to fill this gap.

If we look at the figures of birth rate, death rate, and emigration figures, we can understand easily why Japan is already experiencing a decline in its population. First of all, from Figure 1, we can see that the only country that seems to have a positive net immigration is Germany and by far (The World Bank, 2018). However, we should be cautious over these numbers, as the spike in the 1990s might be due to the Soviet Union’s collapse. In addition to that, numbers for countries in the European Union (EU) might be biased by the fact that people from any of an EU country member can freely move from one country to another due to Schengen Agreement (European Commission, 2018). Greece, Germany and Italy’s figures are chosen as they are all countries experiencing demographic problems.
In the case of Japan, the cause of population decline is due to a low birth rate, as death rates are decreasing and net immigration is not a prominent feature (see Figure 1 & 2) (The World Bank, 2018). We can see that the birth rate collapsed from a peak in the 1970s, while the death rate increased steadily starting from the 1990s. This phenomenon coupled with almost no immigration is responsible for a stall in the growth of Japan’s population followed by a mechanical decline in population growth starting from 2006 where death rate per year became higher than the birth rate.
As a consequence, Japan is the first industrial country to have an aged and shrinking population (Heller, 2016). Japan’s shrinking population became a reality in 2015, with the total population shrinking by almost 1 million people compared to 2010 (Taylor, 2016) (See Figure 2) (The World Bank, 2018). Considering this relatively new phenomenon (although predicted from some time), research on shrinking population is relatively recent compared to research on the aging population. Therefore, economic impacts are still freshly debated and are more focused on policy response than on how should corporations react.

**The link between demography and economic growth**

The link between population growth and economic growth may have been established first by John M. Keynes (1937): he argued that the demand for capital increase more or less in proportion...
to three factors: population, the standard of life and *capital technique*. In a visionary lecture, the British economist postulated that since “modern inventions are directed towards finding ways of reducing the amount of capital investment necessary to produce a given result [...]”, in other words, *capital technique*, and if something as a population decline happens, the only leverage to sustain the demand for capital is raising the standard of life, thus making the sustainment of prosperity difficult (Keynes, 1937). Along with the reality of aging population in Western Countries, academic literature has recently blossomed and identified the impact of population ageing on economic growth, especially on employment and productivity rates (Headey & Hodge, 2009) in Europe (Van der Gaag & De Beer, 2015) or in Japan (Esteban-Pretel, Tanaka, & Meng, 2017; Heller, 2016; Kosai, Saito, & Yashiro, 1998; Oliver, 2015), as well as its impact on product consumption (Rentz & Reynolds, 1991). Additionally, James C. Abegglen (2006), a long time specialist of Japan’s corporate world, has stressed out that Japan’s current dilemma over shrinking population is a primary concern for its labor force and, consequently its GDP. Indeed, since total GDP is a function of the number of labor units employed, an input in capital, and total-factor productivity; an expected reduction in labor units (up to 40% of Japan’s labor force size according to Abegglen by 2050) would lead to a zero or negative GDP growth (Abegglen, 2006; Higashino, 2005). Along with the downward pressure on economic growth, a declining impact on food and energy consumption, as well as less congested urban areas and falling energy consumption, might have a positive impact on the living standard (Higashino, 2005).

However, these studies stayed on a more “macroeconomic level”. On the business side, Peter Drucker seems to be the first to point out business implications of demographic changes as early as 1951, but business executives take few concrete actions to develop older market segment or against a shrinking population (Matsuno & Kohlbacher, 2018). In a 2005 report, one of JETRO’s economist has summarized business opportunities for domestic companies due to population decline: as one of the expected effects of population aging will be an increase in the average amount of financial assets per individual and household, Japanese companies might attempt to shift away from “low-profit/high-volume model to a “high-profit model” (Higashino, 2005). To demonstrate his point, Higashino (2005) uses the example of Toyota, which introduced

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10 By capital technique, Keynes meant how efficient is the production process.
11 JETRO is the acronym for Japan External Trade Organization. It is a government-related organization established in 1958 that works to promote mutual trade and investment between Japan and the rest of the world (JETRO, 2018).
its luxury car brand Lexus in 2005 (the brand was already present in North America and Europe) on the Japanese market, anticipating a decreased sales volume by offering greater value for the consumer and yielding higher profit margins for the company by targeting products and services at older people, as well as niche markets in Japan.

2.4. Strategy and declining industries

Corporate strategy and strategic competitiveness are words that originate in the 1960s along with unprecedented major changes in the global environment in a post-WWII era (Ansoff, 1988). As a result, a disproportionate number of firms in developed countries started to face problems such as the slowing down of growth, a decline in profitability or the loss of market shares to new competitors (Ansoff, 1988). In a breakthrough article, Theodore Levitt (1960) identified that the reason why a company is experiencing slower growth is that of a failure in its management and not because its market is saturated. Consequently, firms needed to redress their lost competitiveness and looked at their own management: the corporate strategy was born. Strategy emerged with the belief that the firm’s environment can be changed and objectives are insufficient as decision rules for guiding a firm’s strategic reorientation, as well as to adapt to threats and to pursue opportunities (Ansoff, 1988). In addition to this, the Boston Consulting Group (BCG) (2018), one of the world’s biggest consulting management firm, defines corporate strategy as a way to ensure that the value of the enterprise as a whole is more than the sum of its parts. Levitt (1960) illustrates this more holistic approach and how firms should reconsider their environment by using examples of railroad businesses that should view themselves in the “transportation business” and petroleum businesses that should view themselves in the “energy business”. Hence, industries are endangering their futures by improperly defining their purposes (Levitt, 1960). However, defining a new environment to look for growth is too broad, and firms need a set of decision-making rules. This set of decision-making rules can be found in a business strategy where it is used to “generate strategic projects through a search process” by first focusing on areas defined by the general directions where a firm wants to grow; and second, by filtering out possibilities that are inconsistent with the given strategy (Ansoff, 1988).

In consequence, “every firm competing in an industry has a competitive strategy, whether explicit or implicit” (Porter, 1980). In his Competitive Strategy, Porter (1980) pioneered the concept of
strategic planning in firms as a way to gain significant benefits to gain through an explicit process of formulating strategy and that every component of a company works together towards a common set of goals. Hence, strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy. In other words, a firm has a sustained competitive advantage that enables it to earn above-average returns (Hitt et al., 2003).

Finally, it is important to note that Kenichi Ohmae (1982) said in his *The Mind of the Strategist*, that successful Japanese companies don’t have strategic planning processes and the strategy usually comes from the founder or the chief executive of a company. Based on his experience as a management consultant in Japan, he cites the fact these individuals possess an intuitive grasp of the basic elements of strategy or “an idiosyncratic mode of thinking in which company, customers, and competition merge in a dynamic interaction out of which a comprehensive set of objectives and plans for action eventually crystallizes” (Ohmae, 1982). One of the latest example of this particularity in taking strategic decisions is Masayoshi Son, founder and CEO of Softbank, who says that he is guided in his investment decisions as he tries to “feel the force” as a reference to Yoda, the Star Wars Jedi master (Massoudi, Inagaki, & Lewis, 2018).

**Models of strategic competitiveness**

Academic literature has identified two different models for a company to achieve strategic competitiveness: the industrial organization (I/O) model, which looks at the external environment, and the resource-based model, which looks at a company’s internal resources (Hitt et al., 2003). The I/O model of above-average returns emerged from the 1960s and persisted until the 1980s when it was thought that the primary determinant on firm’s strategic actions came from the external environment (Hitt et al., 2003). This model has four assumptions: 1- external environment imposes pressures and constraints that determine the strategy; 2- most firms pursue similar strategies constrained by access to similar kind of resources; 3- resources used are highly mobile and; 4- organizational decisions are rational and acting towards the firms best interest, usually a profit-maximizing behavior (Hitt et al., 2003). In this model, a firm conducts its strategy in regard to the five forces model to establish a defensible competitive position: the threat of new entrants, the rivalry among competing firms, the threat of substitute products, the bargaining power of suppliers and the bargaining power of buyers (Hitt et al., 2003; Porter, 1980).
On the other hand, the resource-based model assumes that each organization is a collection of unique resources and capabilities; thus, firms acquire different resources and develop unique capabilities (Hitt et al., 2003).

**Strategic Position and core industry**

Porter (1980) claims that a global industry is one in which the strategic positions of competition in major geographic or national markets are fundamentally affected by their overall global positions. To paraphrase Porter’s example, Fujitsu’s strategic position in foreign countries competing for the silver economy is enhanced by its technological edge and maturity in the company’s home market. As Porter (1980) points out, one should analyze industry economics and competitors in various geographic or national markets jointly rather than individually, in order to fully grasp competition in a global industry.

McGahan (2004) has developed a theory of industry change trajectories based on the premise that a company has core activities (activities that have historically generated profits) and core assets (resources, knowledge and brand capital). Thus, according to McGahan’s model (2004), to operate a change, a company sees its core activity generating fewer profits and its core assets fail to generate value.

**Declining industries and end-game strategies**

This research will use the concept of declining industry to classify and understand what and how firms are responding to a shrinking population. In *Competitive Strategy*, Porter (1980) was the first to take interest in declining industries by defining it as industries that “have experienced an absolute decline in unit sales over a sustained period” and thus, the decline cannot be attributed to short-term business cycle (i.e. employee strikes or material shortages). In addition to this definition, one other characteristic identified by Harrigan (1980) is that all remedies have been exhausted and a company must cope with the decline, thus leading to a concordant strategy, or end-game strategies in Porter’s words (1980).

Porter (1980) identifies the decline phase of a business as a phase of a product life-cycle model in which margins are shrinking, product lines are pruning and R&D along with advertisement
expenditures are reduced. Along with Porter’s observation, the existing academic literature has proposed different definitions and criteria to characterize a declining industry. Some use the term “bear fighting strategies” and identify a bear market as a market experiencing a 20 percent drop of the industrial value-added index over a period of three years (Schreuder, Van Cayseele, Jaspers, & De Graaff, 1991).

The kind of strategy a firm will pursue in a declining industry will depend on how a company views the process by which demand will decline, as well as its characteristics (Porter, 1980). In other words, the cause of decline will help determine how companies perceive future demand and the profitability of serving a diminished market (Harrigan & Porter, 1983). Porter (1980) identifies three major influences that will impact companies’ perception of the declining nature of their industry: the most important factor a company has to take into account is the degree of uncertainty about whether demand will continue to grow or not; a second factor is the velocity (or rate) of decline and its pattern, and a third factor is the structure of remaining demand pockets. This thinking makes sense especially regarding the resource-based model already described: each company has a unique set of resources and it will look at the same environment from a different eye considering its assets and capabilities. Thus, it is possible to identify three main causes of industry demand declines which gives an indication of how companies perceive future demand (Harrigan, 1980; Porter, 1980):

1. **Technological substitution** (or technological obsolescence): when a substitute product due to technological innovation appears on the market, its increasing adoption cut sales of the original product. This threat can be mitigated for some products that are immune or resistant to the substitute product, creating pockets of demand or a niche market (such as cigars over cigarettes).

