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慶應義塾大学大学院経営管理研究科修士課程

学位論文（ 2016 年度）

論文題名

Globalization and Strategic Restructuring in Sogo-Shosha

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## 論文要旨

所属ゼミ	浅川研究会	氏名	乾 和行
(論文題名) Globalization and Strategic Restructuring in Sogo-Shosha			
<p>(内容の要旨)</p> <p>In order to survive the current Sogo-Shoshas whose performance is rapidly deteriorating due to the stagnation of resource prices, it is necessary to localize the branch office and to internationalize the head office. This is because the current external environment is different from the high economic growth period centered on developed countries in the past. And the economic growth of emerging economies is remarkable, so it is necessary to capture their growth in non-resource fields.</p> <p>The current Sogo-Shoshas are global enterprises among the four classifications of multinational companies of Barlett / Ghoshal, all of which are headquarters and Japanese centered organization. In order to capture the markets all over the world, it is ideal for a transnational company that knowledge in the headquarters and branches are free to move and there is no boundary between foreigners and Japanese, but for this purpose the functions of the branch are strengthened and independent as the premise. Therefore, it is necessary to aim for a multinational company, and various departments and branches must make various reforms. In fact, in the manufacturing industry, few companies have shifted to multinational companies such as Komatsu, Ajinomoto, Sekisui Chemical Co., Ltd., successfully incorporating the local market</p> <p>For that purpose, they should make appropriate organizational reforms by 8 steps of Kotter, and they need to overcome obstacles unique to Sogo-Shoshas. And the primary obstacle to globalization in the company is that the customer is a Japanese company, and it is necessary to raise the ratio of customers of overseas companies.</p> <p>On that basis, ITOCHU Corporation, which is trying to boldly challenge the developing Chinese market and to practice internal reforms is a good example.</p>			

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## 1, Introduction

### 1,1 Research background and motivation

I have studied Thai language for 1 year after graduation from university. and then, I have worked in Marubeni Thailand which is Marubeni's branch in Thailand for 7 years from 2008 to 2015.

Marubeni is Japanese famous Sogo-Shosha. Sogo-Shosha is famous on global company in Japan.

When I have started to work in Marubeni, I was fresh man who didn't have any working experience. So, I have really expected to work in such a famous international big firm.

Before entering Marubeni, I thought that Marubeni was globalized company, managers are Thai, corporate language is English, Thai and Japanese are dealt with equal, staffs are exchanging among department often, there is active dialogue between headquarters and branch offices.....

But, after entering Marubeni Thailand, I recognized current circumstance in Marubeni is totally Japanese company, managers are only Japanese, main language is Japanese, there is big discrimination about promotion, position, salary, power between Japanese and local staff, organization is completely vertical, staffs cannot say any opinions to bosses and headquarters.

And these old-fashion style is common in all of 7 Sogo-Shoshas.

I was really surprised at such a conservative situation, and I wonder if Sogo-Shoshas survive in such a competitive circumstance.

I felt that Sogo-Shoshas must globalize at least. But I didn't know how they should change and what is the best style for them. So, I have decided to choose Globalization and Strategic Restructuring in Sogo-Shosha as theme in my thesis.

### 1.2 Purpose

A general trading company is currently undergoing a major change in the external environment and is undergoing a major strategic turning point. The profit earned mainly in the resource field was forced to suffer a major impairment due to a decline in the price of the stock, and the top five companies had an impairment exceeding 1 trillion yen, and in the 2015 fiscal year, the two largest general trading companies, Mitsubishi and Mitsui sank into the deficit and plans a return to the non-resource field as a strategy.

What kind of concrete strategy should be set up in the coming general trading company now that the environmental change is remarkable recently. I will analyze whether the method of organizational governance until the 1970 's which prosperity was prosperous in the non-resource field is enough or not.

### 1.3 Structure

The structure of this paper is as follows.

In chapter 1, I will explain why I chose the globalization of general trading companies as a theme, and what is a Sogo-Shosha in the first place. I present problems with the current condition of Sogo-Shoshas.

In chapter 2, I will review what kind of research is on internationalization of past general trading company and point out the part not discussed in the paper.

In chapter 3, in this thesis, I will explain concretely the current situation and tasks of globalization of Sogo-Shoshas, discuss what kind of figure is ideal and how to change it.

I will discuss the organization change in concrete terms in an ideal form while matching the characteristics of the trading company.

Finally, in chapter 4, I will present the conclusions of this paper.

### 1.4 What Sogo-Shosha is

#### 1.4.1 What Sogo-Shosha is doing

Sogo-Shosha is a unique company form that exists only in Japan.

Sogo-Shosha is called as a general trading company in English, but I use "Sogo-Shosha" in this thesis due to existence only in Japan.

And Sogo-Shoshas are doing many businesses to all industrial sectors.