2. **Demographic changes**: a shrinkage in the size of the customer group that purchases a given product can reduce demand. This cause of industry decline is little subject to competitive pressure and surviving firms can still enjoy some profits prospects.

3. **Shifts in needs** (or sociological changes): demand can fall because of a buyer’s changing needs or taste. As with demographic changes, shifts in needs don’t lead to increased competitive pressure, but it can lead to greater uncertainty as it is more difficult to
forecast a resurgence in demand based on consumer’s taste compared to demographic dynamics.

An interesting point made by Harrigan (1980) is the observation that sociological or demographic changes produced greater uncertainty about future industry prospects compared to declines created by technological changes, and Porter (1980) considers that demographic shifts are often the causes to the greatest uncertainty for a given industry. Unfortunately, nor Harrigan (1980) or Porter (1980) really address demographic changes as the only example provided is the baby goods industry example (where Harrigan argues that baby food consumption went down with the decline of U.S. birthrate). Consequently, there are few studies that focus purely on the impact of demographic changes on an industry and a company’s strategy.

Additionally to firms’ perception of future demand and degree of uncertainty, a strategic decision made by a firm in a declining industry is also dependent on exit barriers (Harrigan, 1980; Porter, 1980). This is a concept that we will see in the following section and it is a factor that needs to be checked later.

Later, Harrigan and Porter (1983) used the term “end-game strategies” to define how companies face a situation with little or no economic growth and rapid technological change. In their study of strategies for declining businesses, they have compiled 20-year histories of industry competition and company departures from a selection of 61 companies in eight declining industries to come up with a strategy matrix (see Table 1) (Harrigan, 1980; Harrigan & Porter, 1983).

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<th>Has competitive strengths for remaining demand pockets</th>
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<td><strong>Favorable industry structure for decline</strong></td>
<td>Leadership or niche</td>
<td>Harvest or divest quickly</td>
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<tr>
<td><strong>Unfavorable industry structure for decline</strong></td>
<td>Niche or harvest</td>
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*Table 1: Strategies for Declining Businesses according to Porter (1980)*
The four possible end-game strategies identified by Porter (1980) for declining businesses are the following:

1. **Leadership**: the company will try to achieve above-average profitability by remaining one of the few companies in the industry, enabling the company to control the process of decline and subsequently, price competition. Once this objective is attained, the company will use its newly superior position to switch to a holding position or a controlled harvest strategy. Tactical measures to achieve this position include ensuring that competitors rapidly retire from the industry or reduce competitors’ exit barriers.

2. **Niche**: the company will identify a segment (or a demand pocket) of the declining industry to maintain a stable demand and disinvest from other segments. Eventually, a company pursuing this strategy will switch to a harvest or a divest strategy.

3. **Harvest**: the management tries to optimize cash flow from the business by disinvesting. This strategy presupposes that a company has some past strengths and the competitive environment of a given industry. Tactical measures to achieve this position includes eliminating new investments, cutting maintenance of facilities, reducing advertising and research and cutting down distribution channels. Ultimately, the company will sell or liquidate the business, but it also creates the greatest efforts from an administrative standpoint as this strategy is very difficult to manage.

4. **Quick divestment**: the company will sell its business in the early stages of the decline as the potential buyers’ uncertainty about a future slide in demand is strong. Divest early will force the company to confront its own exit barriers (such as customer relationships and corporate interdependencies).

A company’s choice to pursue the right strategy depends not only on a company’s strength and weaknesses, but also on a firm’s strategic needs to remain in the declining business (Porter, 1980). This is especially relevant for this study, as Japanese multinationals are usually holdings present in different kind of businesses, as well as if we think about the international perspective, not explored by the existing literature. As a matter of fact, it can be a Japanese firm’s strategic need to remain in a declining domestic market to ensure delivering products or services in a growing international market. Last but not least, firms can take proactive measures to improve its position if it forecasts declining industry conditions during the maturity phase such as minimizing investments, place strategic emphasis on market segments that will thrive in decline conditions.
and create switching costs in those remaining segments (Porter, 1980). It will be particularly interesting to analyze in this study if Japanese firms are preparing for decline or if they already decided a strategy to cope with decline.

The aim of this research is to understand if, when applied to the country level, companies still follow this pattern of decisions defined by Harrigan and Porter (1983), and if the fact that they are multinational companies will bias their decision-making. Moreover, using Ghemawat and Nalebuff’s (1990) findings, the study will use the case of a multinational company and compare it with financial reports of similar players in the industry. To illustrate our point, we could think of an example where a Japanese car manufacturer is facing a declining demand in Japan as a younger population are not only fewer, but they don’t want to drive due to different consumer preferences. Would it have an impact on decision-making?
3. Research Methodology

The nature of the business and corporate strategy makes it difficult to apply traditional research approaches. Business strategies are not always made explicitly and as they are usually a private concept only shared within the management of a company or a “diffuse, generally understood, but the seldom verbalized sense of common purpose throughout the firm” (Ansoff, 1988). In addition to that, business strategies are sensitive information and hard to get access to. Hence, the following section will explain the methodology that allows this study to consider these limitations. The methodology which is described below will help us determine what are the prominent factors that lead Japanese companies to internationalize themselves.

3.1. Research approach

This study uses a qualitative research method to identify what are companies’ strategies in the context of declining industries and shrinking domestic population. The use of interviews will allow this study to target key individuals within a company or within the Japanese-linked business environment to better understand a company’s strategy. This study will frame the debate around the four end-game strategies defined by Harrigan and Porter (1983), while trying to understand if international diversification is a plausible fifth alternative or if it can be combined with one of the four end-game strategies (such as one end-game strategy for the domestic market and internationalization as a strategy for global markets).

A qualitative research based on interviews within one company, used as the business case, will fit best the aim of this research, backed with evidence and testimonies from competitors or other actors of the Japanese business environment. The research will be led through face-to-face, one-on-one, interviews with participants or telephone interviews.

Several reasons are behind choosing a focus on one company backed with more general evidence within a qualitative research frame. Firstly, qualitative research provides us with the depth necessary to analyze complex decisions such as strategic decisions. Interviewing with key people in companies should give us a better insight understanding the reasoning behind corporate decisions that the simple analysis of financial reports or that of an annual shareholder meeting.
cannot give. According to Creswell (2013), the advantage of interviews is the fact that they are useful when participants cannot be directly observed (which is our case as most of the participants are busy executives and are located in Japan), they can provide historical information (which is important when analyzing a company’s strategy), and it allows researchers to control over the line of questioning. In addition to these observations, we may add that face-to-face interviews can better capture the complexity of business strategies as they are of evolving nature, they depend on several factors and sensible pieces of information that cannot be shared easily on a quantitative basis. It is important to build trust in order to obtain this information, a factor that is even more important, given the Japanese business culture, especially when it comes to executives and seniors (Black & Morrison, 2010). Secondly, it is important to diversify sources of information by also going outside of the studied organization. One of the real-life examples is the fact that big companies hire strategy consultants from outside their organization to better understand themselves. Moreover, as the author is working in the company used as the example, it is important to validate ideas with competitors and/or other actors of the Japanese business environment. Thirdly, there is a technical and time limit that steered us towards a qualitative research based on interviews as a quantitative research with standardized questions would be a too-large endeavor for this kind of study.

Finally, this study will use available information to get broader knowledge about Japan’s and its most dynamic and younger companies. Those case studies, using financial data and public interviews, will be useful to check our assumptions. The combination of a qualitative research based on interviews and backed with additional, publicly available information (such as company’s report) is the best methodology for this study.

3.2. Selection and specificities

The process of selection of contributors
The selection of contributors was the most difficult part of the study. The initial selection process was to interview senior executives at two different companies in similar industries in Japan. The aim was to compare one big multinational corporation and a smaller, more local corporation to see if there are any differences in their strategic approach. However, given the fact that apart
from one of the selected company was well-known from the author, it was difficult to find willing participants from abroad. Moreover, even in the company where the author has worked, it was hard to reach Japanese executives and when they answered, they were usually not very comfortable about sharing their strategy. This seems to be a common problem even for experienced researchers: in their large studies about why Japanese Multinationals are set to struggle in the global future, Back and Morrison (2010) also struggled to get testimonies from Japanese executives, even though they managed to land an interview with such individuals.

As a consequence, the research strategy shifted to another path to study the strategic approach of the Japanese company. First, it aimed to go towards less executive profiles in Japan by targeting middle management personnel, as well as finding European-based executives of the selected company. We assume that this change in the selection process is not degrading the final aim of the study, as European-based executives as well as Japanese middle management personnel, are well-aware of their company’s corporate strategy. This is especially true as the Japanese middle management is usually the one implementing the company’s corporate strategy. On the other hand, European-based executives were not only used as a proxy for understanding the strategy set by the CEO and the executive team in Japan, but it was also a good way to test if foreign teams could see the impact from their Japanese counterparts and their international ambitions. Secondly, the author took a more holistic approach by interviewing different actors in the Japanese business environment. However, external participants to the studied company were carefully selected to represent various aspects of Japan’s business environment and in the close environment and business vertical of the studied company (which is IT and the software business). External participants were found using cold calling on LinkedIn Sales Navigator and among the author’s personal professional network.

For this study, 10 people have been interviewed: 5 are from Fujitsu (the studied company), 5 are actors in the Japanese business environment. Interviews were made in English, French and in Japanese. Obviously, contributors can be classified into two main categories (see Table 2):

- Those who are part of the target company, Fujitsu. Inside this category, some contributors are based in Japan, some are based in France. This ensures the fact that internationalization is also felt by the European side: if Japanese managers have
incentives to work abroad, then their European counterparts should be aware of it. Moreover, France-based participants are executives who have or who are currently working extensively in Japan-led global projects.

- Those who are close or are actors in the Japanese business environment. They are different profiles of persons interviewed such as a strategy consultant to Japanese executives, a view from a foreign competitor in Japan, and a more.

<table>
<thead>
<tr>
<th>Contributor name</th>
<th>Company Name</th>
<th>Management role</th>
<th>Country / Region Presence</th>
<th>Length of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ichiro Aoyagi</td>
<td>Fujitsu Ltd</td>
<td>VP, Senior Director</td>
<td>Japan / France</td>
<td>~ 1 hour</td>
</tr>
<tr>
<td>Nobuko Adachi</td>
<td>Fujitsu Ltd</td>
<td>CTO office</td>
<td>Japan</td>
<td>~ 1 hour</td>
</tr>
<tr>
<td>Kobayashi Goro</td>
<td>Fujitsu Ltd</td>
<td>Deputy head of business unit</td>
<td>Japan</td>
<td>~ 40 minutes</td>
</tr>
<tr>
<td>Benjamin Revcolevschi</td>
<td>Fujitsu France</td>
<td>VP, Country leader</td>
<td>France</td>
<td>~ 45 minutes</td>
</tr>
<tr>
<td>Axel Mery</td>
<td>Fujitsu EMEIA</td>
<td>Head of business unit</td>
<td>France / Europe</td>
<td>~ 1 hour</td>
</tr>
<tr>
<td>Makoto Miyazaki</td>
<td>Ex-Nikkei</td>
<td>Former economic reporter</td>
<td>France / Japan</td>
<td>~ 1 hour</td>
</tr>
<tr>
<td>Yann Renard</td>
<td>DXC Technology</td>
<td>Account Executive</td>
<td>Japan</td>
<td>~ 40 minutes</td>
</tr>
<tr>
<td>Robert Verdier</td>
<td>The Taffrail group</td>
<td>CEO</td>
<td>Japan</td>
<td>~ 1,5 hours</td>
</tr>
<tr>
<td>Kinji Kamahara</td>
<td>Colibri.jp</td>
<td>Co-founder, software startup</td>
<td>Japan</td>
<td>~ 50 minutes</td>
</tr>
<tr>
<td>Massimo Prando</td>
<td>Dassault Systèmes</td>
<td>Managing Director Asia</td>
<td>Japan / Asia</td>
<td>~ 35 minutes</td>
</tr>
</tbody>
</table>

Table 2: The study contributors

Profile of selected company
Fujitsu Limited\textsuperscript{12} is a leading Japanese information and communication technology company (ICT), offering a full range of technology products, solutions, and services established (Fujitsu Limited, 2017). As of 2017, it is the world’s seventh largest ICT services provider and No.1 in Japan; it has extensive R&D\textsuperscript{13} facilities with 78 000 patents being held worldwide and employing 140 000 employees worldwide (Fujitsu Limited, 2017). Fujitsu Limited has its corporate headquarters in Tokyo and its shares are listed on the Tokyo Stock Exchange (Code:6702) as well as on the Nagoya exchanges (Fujitsu Limited, 2017).

Fujitsu was originally established as a joint venture between Furukawa Electric Co. Ltd. and Siemens AG of Germany to spur production of generators and electric motors following the Great Kanto Earthquake in 1923 (Fujitsu Limited, 2018b). Thus, from its origin, Fujitsu has ties with foreign companies by first importing switchboards and telecommunications equipment from Germany (Fujitsu Limited, 2018b). However, it is important to note that this is not especially a unique feature as the Meiji Period has hired “foreign consultants” in order to acquire and adopt western technology (Ohno, 2006; Yuzawa, 1994).

The main reason behind the selection of Fujitsu lies in the origin of this thesis’ assumption. When assisting Fujitsu France’s Managing Director for a period of 6 months, the author was able to have a deep and privileged view of the ICT company’s corporate strategy. Moreover, the author was involved in an investment project from Fujitsu’s HQ, and interacting with top executives at Fujitsu made the author to realize that there might be a case behind this internationalization actions. New technological trends such as in Artificial Intelligence forces companies to locate some of their developments because of the different nature of problems faced by customers. A really easy example around specific AI developments can be fraud and theft at retail stores in France where it is a real pain for French and European retailers while this is not an issue faced by Japanese retailers. But is this the only reason why Fujitsu expanded its capabilities? Is there a broader strategic vision? Last but not least, in an academic environment poor with testimonies from Japanese businesses, it was a unique occasion to get direct involvement from business leaders in order to fill a gap in the current academic literature.

\textsuperscript{12} Throughout this study, Fujitsu Limited is used to designate the Japanese headquarters and worldwide umbrella corporation.

\textsuperscript{13} Research & Development
**Interview guidelines and specificities**

As the study is using interviews to test our hypothesis, we must design a list of questions in order to test it. The interview guidelines were designed while talking with a couple of experts and business managers, but also during the establishment of this study’s academic literature and by reading trends related to our hypothesis. The interview guidelines were established before doing all of the interviews as it needed to be consistent throughout for every one of the contributors to this study. This ensures that even though we are using a qualitative research framework with interviews, data are comparable as participants are answering the same type of questions. Please see Appendix 1 for Interview Guidelines and questions used for this study.

One thing to note is the fact that this study interviews people from different background and different roles for people outside of the studied company. Accordingly, some questions were a bit adapted or they were not used as they were not relevant to the interviewed person. Those little variations can be seen in Appendix 1. Moreover, it has occurred that some answers were given in the flow of comments or while answering another question and hence, they were not mentioned. Contributors were free to not answer to question they felt uncomfortable with, and they were presented with the objective of this study beforehand, but without going too much into details as it could have biased answers. They were encouraged to give their thoughts and develop their answers for two main reasons: to gather more data but also not to interfere too much with their way of thinking.

Contributors were also asked if they agreed to be recorded before starting the interview. The recording of an interview is useful as it allows the author to better transcript answers from participants. In addition, all of the contributors were asked if they wanted to see the questions beforehand and if so, they were sent by email before the interview. Of course, all the details and notes presented on the Interview Guidelines (see Appendix 1) were removed in order to show questions, as they would have been asked during the interview. Also, due to technical difficulties or a particularly noisy environment, some audio recordings were not exploitable. We observed that Japanese participants were more inclined to have questions before the interview. While
Western participants were ok with doing the interview without reading the questions before. Lastly, the author tried to stick to a limited amount of answer within a limited amount of time as interviewed professionals have demanding schedules and time differences between Brazil, France, and Japan were not easy to find a suitable time for planning interviews.

Data collection happened over a period from August and November 2018. Most of the interviews were made over VoIP phone technology such as Skype, WhatsApp and Line\textsuperscript{14}, and interviews with European-based actors were mostly made face-to-face. The method of conducting an interview (digitally or physically) doesn’t seem to have an impact on the study, and all of the participants over the phone seemed to be alone when doing the interview. For some interviews, a bad internet connection forced the interviewer to better frame the interview and rephrase the contributor’s answer, which has a double and opposite consequence: one is that it might have influenced the contributor’s answer to the interviewer’s views, but the other one is that it made the interviewer verify and make sure to understand the contributor’s answer. Moreover, it might be important to note that interviews were conducted in three different languages, depending on the contributor and this could have an impact on the perception and the way questions and answers are expressed. Especially, since to exploit and compare data from interviews, interview transcripts were all translated to English (if made in French or in Japanese), and there might be some information loss during the translation process. Nevertheless, as the author is fluent in the three languages, this effect is a bit moderated.

**Interview recordings and confidentiality issues**

Initially, the aim was to transcribe all of the interviews and include it in the appendix of this study. However, given the first negative reactions from potential contributors, the decision was made to refrain from linking an idea to a named author, and thus, not transcribing the interviews. Some of the contributors being business executives of publicly traded companies, their opinion, and views of the market are sensitive pieces of information. Moreover, since Fujitsu is organized in as a matrix organization, some of this study’s contributors can have a hierarchical relationship. Hence, in order to preserve a neutral and unbiased interview, there is no transcription produced.

\textsuperscript{14} Line is a popular communication app commonly used in Japan.
for this study. One exception will be made to differentiate internal contributors (Fujitsu contributors) and external contributors for the sake of clarity. This is something that is by design as some questions were only asked or tweaked for Fujitsu contributors. But then again, to encourage the participation of Japanese contributors to this study, it is a better solution not to directly associate someone with an idea. In other words, Japanese participants can benefit from an “umbrella” behind their European-based colleagues. It is important to note that it would be highly surprising that linking an idea to a particular contributor is a vital element to prove the hypothesis and assumptions of this study. Last but not least, this study’s stance over confidentiality is compliant with directives from the committee for Ethical Compliance on Research Involving Human Beings at the Fundação Getulio Vargas (CEPH/FGV), as it reinforces the contributors’ privacy.

**Selection and analysis of use cases**

In order to reinforce our assumptions and counterbalance the rather limited number of contributors, especially on the internal contributors’ side, this study will also review the internationalization strategy of two Japanese MNCs, NEC Corporation and Panasonic, which belong to two different categories of keiretsu and which are close to Fujitsu’s area of business. The selection process was mainly due to the comparison made by some contributors to the Japanese economy and different forms of internationalization strategy. Moreover, two contributors (one internal and one external) have worked in their past professional life at NEC and Panasonic. Therefore, this part of the study was integrated after in order to have a mean of comparison with similar companies to Fujitsu.

To identify if there is an effort of internationalization by NEC and Panasonic, we will look at their financial statement over a period of ten years, from 2009 to 2018 to study the share of revenue made by each of the companies in its domestic market compared to its international market. To calculate the share of revenue made internationally, we will simply look at the share of revenue made outside of Japan divided by the total revenue of the company. The figure will be then transformed to a percentage and we will integrate these figures over a period of ten years in a graphic to understand if there are any trends. In parallel, we will study Annual Reports corresponding to an important variation in the share of revenue made internationally. The aim of
this process is to find for strategic clues from the CEO and/or executive team in the annual report if there are any kind of specific measures taken for internationalization, as well as checking for any mention of a shrinking population. In absence of variation, we will focus on Annual Reports of 2010, 2014 and 2017 to have a view of the strategic evolution of the studied company. Since this part of the study was added later, we will stay on a superficial analysis of the case, as the main objective of studying other companies is to give an element of comparison to the reader, especially in the specific Japanese context that might be difficult to understand. Consequentially, we hope that this section would bring additional value by being some kind of a proxy for studying our main case which is the Fujitsu company.

3.3. Validity and reliability

Qualitative validity is required to check for the accuracy and credibility of this study’s findings (Creswell, 2013). This study will mainly triangulate different data sources of information by examining evidence from interviews and using it to build a coherent justification (Creswell, 2013). Those different data sources will come from a company’s publicly available corporate information (such as financial results, press releases, private conversations, and other publicly available information).

Author’s background and bias

This section intends to describe the background of the researcher and his link to the studied subject to clarify any potential bias. The author is half Japanese and he did a 6-month long internship assisting Fujitsu France’s Managing Director in strategic projects and interacting directly with Fujitsu Ltd.’s worldwide CTO Office team on a €50 million investment project involving the establishment of a research center in Artificial Intelligence, partnership with academic institutions and direct investment into French startups between January 2017 and July 2017. During his time, he was able to access extensive information and knowledge and it was the inspiration behind this work.

The author has started to work again for Fujitsu as a full-time employee on July 16th, 2018, before the completion of this dissertation. This position gave him the advantage to having an easier access to Fujitsu employees, even though it didn’t give him an unfair or biased advantage. By this, one can point out that the author’s proximity to some of his former or actual colleagues
might be a bias towards the completion of an interview or the selection process. First of all, this study follows a strict interview pattern and the author attempted to not make too much intervention by bringing his own knowledge in the interview process. Secondly, the author’s “insider” position didn’t result in free access to the company’s executives. However, it allowed him to have a good picture of the seniority and the real influence of decision-makers within the company that otherwise would not have been accessible.

**Access to Japanese academic literature**

There might be a problem of bias around the academic literature. Because Japanese academic literature is difficult to access and the limited time to read and process academic literature in another language, this study might have missed some key concepts or recent literature around population decline and corporate strategy in Japan. As a consequence, there might be a risk that the views supported in this study and the academic literature is western-centered. However, we can argue that most of the relevant and important concepts in population decline and corporate strategy in Japan should be available in English and it can be taken as a sign of particular relevance as it was picked up by the academic community.