Their roles are [Controlling and optimizing value chain] in definition by Mitsubishi-shoji(Mitsubishi Corporation "Theory of Hyundai General Trading Company - Creation and Innovation of Mitsubishi Corporation / Business" Heibunsha, 2011 三菱商事株式会社『現代総合商社論—三菱商事・ビジネスの創造と革新』平文社、2011年).

They are doing many business such as trading, investment, finance, logistic, information technology and so on.

Divisions of textile, machine, food, chemical are distinguished by non-resource business.

Divisions of metal, oil, gas, copper, coal are distinguished by Resource business.

#### 1.4.2 7Sogo-Shoshas

The names are Mitsubishi Corporation, Mitsui Bussan, ITOCHU Corporation, Sumitomo Corporation, Marubeni Corporation, Sojitz Corporation, Toyota-Tsusho Corporation, Please see table1.

**Table 1 Current situation of Sogo-Shoshas**

2016.3	Revenue(mil \$/百万円)	Profit&Loss(mil \$/百万円)	Workers(Non-consolidated)	Workers(Total)	Countries	Branches in overseas
Mitsubishi	6,925,582	-149,395	5,379	68,247	90	193
Mitsui	4,759,694	-83,410	5,905	43,611	65	126
Itochu	5,083,536	240,376	4,330	104,840	63	107
Sumitomo	4,010,808	74,546	5,426	66,583	63	67
Marubeni	7,300,299	62,264	4,526	39,914	67	120
Sojitz	1,658,072	36,526	2,355	14,431	43	83
Toyota-tsusho	8,170,237	-43,714	3,681	58,082	51	128

Revenue and profit are consolidated

All numbers in the table are taken from IR information of each company 2016. Number is consolidated in their company group.

It represents that Sogo-Shoshas have big amounts of revenues, profits and losses, many workers over the world, many branches in many countries. They are large companies representing Japan.

## 2. Literature

There are not many prior studies on trading companies.

Most of the papers on multinational corporations are written mainly in manufacturing, and there are very few papers and theories about trading companies.

Here are some prior studies on the non-international nature of general theme trading company.

1, General trading company - Japanese manages in Japanese - 吉原英樹 『総合商社—日本人が日本語で経営』 国民経済雑誌 第 187 巻第 3 号 2003 年 pp.19-34)

It is a paper showing the non-international nature of a Sogo-Shoshas by actual interviewing employees of general trading companies.

At an internationally famous Sogo-Shoshas, unpacking the surprisingly domestic present situation, they are asking customers to answer why they operate in Japanese. In addition, the headquarters focuses on the non-international nature of the headquarters, Japanese management, and the cultural aspects of the Japanese people.

2, Language strategy for bilingual management (Hideki Yoshihara, Yoko Okabe, Seiko Sawaki "Age to run in English - Challenges of Japanese companies" Yuhikaku 2001 吉原英樹・岡部曜子・澤木聖子 『英語で経営する時代—日本企業の挑戦—』 有斐閣 2001 年)

It advocates that currently Japanese companies are mainly Japanese, common management of international management is English, the necessity of internal internationalization.

As a disorder about the transmission in English there are psychological stress on Japanese people, there is a decline in the quality of information and a decrease in the amount of transmission.

Here they are advocating that Japanese companies need to change to English to collect excellent talent.

In this paper, however, it is not specialized in trading companies, it does not consider the company-wide strategic part.

Regarding organization theory, there are eight steps of Kotter as the theory that can be used for actual corporate management. This theory is very useful when conducting company transformation specifically.

It is pointed out that Japanese trading companies are domestic, but it is not written in what form is ideal or how it should be changed.