**Other limitations and potential bias of the study**

The main and obvious limitation of this study is the number of cases analyzed. The ideal setup would be to conduct a quantitative research and survey Japanese top executives with standardized questions as it was done by Harrigan in her first study (1980). This methodology would allow us to identify if there is really a trend going on in Japanese companies and if they are effectively using globalization as an end-game strategy. The advantage of this method is that we would be able to have a broader and perspective of how Japanese business executives view their environment.

In addition, one of the limitations was not really to access business executives and senior management, but to get them to accept the principle of an interview. Usually, a common answer was the fact that a potential senior candidate would decline citing the fact that they are “under
strict regulation regarding the disclosure of any company information”. Moreover, and as it was experienced by Black & Morrison (2010), it is very important to develop a strong relationship in the Japanese culture before people opening up and it takes time to address all of the points. This is also reflected in the composition of this study’s contributors as Japanese people might be less senior and by the fact that foreigners with a link to Japan make up for the most part of this list. Consequently, the one-year timeframe given for the completion of this study is not enough to build this kind of strong relationship.

Finally, one could also ask the question of this study’s timing. As pointed out multiple times in this study, shrinking population is still a relatively new phenomenon and, at this day, unique to Japan. It would be interesting to see in the future if, in other shrinking countries, globalizing is effectively a viable strategy, as Western European companies are traditionally more internationalized than Japanese companies.
4. Discussion of Results

The purpose of this study was to identify if Japan’s struggling demographic was a factor that is considered when analyzing a shrinking market environment. And, given this knowledge, this study wanted to show if Harrigan and Porter’s (1983) model could be used to categorize the strategic behavior of the studied company. One of the difficulties showed by the introduction and the literature review is the fact that there is a knowledge gap when it comes down to understanding recent Japanese companies’ strategic behavior. The successes and the post-WWII “economic miracle” was largely covered by an American-led literature, but the post-bubble era of deflation and the rise of China and South Korea created a relative lack of interest for Japan’s economic environment. This is especially true as the academic literature seems to have little interest over new Japanese economic powerhouses such as Rakuten, Uniqlo or Softbank: companies that have established themselves as major players in their respective industries starting from the 1990s. Moreover, there seem to be fewer academic papers on business strategies overall as in the age of digitalization, rising international competition and globalized business, there is less prevalence into long-term planning and economies of scale.

The contributors in the studied cases are roughly segmented in two groups, each of them also separated into two groups of almost the same size:

1. The case study group (internal contributors)
   a. A European group (France and EMEIA)
   b. A Japanese group (Fujitsu Japan HQ)

2. The outside group (external contributors)
   a. Business executives/managers of big companies in Japan
   b. Business actors (entrepreneurs and journalists)

While discussing the interviews results, we will specify if some opinions are specific to one of the groups defined above. If there is some kind of consensus, a summary of the most important ideas will be given, supported by precise evidence.

The financial results of NEC Corporation and Panasonic were found on official documents destined to investors which are publicly available, since all of the studied companies are publicly
traded companies. We will start with a quick presentation of the two companies, and then discuss the financial trends of these companies and see how the share of international revenue is varying. In order to make sense of this financial data, we will take a look at the strategic decisions and explanations that are commonly available in the sections of those Annual Reports.

4.1. Findings from the study

In this chapter, the results from interviews are discussed. To give an easier way to analyse the results, interviews are compiled and organized in three distinct categories in order to understand the impact of a demographic factor and the internationalization of Japanese firm. Firstly, we will review what contributors think of the Japanese economy and its business landscape to catch their general opinion and check if the demographic problem arises naturally. Secondly, we will review what the contributors think of Japanese company’s internationalization (and in the case of Fujitsu contributors, what they think of their company’s internationalization strategy, as well as tools and decisions that were taken to implement this strategy). Thirdly, we will dive into the very impact of shrinking population to see if this factor has any influence on business decisions. And lastly, we will take a look on the impact on our studied case level and see how Fujitsu has evolved over the past years on the specific items of internationalization and its reaction to the demographic issue.

4.1.1. General Overview of Japan’s current economy

The consensus from the interviews seems to be that the Japanese economic situation is not as desperate as some would think or as it was introduced in this study. Japan has no unemployment problem, crime is very low and, as we have already cited in this study’s academic literature, Japan is enjoying a solid basis (i.e. educated workforce, innovation, and solid infrastructure) to absorb future economic shocks and downturns. However, to cite one of the external contributors: “there is no vigor in Japan’s economy, no one knows what to do but everyone knows that something has to be done [given the current economic situation]”. Internal and external

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15 The correct term used by the contributor is 势い, which was roughly translated to “vigor” or “force”. It is a rather holistic word as it aims to say that the Japanese economy doesn’t have vigor looking at the general situation but also when considering that economic agents are not enthusiast.
contributors have cited Abenomics\textsuperscript{16} relative failures to have a positive effect on the Japanese economy. One of the external contributors has however pointed out that it’s a bit early to make a conclusion on Abenomics, as it’s a long-term plan that aims to stop the lost two decades period, and consequences of the Abenomics should appear around 2020. Another external contributor has cited the fact that, actually, companies are doing ok in Japan, but it can be very different from one industry to another: those who have a niche or a special expertise (such as in the materials industry) are thriving, especially as they are selling their unique value proposition to companies around the world while services-oriented companies are more struggling with competition.

In this context and regarding external contributors’ opinion about the Japanese economy, it is interesting to note that internal contributors have mainly pointed out that Fujitsu is shifting from a manufacturing product model (computers, laptop, mainframe, and servers) to a more service-oriented model (which comprises new technologies such as blockchain, artificial intelligence or process automatization). Some internal contributors have pointed out also that until the Tokyo 2020 Olympic Games, there is some sense of optimistic view, as there is domestic demand pulled by the perspective of an international event in Japan. It is especially relevant for Fujitsu because they are official partners of the Olympic Games and a business unit was specifically being created to answer the expected surplus of business. Hence, the company is relying on an increase in government spending and household consumptions at least until the end of the Olympic Games which will, in turn, stimulate Fujitsu’s domestic revenues. However, one internal contributor has pointed out that there is no vision for growth after 2020, as the companies’ top executives expect a slowdown in the Japanese economy. The same internal contributor has suggested that maybe internationalization might be an option after 2020 or, at least, top executives are expecting international business to step in while the domestic business is in difficulty. Last but not least, some (internal and external) contributors pointed out that given Japan’s specificity over its demographic problem, it has the “advantage” of dealing with an aging population earlier than other countries which will create new needs and force companies to become more competitive and adapt their business models. But these are elements we will further discuss in detail below.

\textsuperscript{16} According to the government, Abenomics is a “comprehensive policy package to revive the Japanese economy from two decades of deflation, all while maintaining fiscal discipline” (The Government of Japan, n.d.).
Japan’s aging economy: a political answer

Japan’s political leaders are answering the problem of a struggling economy with two main tools, both of them try to stabilize Japan’s workforce. The first policy tool is to promote women into the workforce: Japan is still a very conservative country where women are “expected to be a housewife and raise children”. By integrating women into the Japanese workforce, the government thinks that the consumption will stay high with the addition of new economic agents creating a new type of demand. Hence, with a rather “simplistic” measure, the government aims to double the workforce and boost consumption. One of the internal contributors points out, however, that it is not as easy as it seems to include women to the Japanese workforce, especially as business culture is still very dominated by men. Moreover, an internal contributor pointed out that not much is done to facilitate raising children as specific policies, such as kindergarten facilities for working women, as it can be seen in France.

The second policy tool is immigration: if Japan is infamous for its strict immigration policy, contributors based in Japan states that they are more and more foreign labor in the Japanese economy even though there is no immigration policy defined by the government. However, most of the workforce comes from poor South Asian countries and enters the country with a student visa to work in low-paying jobs. There seems to be no long-term solution for immigration and recent propositions by the Shinzo Abe, Japan’s Prime Minister, to reform visa issuing for industries with labor shortages led to a certain backlash across the political spectrum (Harding, 2018b).

There is a third policy tool that was mentioned by one of the external contributors, but it appears to be a patch more than a strong solution is pushing up the retirement age up to 70 years old. Of course, this kind of policy brings its share of problems and we will not dive into further explanation over this third solution.

Japan’s aging economy: a business answer
According to the majority of (internal and external) contributors, Japan’s business leaders are trying to answer the problem of an aging and struggling economy by drastically improving productivity using automation and Artificial Intelligence. This is in a straight line with the McKinsey Institute’s findings around the future of Japan (Dobbs et al., 2015). According to one of the external contributors, Japan is focusing on automation, especially on the manufacturing part by integrating IoT and AI to improve its process by enhancing productivity and efficiency. The focus on AI is becoming to be a major trend in Japan, even in popular culture, one internal contributor said. Therefore, the shrinking population problematic gain awareness in the public debate. The reason behind focusing on improving productivity is directly connected to the two political factors identified: a lack of qualified labor due to the low integration of women in the workforce and low levels of foreign talents. We address specific problematic and its consequences on ICT companies around aging and shrinking population in the third section of this analysis.

**A risk-averse decision-making and innovation model**

On the company/business side, one particular element that came from several external contributors (especially younger contributors), as well as one internal contributor, is the fact that Japanese companies are taking too much time to take a decision compared to foreign companies. One of the reasons behind is the fact that no one wants to take responsibility for a decision. It is a characteristic of Japanese companies, and as one internal contributor has cited, working with Japanese teams is particularly demanding because they are “afraid to take risks”. Hence, as pointed out by one external contributor, if the post-WWII economy has seen the rise of true entrepreneurs that led to the creation of today’s big companies, today’s Japanese top management has the mentality of the *salaryman*\(^{17}\), and he was promoted because of his ability to take no risk, which has an impact on the big companies lack of leadership and strong decision-making.

In addition to that, and as it was already pointed out by Black and Morrison (2010), Japanese companies are still in an innovation model which favors “unicity” and global economies of scales,

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\(^{17}\) The *salaryman* is the figure of the lifetime employed Japanese employee.
rather than the velocity of decision and execution. Another reason behind the lack of velocity that was pointed mostly by internal contributors, but also a few external contributors, is the fact that Japanese companies tend to not disclose innovation. For example, at Fujitsu, R&D is located in Japan, but they stayed in the way of innovation of the 80s and 90s which is conducting research in a very “pyramidal structure” — or, in other words, thousands of employees organized in different divisions who are following orders in a top-down fashion. It is a fundamentally different model than today’s innovation model that is producing the world’s most innovative companies, based on Silicon Valley’s companies, which is more open and “network-based”. One external contributor has however pointed out the Chinese or South Korean companies that are still having a similar innovation model. But another external contributor has counter argued, saying that Chinese and South Korean are yet to catch up with Japanese companies when it comes down to growth and degree of innovation, and that they will face very soon similar problems. One of the possible reasons behind this model, according to internal contributors, is the fact that Japanese innovation teams are afraid of having their ideas stolen by other entities inside the same company. Fujitsu is working according to an “IP business model”: business units are funding R&D and they expect to break-even by selling a developed IP to other business units or international subsidiaries of Japanese companies. However, as another internal contributor has pointed out, European business units are looking to bypass their Japanese counterparts, as they are culturally closer to a Silicon Valley model of innovation, and they think that working with their Japanese colleagues is time-consuming. As a consequence, a recent trend observed a minority of (internal and external) contributors is that Japanese companies and the Japanese government are looking to find a new innovation model which, according to some experts, might be based on the French model (or Israel model), which is characterized by a more “statist and organized” approach that can suit the Japanese business ecosystem. This is an even more recent trend as Fujitsu’s top executives are eyeing the French market and Fujitsu’s actual CEO, Mr. Tatsuya Tanaka, asks a special report on French business activities in Artificial Intelligence on a quarterly basis even though the amount of revenue generated by this activity is not relevant from a global perspective.
4.1.2. Talent management, internationalization, and strategic decisions

The most cited problem by all the contributors is the language barrier problem, which is the single most important factor inside a bigger problem: a lack of international talent. Internal contributors, both based in Japan and outside of Japan, have cited the difficulty of language as the main barrier on why Fujitsu never achieved true internationalization, even when there was an ambitious push by top executives to the business units to make 50% of their revenues abroad. The difficulty of communication can be broken down to two very specific abilities. One of the external contributor with long years of work in Japan listed several points a Japanese employee should be able to understand to drive international business:

- Everything around processes and tools that makes it possible to communicate and collaborate in a given company. In other words, those the Japanese employee is capable of sending an email to the right stakeholder on a specific subject and is he able to ask for help without paying attention to hierarchical structure. From a Japanese business perspective, sending an email to a “superior” often falls into one of the Japanese employee’s mental barrier.

- A company should ask itself what kind of corporate culture and what kind of talent should it have? How can it retain talents that can thrive in an international culture?

In addition to these elements, a good practice pointed out by internal and external contributors is the fact that Japanese companies’ subsidiaries have foreign country managers. On the contrary, one internal contributor has pointed out the fact that Japanese companies have foreign country managers shows the inability of Japanese MNCs to promote and train international managers from Japan that can understand the international business culture and localized demands. This is seen as especially problematic, as those managers with an international track record should be promoted to the top executive’s rank and drive tomorrow’s corporate strategy. Hence, according to this same internal contributor, Japanese companies don’t have the talent pool required to work internationally. This has an immediate consequence: the inability to go international and thrive in a globalized world.

On the other hand, some contributors point out some successful examples: Toyota, Sony, Canon, Nikon or Hitachi. One of the reasons for this success is the ability to localized global activities
outside of Japan. For example, Hitachi’s train division HQ is in London, because the biggest market for train and transportation is in Europe, while the ICT and servers’ activities are based in the U.S. Hence, giving responsibilities to global business units abroad is a good way of internationalizing a Japanese company, that brings us to the reasons to internationalize. We can summarize (internal and external) contributors’ views in two main reasons why Japanese companies are internationalizing: finding growth abroad and diversifying risks. One of the external contributors stated that his company will have to go abroad because he thinks that in the next 5 years, the domestic market in his industry will be too small for his company to survive. A good example pointed out by an external contributor over the difference between NEC and Fujitsu: the last 10 years were “difficult” for NEC, while Fujitsu better managed its “internationalization phase”, which shows the importance of the latter in diversifying risks (see Appendix 2 to see the evolution of revenue between NEC and Fujitsu). Fujitsu has bought and invested in international companies, as well as focused on the service part of its business which brought local talents. On the other hand, NEC focused on developing solution and hardware in Japan to be exported, which is harder to do in today’s globalized world. Because NEC was more Japan-centric in its business strategy, it failed to develop adequate business processes to perform on a global scale, while Fujitsu learned a lot from its foreign acquisition. Another example cited was Nikkei’s example with its acquisition of the Financial Times (FT): the executives at Nikkei wanted to capture the FT’s knowhow of digitalization, as well as using the global brand value of the FT. Frequent travels were organized from Japan to London in order for Japanese employees to understand a better way and new techniques of doing journalism. The last example given by one of the external contributors is Toyota’s brand strategy: by using different colors, brand, and strategy, they try to differentiate themselves from a conservative image and attract new customers and talents.

On the subject of a foreign acquisition, an external contributor has pointed out three textbook examples of Japanese MNCs acquisition strategy for internationalization:

- Recruiting a foreign CEO: Takeda Pharmaceuticals understood that they won’t be able to survive in the domestic market and they have recruited a French CEO to lead the Japanese company, who is only the second executive outside of the Takeda family to run the
company in 230 years (Pilling & Inagaki, 2018). The French CEO has even taken a French consultancy firm, Cap Gemini, to help him drive one of Japan’s flagship companies. Recently, Takeda Pharmaceuticals has announced the acquisition of Shire for £46bn, which aims to boost resilience against international price pressures (Neville, 2018).

- Integrating foreign board members: Nippon Sheet Glass, after buying Pilkington, has moved the board to the United Kingdom and integrated several executives from Pilkington to their company’s board. Interesting to note that the integration of foreign members to the board was also a measure taken by Fujitsu, but we will develop this into the next section.

- Sending a Japanese executive to run acquired foreign business: Toyota Tsucho, after buying the CFAO (Compagnie française de l’afrique occidentale) in 2012, sent one of their most promising senior directors to lead the integration of the French entity to the Japanese company while being on the board.

Last but not least, one of the external contributors pointed out that faced with a challenging economic situation, the easiest business decision an executive will take is cutting costs, because this is something that it is easy to do. Internationalization is demanding for companies as it requires investment (recruiting new people and increasing operational costs in general) for uncertain future revenue. Therefore, Japanese executives are tempted to increase their profitability by reducing costs, more than try to develop new businesses abroad, as a shorter business point of view is privileged.

4.1.3. The impact of a shrinking population

Contrary to the assumptions and hypothesis of this study, there seems to be a consensus that Japan’s shrinking population is not the most salient factor when it comes down to business decisions today. However, almost all of the contributors agree that the shrinking population is an identified problem that needs to be dealt with. But since businesses focus on a shorter timeframe and because the shrinking population problem is not an easy problem to tackle, it suffers to
something comparable to the tragedy of the commons\textsuperscript{18}. One external contributor has even argued that since women are joining the Japanese workforce, the decline in the active population is not as strong as the decline in the total number of population. The three main solutions identified by contributors are the following:

1. Bringing immigration: integrate foreign labor force into the Japanese economy, a phenomenon that has already started in Japan.
2. Automatization: improve productivity with the use of robots but all of the jobs can’t be automatized.
3. Finding growth abroad: companies should go find growth by developing markets or buying companies in foreign countries.

Another indirect effect that is going to happen according to an external contributor is the fact that the Japanese market will consolidate, and some companies will merge.

Most of the contributors to this study – internal of course, but also external – belong to the technology/software business, and most of them agree that the shrinking population phenomenon is not a short-term problem, but a longer-term problem. Because new problem arises, some contributors believe that it will have actually a positive impact on their businesses, as the software industries will be called to automatize tasks that are actually being processed by human operators. Hence, most of the contributors shared the idea that they are confident enough to adapt to an identified, long-term problem. As a consequence, when we look at internal contributors, they never mentioned the shrinking population factor as a threat to their business. Internal contributors pointed out other challenges that are going to be developed further below. An external contributor has cited the example of the finance industry in Japan, which is impacted by Japan’s shrinking population. As Japan’s population is aging, more and more of its workforce is going to retirement which means fewer savings and a shrinking market has a consequence on loan demands. Hence, this industry will have to go through restructuration by automation, and drastically improves its productivity in order to compensate a two-folded problem: an internal from the lack of talent, and an external because the market is shrinking. Once again, what we can

\textsuperscript{18} The tragedy of the commons is a sociological concept that highlights conflicts between collective and individual rationality leading to a common problem not being dealt with (Hardin, 1968).
see is that when directly confronted by a problem, companies are taking measures in order to counteract it.

Another example given by an external contributor is the fact that one of the ways Japan’s is counteracting the aging population phenomenon is by localizing its workforce in Asia by setting up factories abroad. This case was already discussed in the academic literature part of this study and is also one of the direct consequences of Japan’s internationalization following a decline in population.

One of the contributors pointed out the problem, if Japan continues its no immigration policy, that smaller and less-known companies will struggle to find local talent to continue its business operations. Again, part of the problem can be addressed by an increase in productivity but, at some point, these organizations need to go abroad to fulfill their talent needs. However, this implies that these smaller organizations need to change their whole way of working and they might need to change the very essence of it.

As a conclusion, most of the contributors agree that the shrinking population will be problematic, but few have thought about it. Actually, internal contributors are thinking about the silver economy and how to adapt to an aging population, but they are not thinking about the shrinking population and its consequences on the domestic market. Once again, even if shrinking population is already a thing, there seems to be only a small impact on the Japanese economy today. Most of the businesses can see their market shrinking because of the increased competition from foreign companies coming to Japan and threatening long-established Japanese MNCs’ economic model and profitability.

4.1.4. Fujitsu’s case

In this section, we will do a small focus on Fujitsu as it is the studied case and it helps to analyze this macroeconomic phenomenon at the company level. According to internal contributors, one of the axes of Fujitsu’s global strategy was to push its business lines to make at least 50% of its revenues outside of Japan for the past 8 years. However, one internal contributor has told us that this axis was abandoned in April 2018, as Fujitsu’s main strategy is to improve its profitability to
10% and to enhance its free cash flow position. According to this internal contributor, Fujitsu’s top management realized that growth for growth was not a good solution. Another internal contributor has pointed out the fact that Fujitsu doesn’t have adequate talent and good Japanese managers that can understand business outside of Japan.

In order to give a point of comparison with the following section using NEC Corporation and Panasonic Financial Data and revenue split, we will also study briefly Fujitsu’s historical financial data for the past 10 years\textsuperscript{19}. What we can see is that Fujitsu has stayed mainly a Japanese-centric business with more or less 60% of the business being made domestically since 2006. One can see that the international revenue has progressed a little, maybe reflecting the top executives’ decision to make 50% of the business abroad starting from 2008, but the effect is difficult to measure (and it can be relative to a better performing foreign entity compared relatively to the Japanese entity). However, we can see from Figure 3 that the spread between international revenue and domestic revenue is narrowing a bit. Especially for Fiscal Year 2012 to 2015, we can see that revenue growth is coming from international revenues rather than domestic revenues.

\textsuperscript{19} N.B.: a Fiscal Year at NEC, Panasonic and Fujitsu starts on April 1\textsuperscript{st} and ends on March 31\textsuperscript{st}.
In a recent country review from Fujitsu’s CFO, one of the internal contributors said that there were two concerns from Fujitsu’s number 2: how he intends to grow the revenue for the service activity and a question on a France-based global customer. The two remarks from the worldwide CFO shows the preoccupation of Fujitsu’s executives in being global. First of all, by ensuring that the strategy decided at the global level to shift to a more service-based company is respected but also by focusing its attention on a global customer. Why is the latter so important? When Fujitsu signs a service contract with a global customer, the contract is valid for the customer’s worldwide operations. This obliges Fujitsu to align itself and work globally in order to deliver its global customer. Hence, by having more and more global customers, Fujitsu must adapt its structure to their customer needs, which in turn globalizes Fujitsu, according to an internal contributor. Somewhat, the “culture of customer satisfaction is stronger than the fear of internationalization” and it gives more levers to the non-Japanese team to have a more international structure according to another internal contributor.
Looking at Porter’s end-game strategies, and according to internal contributors, Fujitsu is mainly pursuing a strategy of divestment in the products sector (i.e. selling its automotive division, its mobile division and establishing a Joint Venture with Lenovo) which improved profitability, an important short-term strategy to cover its core business, satisfy financial analysts and shifting to a more service-oriented business. According to one internal contributor, one of the most visible strategies to this shift is the investment in new technologies, especially around Artificial Intelligence in France, that aims to localize the independent development of new technologies for European customers while also adapting Japanese technologies to the local market. However, another internal contributor has stated that this analysis should be tempered by the fact that Fujitsu doesn’t have a global M&A strategy and no strategy to consolidate and find economies of scale. He continues by saying that normally, if Fujitsu goes towards a service-based business model which includes business consultancy, a textbook strategy is to acquire local businesses, strap the support functions such as human resources and finance while optimizing consultant’s billability.

Nevertheless, Fujitsu experiences the biggest problem faced by Japanese MNCs: the lack of English proficiency. An internal contributor has cited that there are two types of employees at Fujitsu in Japan: (1) the non-English speakers, who are afraid of being international and who can’t react when asked to go international; and (2) the English speakers, who think that Fujitsu needs to become more international. Given this split in Fujitsu’s workforce, this internal contributor has pointed out the fact that there is a lot of inertia inside the Japanese entity. However, Fujitsu executives at the country level are pushing positively for more internationalization by bringing new ideas and solutions to help Fujitsu to become a global company. This was pointed out as a positive change in the internationalization process of the company. The integration of foreign-based workforce goes along with a better integration of country managers during company events where even in Japan, company-wide, international events for managers are delivered in English rather than Japanese. This is a recent trend, according to several internal contributors, going along the fact that Fujitsu’s CEO can speak and interact with foreign customers in English. Nonetheless, an internal contributor has pointed out the lack of Japanese managers with international skills and who are deeply business-oriented.
Most of Fujitsu’s executives who can be considered as “international” had an experience in diplomacy or in government which is a different world compared to the globalized business world.

In conclusion, Fujitsu is shifting to a more service-oriented company, reorganizing slowly but steadily its governance to a more Anglo-Saxon model and focusing on improving its profitability globally. We have learned also that Fujitsu’s effort to internationalization was made over the past 4-5 years with symbolic but important measures such as using English in all presentations and country leaders’ meetings (as well as the executive board meetings) and by placing a CEO with international experience and some fluency in English. However, an internal contributor stated that even if Fujitsu’s CEO is pushing for internationalization, not every person within the top executives share the same vision. First of all, most of the executives at Fujitsu is focused on the domestic market and they are doing quite well. But also, there is a lack of personnel who has experience staying overseas and Fujitsu has a strategy of following its Japanese customers abroad, but it doesn’t have an “ambitious and global strategy”.

4.2. Findings from public and financial reports
By using findings from public and financial reports, this study would gain from having a broader and a CEO-led view from two different companies that belong to two different types of keiretsu, a horizontal and a vertical one. Moreover, Panasonic addresses a consumer market, while NEC is very similar to Fujitsu, which was confirmed by an external contributor in the precedent section. These reports should help this study in understanding some of the underlying factors of going abroad or not. If there is not mention around internationalization, then we would assume that this is not the company’s priority. We will use the executive summary written by the CEO of each of the use case company, in a year that a significant shift was observed, in order to determine if internationalization and the reason behind is part of the CEO’s agenda.
4.2.1. Use Case: NEC Corporation

NEC, Nippon Electric Company Limited, was established in 1899 as Japan’s first joint venture with foreign capital in association with the US firm Western Electric Company (currently Alcatel-Lucent) (NEC Corporation, n.d.). The aim of the company is to provide its customers with “world-class products and dependable follow-up service” (NEC Corporation, n.d.). The NEC Corporation is organized around four “business outlines” (NEC, 2018):

1. Public Business, which provides safe, secure and efficient social solutions for Japanese and foreign governments and institutions using their own technology and system integration.
2. Enterprise business, which provides IT solutions in manufacturing, retail, and services using IoT and AI.
3. Network Services Business, which provides network control platform systems and operating services for operations management.
4. System Platform Business, which provides products for business, ranging from terminals to network and computer equipment, software products and service platforms.

NEC Corporation, with its head office in Tokyo, is employing almost 110,000 employees worldwide, while controlling 303 consolidated subsidiaries (NEC, 2018).

Analyzing Figure 4, we can see that NEC Corporation has continuously lost revenues from 2009 to 2017. However, it is interesting to note that most of the regression in revenue seems to come from a regression on the domestic market, while international revenue is growing. The effect is especially strong on the Fiscal Year 2017, as a bump in international revenues has a positive impact on NEC Corporation’s total revenues. Figure 4 shows us also that NEC Corporation is still very dependent on its domestic market as in average 75% of the revenue is coming from the domestic market. Hence, NEC Corporation has a somewhat similar revenue profile compared to Fujitsu, even though it is even more dependent on the domestic market and they have suffered in a contraction of their revenue. But similarly, to Fujitsu, the spread between domestic and international revenue is narrower.
In order to better understand why and how the gap between domestic and international revenue had narrowed, we will look at NEC Corporation’s Annual Report from 2010, 2014 and 2017 (NEC Corporation, 2010, 2014, 2017, 2018b). We will focus on the CEO message and if available, to information towards shareholders and perspective given to them on the business in order to make sense from the figures in Figure 4.

The 2010 Annual Report mentions three pillars of its mid-term growth plan objective: a focus on cloud strategy, expand global business and create new businesses (NEC Corporation, 2010). NEC Corporations CEO’s mention that the business is still recovering from the impact of the financial crisis, but he sees this “difficult business environment as a major opportunity for enhancing its business operations” and to change its business structure (NEC Corporation, 2010). The CEO clearly states that expanding a global business is an important focus and wants its overseas sales

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20 Data from 2018 was not available.
21 FY 2015 is represented twice as it is the year where NEC transitioned from the Japan GAAP accounting principles to the IFRS system.
to reach 25% of NEC’s consolidated net sales by the fiscal year 2013, which is double the amount of the overseas sales by that moment (NEC Corporation, 2010). To achieve this, NEC’s CEO proposes to establish a global network with “core regional management companies” centered on five regions around the world: Greater China, Asia Pacific, EMEA, North Americas, and Latin America. NEC states that it has already established and will continue establishing “competence centers” in different regions of the world to deliver “optimal solutions within each region” and build expertise to accelerate global business expansion (NEC Corporation, 2010). We can see, by these measures, that NEC’s strategy is to give more leverage to their foreign counterparts, but there is no mention of the reasons behind expanding globally.

The 2014 Annual Report emphasizes on NEC being a global actor with its cooperation with a United Nations’ program to “address social issues from a global perspective” (NEC Corporation, 2014). First of all, we can see that NEC has failed to achieve their vision for global businesses stated in the 2010 Annual Report, as Overseas sales account for 18.7% of its revenues (NEC Corporation, 2014). On the international business perspective, NEC states its focus on Asia to promote “locally-led” businesses, giving the example of the establishment of a global HQ of safety business in Singapore (NEC Corporation, 2014). NEC Corporation states that strong demand for infrastructure in Asia will support their future global expansion and there is almost no mention for the rest of the world (NEC Corporation, 2014).

In the 2017 Annual Report, NEC’s CEO recognizes that NEC is facing a challenge, as it was “unable to build the pillars of globally competitive businesses that will drive our next phase of growth” (NEC Corporation, 2017). The CEO acknowledges that NEC’s strategy was so far just upgrading existing technologies and products and it was sufficient to grow, but the fact that their customers’ needs have evolved, he understands the need for NEC to “forget the values and sense of time they have cultivated in their domestic operations and develop a business model that will generate sufficient sales and profits globally” (NEC Corporation, 2017). Interestingly, the CEO also points out that the key factor to success will be management speed without forgetting their operating margin objectives (NEC Corporation, 2017).
As a conclusion, we can see that internationalization has been a long-standing subject at NEC, but the 2017 report shows an urgency to go abroad with the CEO ready to change his organization (NEC Corporation, 2017). However, something is lacking in the data collected in NEC’s Annual Reports: there was never a reason to go global stated by NEC’s CEO, should it be a more competitive domestic market or a shrinking population.

4.2.2. Use Case 2: Panasonic

Panasonic was founded in 1918 and incorporated in 1935. It started in the electrical sockets and attachment plug industry (Panasonic Corporation, 2018a). The Panasonic Corporation is organized around four main business areas: consumer electronics, housing, automotive and B2B (Panasonic Corporation, 2018a). Panasonic, with its head office in Osaka, is employing over 274,000 employees worldwide, while controlling 592 consolidated subsidiaries (Panasonic Corporation, 2018a).

Analyzing Figure 5, we can see that Panasonic has a much more balanced ratio between international and domestic revenues. From 2015 and onwards, Panasonic is even making more money outside of Japan than on its domestic market. Compared to NEC Corporation and Fujitsu, this is a very interesting case and we shall see how this translates in the CEO’s directives in Annual Reports below by analyzing Annual Report in 2010, 2014 and 2017. We can also see that for the past 10 years, Panasonic’s business has been quite stable if we look at the revenues. Moreover, similarly to the NEC Corporation, the 2018 revenue growth can be clearly attributable to the international revenue expansion.
In order to better understand the pictures presented on Figure 5, and as we did with the precedent use case based on public and financial reports, we will look at Panasonic Corporation’s Annual Reports in 2009, 2014 and 2017 (Panasonic Corporation, 2009, 2014, 2017). As for NEC Corporation, we will focus on the CEO message and, if available, to information towards shareholders and perspective given to them on the business, in order to make sense from the pictures in Figure 5.

In the Annual Report in 2009, Panasonic’s Chairman Kunio Nakamura and President, Fumio Ohtsubo state the severe conditions of the electronics industry as a consequence of the U.S. financial crisis, especially considering effects on the yen, a global downturn in consumer

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22 From 2009 to 2017, the author used a rough estimate taken from a graph in the 2018 Annual Report, cross-checked with rough numbers from previous Annual Reports as precise numbers was not available for the revenue split by region.
23 FY 2016 is represented twice as it is the year where Panasonic transitioned from the US GAAP accounting principles to the IFRS system
24 The 2010 Annual Report couldn’t be found, we used the 2009 Annual Report instead.
spending and increasing competition (Panasonic Corporation, 2009). Panasonic’s leadership took measures to “integrating and eliminating manufacturing sites in Japan and overseas and withdrawing from unprofitable businesses” as well as downsizing its workforce (Panasonic Corporation, 2009). Interestingly, the format of Panasonic’s Annual Report in 2009 was a Q&A interview with the president in which there is a specific question around developing overseas businesses among the eight questions asked (Panasonic Corporation, 2009). The president points out that, while Japan represents only 7% of the world’s GDP, Japan accounts for 53% of Panasonic’s sales, which is a proof that Panasonic is “yet to sufficiently take on global markets” (Panasonic Corporation, 2009). To answer this problem, the presidents are willing to take “bold actions in emerging countries” and in developed countries by promoting product development that “properly reflects the characteristics of each region” (Panasonic Corporation, 2009).

The Annual Report in 2014 emphasizes the importance of eliminating unprofitable business and streamline operations, but there is no particular mention if this concerns domestic or international activities (Panasonic Corporation, 2014). The only clear mentions of international effort are in the air-conditioner business in China, announces of joint-ventures with an Israeli company, outsourcing plants to a Singaporean country, as well as a buyout of a Turkish company and a business agreement with Tesla Motors (Panasonic Corporation, 2014). There is another mention about making locally self-sustaining businesses in Asia by “transferring authority for product planning, marketing, and development” to the foreign-based company (Panasonic Corporation, 2014).

Conveniently, the 2017 Annual Report introduces a retrospective of the current president’s reforms for Panasonic: he acknowledges the difficulties in terms of growth (Panasonic Corporation, 2017). Hence, the president explains how he revised the way Panasonic was making decisions to better engage in global competition (Panasonic Corporation, 2017). Kazuhiko Toyama, introduced as an “outside director”, interestingly points out the fact that a common weakness of Japanese companies is their slow decision-making ability (Panasonic Corporation, 2017). Additionally, Panasonic’s president acknowledges the fact that Panasonic’s previous expansions didn’t make use of overseas resources, because the leadership didn’t allow local sites
to “work independently” (Panasonic Corporation, 2017). He stresses the fact that, since Panasonic’s customers are overseas, the Japanese company needs local people, who can be close to their customers, that can have the organizational capability for development, production and sales, and “temporarily break down the system that was optimized centered on Japan” (Panasonic Corporation, 2017). Another interesting quote from the President is the following (Panasonic Corporation, 2017):

“At the time [when the president was in charge of the automotive business], there was the strong view among Japanese employees, in any country, that “we’re the principal players, and overseas is just where we are”. As a result, we weren’t enough help. So I changed our organization to make overseas the principal players, and Japan the supporting player. A few years later, the local side gained strength and were able to liaise between Europe and the United States to supplement each other’s weaknesses. This is why [...] I feel that we should use the opportunities of M&A and so on to tear down the Japan-centric system, empowering our local offices and move forward with reform step by step.”

As a conclusion, and as we saw it on the NEC Corporation use case, we have yet to see a mention of a shrinking population or an acknowledgment of a more competitive domestic market. But, at the difference from NEC Corporation, Panasonic’s executives always mention global markets and take time to develop a global view of its business and revenues in its message to shareholders. Moreover, as seen on the 2017 Annual Report, Panasonic seems to have a very aggressive investment strategy to develop business abroad (Panasonic Corporation, 2017).
5. Conclusion

The general purpose of this paper was to understand where is going Japan, and especially its businesses, as it lost its global economic momentum from the 1980s. In a global world of increasing innovation, tough new competitors (big companies from rival countries or startups within the same market) with pressure on corporate profits, where does Japanese Multinational Companies stand? As explained above, one of the major proxies to observe is the decline in influence using the Forbes Global 500 rankings. Japanese companies are losing its dominance, and it seems like the same forces that made Japan and its companies succeed in the late 20th century are now working against them in this globalized, faster and more competitive 21st century (Black & Morrison, 2010). Adding to this problem, Japan is facing major demographic challenges as one of the fastest aging population and one of the first countries to experience a phenomenon of shrinking population. These effects should have major macroeconomic effects, as one of the direct effects is a shrinking working population (if no immigration), and as one of the indirect effects is the change in consumer tastes. Moreover, the world is becoming more and more integrated and Japan can’t escape the problem. One of the consequences is the fact that the longtime preserved Japanese domestic market is opening to foreign competitors, threatening Japanese companies’ domestic privileged position and hefty margins. These problematics are worsened by the inability from Japanese leaders to take quick decisions as we were able to analyze from interviews but also from the CEO’s words in their Annual Reports. The idea behind this study is to understand if those driving forces are making Japanese company to adapt and adjust their business strategy. A holistic aim of this study was to better understand today’s Japanese MNCs’ business strategy, especially as academic literature is pretty shallow especially since the 1990s’ bubble burst. As one contributor to this study has pointed out, Japan is usually forgotten when we think about a globalized economy, even if it remains the world’s third-largest economy.

5.1. General findings and observations from the study

The main finding from this study is that, a human resource quality is the main “culprit” behind Japanese companies’ struggle to internationalize. This human resource problem comprises three
main factors: a lack of international talent, the inability to use English for business and the inability for Japanese business executives to take quick decisions. However, an increase in domestic competition coming from foreign competitors entering the Japanese market on the short term (which is a direct consequence of Japan’s recent trade agreements with foreign countries that have opened the country’s economy) and a shrinking population (which directs to a smaller and different domestic market and consumer preferences) on the long term are the main drivers for Japanese MNCs push for internationalization even considering their human resource problem. In the Fujitsu case, it is possible that despite the clear identification by its executives to pursue an internationalization strategy, they hit the human resource wall which forced them to shift their focus into profitability after a 10-year long push and major shifts in the company’s organization. We might explain these result by the fact that Japan is still in a phase of stabilization of its demography, their domestic market is still relatively protected from foreign competition and the country is not yet experiencing a severe decline in its population. In addition to that, IT companies might be more resilient to a shrinking domestic market as there is a trend in automation and Artificial Intelligence that feeds itself on improved productivity from a shrinking workforce. Last but not least, Japanese companies seem to be targeting two different paths to sustained growth: internal growth (by adapting themselves to an aging population) and internationalization (mostly by pursuing an ambitious acquisition strategy).

The Japanese business environment has identified that demographic is going to be a problem and they need to find countermeasures. Japan’s politicians are trying to find measures for today: increasing the retirement age up to 70 years old, integrating women into the domestic workforce and very slightly easing up a strict immigration policy. The business side is more reluctant to already react to a phenomenon that is considered to be too far away, and on which they have limited impact. If they have to take actions, business would mostly improve productivity with robots and automation and/or locate part of its business abroad to access a bigger pool of labor. Most of the interviewed contributors seemed to understand the necessity of adapting to this new paradigm, but they are confident that, in the shorter term, their business won’t suffer from this factor. As we have seen from the introduction to this study and from contributors, an increased
competition on their domestic market and a threat to a business’ profitability were the main drivers to internationalization.

Another important aspect to note from an external contributor with a long experience in doing business in Japan is the fact that, contrary to common beliefs, Japan is a very entrepreneurial country and most of today’s big companies are still family businesses such as Toyota, or a one-man business such as Uniqlo or Rakuten. As a consequence, business strategy in Japanese companies is about the survival of the family and it has a longer-term view than traditional businesses. Those family businesses have generally three options when it comes to reacting to the shrinking population phenomenon: (1) staying on the domestic market and try to survive; (2) strengthening its position on the domestic market while domestic competitors go abroad; and (3) internationalize and go find growth abroad. The first two options somehow fit into Porter’s end-game strategy model, but the third identified option for business is a new kind of end-game strategy. Hence, even though this element needs to be verified by conducting a deeper study of Japanese MNCs, internationalization seems to be a serious candidate when a local market is shrinking, albeit not necessarily the most popular one. Additionally, more and more Japanese companies are pursuing a niche strategy by manufacturing very specific components. An external contributor has pointed out a good example of this strategy by citing Sony, which tried to make it into the smartphone business, but failed to conquer a sufficient market share. However, Sony has a 50% global market share in the camera module of the smartphone. Sony has found a niche activity where it can bring value and find revenue growth. This strategy has some systemic and political risks: for example, even though Japanese companies are making most of the components in Boeing’s aircraft, the Japanese industry struggles to build a plane and thus, integrating every component to make an end-product (Harding, 2018a).

5.2. Findings from the studied case

One of our studied case, Fujitsu seems to favor a recovery in its profitability mainly by restructuring their business by quickly divest in some part of the business where competition is too strong or where it doesn’t serve a coherent global strategy. Interestingly, we have seen, from one of our case study, that Panasonic is pursuing the same kind of strategy, with a difference
from Fujitsu, as it has a more ambitious foreign acquisition strategy. Fujitsu’s executives want the company’s strategy to be more oriented towards business services and new technologies, where they can improve drastically its profitability. As it was pointed out by an external contributor that worked 3 years at NEC, it is believed that Fujitsu has better resisted and is better equipped for internationalization, since they have part of their business that is service-oriented, the latter requiring a more localized approach to adapt to local needs. Even if it seems to be a slow process and even if Fujitsu has abandoned its objective to force its Japanese business unit to make 50% of their revenue last year, the inclusion of a non-Japanese to the executive board, the shift in language from Japanese to English at the executive level and a reorganization of the company towards a more Anglo-Saxon model shows that Fujitsu has started its transformation to become a globalized company, in order to adapt to new business paradigms. It is important to note that this internationalization process seems to be more due to a threat to its existing business from external competitors (foreign but also from smaller and more agile domestic companies such as startups) and to its profitability in order to diversify risk. The demographic issue is an identified problem, but it is considered to be under control and, most importantly, something that can be dealt with later. An external contributor has pointed out that household names such as Fujitsu won’t struggle to find domestic talents, but smaller, less-known companies will have this kind of problem. These companies will have to adapt differently, and it is also an interesting axis for further study.

Now that we have identified that Japanese companies are indeed pursuing internationalization, one can ask why we can’t see the benefits of this strategy. One of the reasons behind Japanese companies’ slow internationalization might come from a scarcity in specialized talent: as they are less and less active population in the domestic market and since the talent pool has globalized, Japanese companies are forced to rely on non-domestic human resources to continue addressing foreign markets and drive innovation globally. Hence, a company like Fujitsu invested in localized facilities in France and Canada in order to find talents in Artificial Intelligence that couldn’t be found in their domestic market. Interestingly, this is also a phenomenon that is observed at Rakuten as their “Englishnization” process is aimed to widen their potential talent pool, as stated by their CEO, Hiroshi Mikitani (Lewis & Tabeta, 2016; Neeley, 2011).
5.3. Study limitations

As suggested in the study, there are some limits to this research effort. One of the biggest limits is the fact that shrinking population and domestic challenges from foreign competition is a relatively new phenomenon to Japanese companies. This explains most of the answers on the last questions (see Appendix 1) around the impact of the shrinking population: most of the contributors are aware of the phenomenon, but they all believe that it’s a longer-term problem. Hence, most of the companies are first dealing with a rising global competition and a threat to their local markets. This study attempted to apply a traditional concept, such as Harrigan and Porter’s (1983) end-game strategy model, to see if there can be a match. We can see that, in a big conglomerate such as Fujitsu, there is a lot of divestment and a shift to other service-oriented business. In general, contributors believe that Japanese companies will consolidate and specialize in certain areas, as it is too hard to become international in their current, generalist forms.

Another limitation about the nature of this study is the fact that Fujitsu, NEC and Panasonic belong to a specific part of Japan’s economy and they are not representative of Japan’s economy as a whole. Those companies are technological companies and they might enjoy some protection given the fact that the technological industry might be harder to access or with higher barriers to entry. In addition to that, they are big players at the domestic and international level and we are ignoring smaller companies that might have a different pattern of decision when confronted to a shrinking local market. One effect that is different was identified by a contributor to this study is the human resources problem: while big Japanese brands won’t have problem recruiting and attracting Japan’s top talent, it might become more and more difficult to smaller or less-known company to survive as they won’t be able to recruit new employees. As a consequence, it is difficult to generalize our findings to the Japanese economy, but this study wanted to focus voluntarily on big multinational companies.

In addition, this study’s conclusion might have to be carefully considered as half of the study’s contributors are foreign nationals or Japanese executives with a strong international experience.
Once again, this selection was designed to select those profiles as it usually gives better and a faster view into the Japanese ecosystem. But, as we have seen from internal contributors, there seems to be a different view over international expansion between Japanese business leaders who has interacted abroad and who are proficient in English and those who are more “inward-looking”. It would have brought more depth into this study if we had access from a domestic-oriented person inside Fujitsu, in order to have a more critical view of his company’s international ambitions as well as the “survival path” within the domestic market.

5.4. Next steps and further research
This study’s scope might be too narrow and case-focused while a broader quantitative approach might have brought more value to this question. It might be better to focus on a specific business unit within a Japanese conglomerate even though this study provided a much needed wider and preliminary view of the problem that is not treated by the academic literature. However, given the relatively small amount of research on these subjects, this study aims to bring up the debate around how to deal with growth shortage when the modern business world has been accustomed to sustained economic growth, largely due to a spectacular population expansion in terms of volume (total number of people living) and value (people are getting richer and, as a consequence, they consume more).

Potential further studies and points for additional investigation around this subject might include sector-oriented case studies by taking only the telecommunication industry or the much more developed automotive industry, which has reached a more mature stage in its internationalization strategy. One contributor has pointed out the fact that Toyota is playing on changing its brand abroad to be better recognize locally. We can also think of a quantitative study measuring Japanese companies’ willingness to go abroad, which would allow us to have a more generalized conclusion over how Japanese businesses are reacting to a shrinking market. Another way of exploring this subject would be to take a success case from companies targeting niche industries: a very good example is the one from the Japanese whiskey business. The whiskey business is specific in a way that in order to produce a bottle of whiskey, there is a long-term planning effort (over 15 or 20 years). What happens today is that Japanese business leaders from the whiskey
industry didn’t anticipated a surge international demand and they have troubles addressing this niche, but growing market. One last interesting angle of study would be to analyze bad experiences from Japanese MNCs internationalization and understand what factors went wrong.

Finally, we have understood that Japan’s companies are facing two main challenges in the wake of a shrinking demography: (1) a threat to its profitability (mainly due to an arrival of foreign companies in the domestic market) and the necessity to change its business model; and (2) a human resource problem with less and less adequate talent to answer the globalized challenge given to Japanese companies.
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https://doi.org/10.1017/CBO9781107415324.004


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Appendix 1: Interview Guidelines

The Interview Objectives and italic parts of the questions where not communicated to the participants. The latter is here to give a comprehensive understanding of a question’s objective.

Interview Objectives

1. Primary – Identify if Japan’s shrinking population (and by extension, declining market) is impacting a company’s strategic decisions
2. Secondary – gather general information about the candidate and the business environment in Japan:
   a) Confirm if the candidate fits the requirements of the target population
   b) What is the candidate’s opinion about Japan’s economic environment? Try to understand if there is a real perception of the shrinking population or a perception of threat to domestic economic growth due to the shrinking population.

Interview Introduction

Explanatory Phase:

1. Explain the objective of the interview (FGV, master thesis, exploring Japanese companies’ internationalization strategies)
2. Explain the scope of the research (study aims to see if shrinking domestic population has an impact on internationalization shifts)

General Information

1. How old are you? *(especially relevant for a Japanese company, as the older is the employee, the more senior position he or she has)*
2. What is your nationality? *(foreign and Japanese views on management and strategy can be different)*
3. The following question has to be differentiated if the candidate is Japanese or a foreign national:
   a. Did you ever had a foreign position inside your company or have you ever worked for a foreign company?
   b. Did you ever worked at a Japanese company or have you ever worked for a foreign company in Japan?
4. Please explain your business in one or two sentences.
5. What is your title in the company and how far are you to executive positions? (The closer the position is to an executive position, we can expect a clearer view on a company’s strategic decisions)

Core interview
1. What is the part of revenue made in foreign subsidiaries by your business unit (percentage)?
2. What are your views on the Japanese market and recent trends?
3. Is there a push by your top management to pursue international diversification? If yes, how?
4. How important is it for your business unit to internationalize? Identify motives, objectives and how is it implemented through laddering.
5. What are the challenges you are facing when you’re thinking about internationalization?
6. Did you already implement (or seen) some actions to internationalize or to become more global at your firm (i.e. impatriation of foreign talents, early expatriation, global leadership talent and the use of the powerful symbol as defined by Black and Morrison (2012))?
7. Given the four types of strategies defined by Porter (leadership, niche, harvest or quick divestment), do you think that your strategy follows one of those strategies?
8. What do you think of Japan’s shrinking population?
9. Do you think it is going to have an impact on your business? If yes, how?
Appendix 2: Financial Data

This section shows the financial data of the three mentioned companies which were used for Figure 3, 4 and 5 of this study. Net income for NEC Corporation and Panasonic are here for additional information but it is not considered while realizing this study’s graphs.

Fujitsu

<table>
<thead>
<tr>
<th>In billion of Yen</th>
<th>Japan GAAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal year</td>
<td>2006</td>
</tr>
<tr>
<td>Japan</td>
<td>3 274,9</td>
</tr>
<tr>
<td>Japan (%)</td>
<td>64,2%</td>
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<tr>
<td>Overseas</td>
<td>1 825,2</td>
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<td>Overseas (%)</td>
<td>35,8%</td>
</tr>
<tr>
<td>Revenue</td>
<td>5 100,1</td>
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</table>

<table>
<thead>
<tr>
<th>In billion of Yen</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year</td>
<td>2013</td>
</tr>
<tr>
<td>Japan</td>
<td>2 960,9</td>
</tr>
<tr>
<td>Japan (%)</td>
<td>62,2%</td>
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<tr>
<td>Overseas</td>
<td>1 801,4</td>
</tr>
<tr>
<td>Overseas (%)</td>
<td>37,8%</td>
</tr>
<tr>
<td>Revenue</td>
<td>4 762,4</td>
</tr>
</tbody>
</table>

Source: (Fujitsu Limited, 2018a)
NEC Corporation

<table>
<thead>
<tr>
<th>In millions of yen</th>
<th>Japan GAAP</th>
<th></th>
<th></th>
<th></th>
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</tr>
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<tbody>
<tr>
<td>Fiscal year</td>
<td>2009</td>
<td>2010</td>
<td>2011</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>Domestic (value)</td>
<td>2870262</td>
<td>2636075</td>
<td>2555344</td>
<td>2588491</td>
<td>2473942</td>
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<td>Domestic (%)</td>
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<td>84.6%</td>
<td>84.1%</td>
<td>84.3%</td>
<td>81.3%</td>
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<td>International</td>
<td>712886</td>
<td>479349</td>
<td>481492</td>
<td>483118</td>
<td>569172</td>
</tr>
<tr>
<td>International (%)</td>
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<td>15.4%</td>
<td>15.9%</td>
<td>15.7%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Net Sales / Revenue</td>
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<td>3115424</td>
<td>3036836</td>
<td>3071609</td>
<td>3043114</td>
</tr>
<tr>
<td>Net income</td>
<td>11428</td>
<td>-12518</td>
<td>-110267</td>
<td>30434</td>
<td>33742</td>
</tr>
</tbody>
</table>

| Japan GAAP |         |         |         |         |
| IFRS       | 2014     | 2015     | 2015     | 2016     | 2017     | 2018     |
| Fiscal year | 2014     | 2015     | 2015     | 2016     | 2017     | 2018     |
| Domestic (value) | 2348673 | 2218012 | 2221698 | 2094068 | 2104268 | N/A     |
| Domestic (%) | 80.0%    | 78.6%    | 78.6%    | 78.6%    | 74.0%    | N/A     |
| International | 586844   | 603169   | 603135   | 570967   | 740179   | N/A     |
| International (%) | 20.0%    | 21.4%    | 21.4%    | 21.4%    | 26.0%    | N/A     |
| Net Sales / Revenue | 2935517 | 2821181 | 2824833 | 2665035 | 2844447 | 2830000 |
| Net income     | 57302     | 68749    | 75923    | 27310    | 45870    | 25000    |

Source: (NEC Corporation, 2018a)
### Panasonic

<table>
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<th>IFRS</th>
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<tr>
<td><strong>Fiscal Year</strong></td>
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<td>2010</td>
</tr>
<tr>
<td>Domestic (value)</td>
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<td>37,179,80</td>
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<tr>
<td>Domestic (%)</td>
<td>50,4%</td>
<td>50,1%</td>
</tr>
<tr>
<td>International²⁵</td>
<td>38,500,00</td>
<td>37,000,00</td>
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<tr>
<td>International (%)</td>
<td>49,6%</td>
<td>49,9%</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
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<td>74,179,80</td>
</tr>
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<td><strong>Net income (loss)²⁶</strong></td>
<td>-37,896,1</td>
<td>-10,346,5</td>
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<tbody>
<tr>
<td>Domestic (value)</td>
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<td>37,150,37</td>
<td>35,537,17</td>
<td>36,263,06</td>
<td>36,591,00</td>
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<tr>
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<td>50,9%</td>
<td>48,2%</td>
<td>47,0%</td>
<td>47,5%</td>
<td>49,8%</td>
<td>46,7%</td>
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<td>International</td>
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<td>40,000,00</td>
<td>40,000,00</td>
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<td>53,0%</td>
<td>52,5%</td>
<td>50,2%</td>
<td>53,3%</td>
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<tr>
<td><strong>Net Sales</strong></td>
<td>77,365,41</td>
<td>77,150,37</td>
<td>75,537,17</td>
<td>76,263,06</td>
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<td>193,256</td>
<td>165,212</td>
<td>149,360</td>
<td>236,040</td>
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</table>

Source: (Panasonic Corporation, 2018b)

²⁵ Rough estimate from a graph in the 2018 Annual Report
²⁶ Net income attributable to Panasonic Corporation