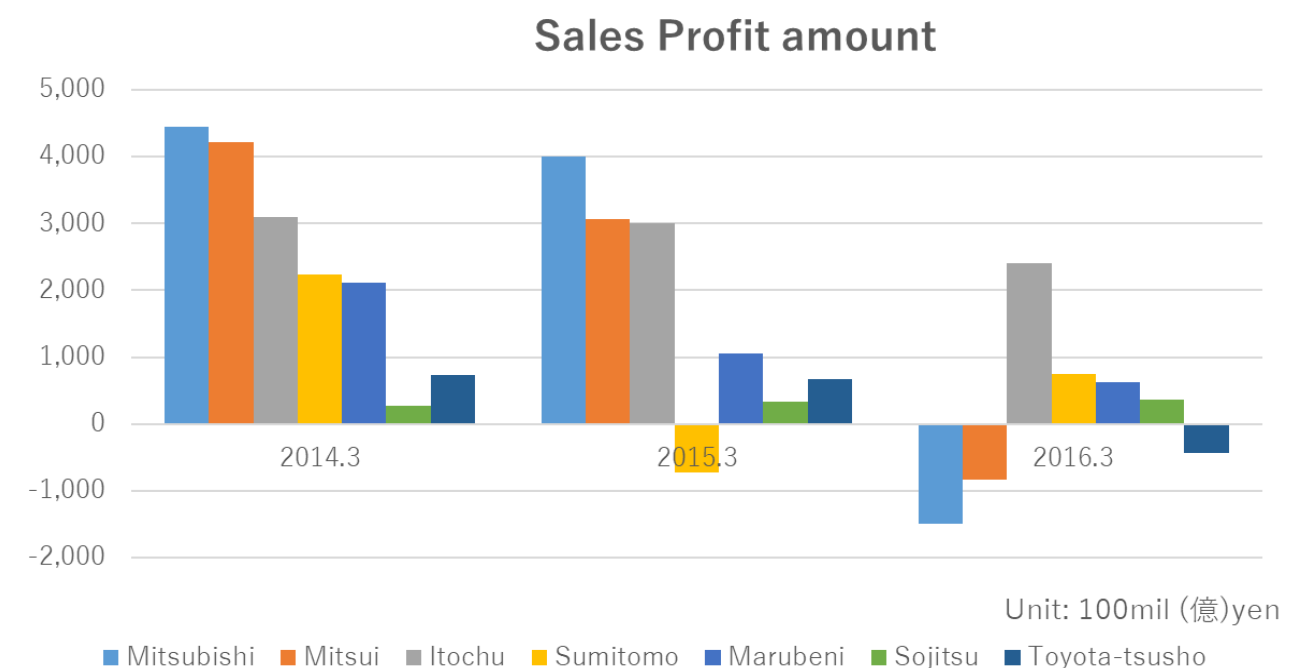
### 3. Main issues

#### 3.1 Problem mentioned

Sogo-Shoshas are suffering from deteriorating business performance in last 3years.

Sumitomo had deficit in 2015. And Mitsubishi and Mitsui had deficit in 2016 which was first time in their history.

**Table 2 Sales profit amounts in last 3years**



	Mitsubishi	Mitsui	Itochu	Sumitomo	Marubeni	Sojitz	Toyota-tsusho
2014.3	444,793	422,161	310,267	223,064	210,945	27,250	73,034
2015.3	400,574	306,490	300,569	-73,170	105,604	33,075	67,571
2016.3	-149,395	-83,410	240,376	74,546	62,264	36,526	-43,714

Why did they have such a big loss?



Because resource business had a lot of losses due to the downfall in resource prices.  
As resource prices deteriorated, asset prices became impaired and Sogo-Shoshas fell into the red. Please see table2.

In the fiscal year ended March 31, 2016, the five major companies recorded a total of ¥ 1 trillion in impairment losses. (Nihonkeizai Shinbun, March,25,2016)

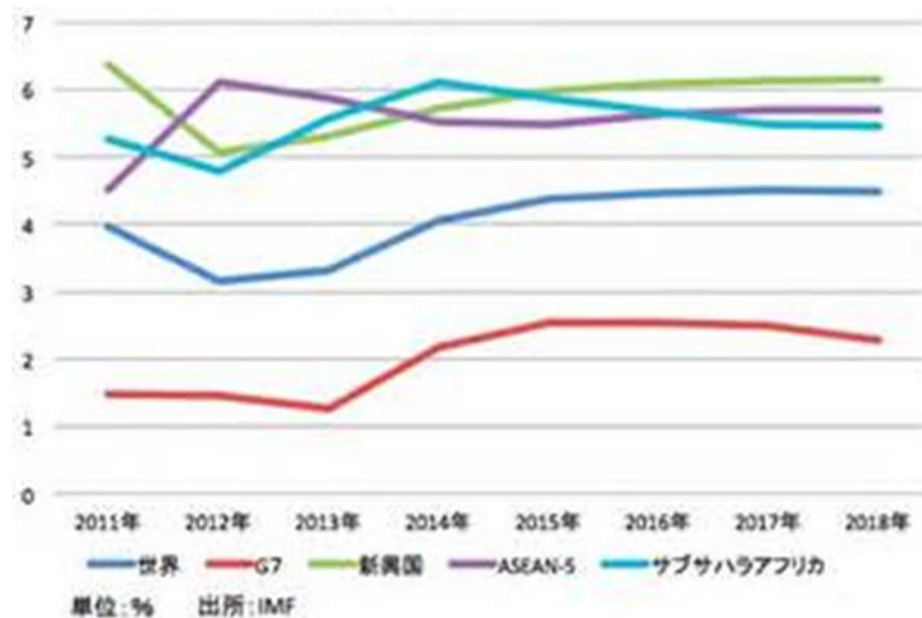
Main profits in Sogo-Shoshas have come from resource business in last 15years.

But resource business is becoming unstable and high-risky business as article of Nihon Keizai Shinbun as above.

On the other hand, the markets in developing countries are growing up rapidly.

Sogo-Shoshas must capture the markets in developing countries. Otherwise they cannot keep big amount of profits obviously. Please see table3.

**Table 3 Forecast of GDP growth**



By the way, can Japanese expand business in abroad?

I have an example during my working in Marubeni Thailand.

One day, Marubeni Headquarters sent an expat to Thailand to expand the business in domestic and between Asian countries. But he had failed to do it and came back to Japan 2years later due to insufficient local knowledge and sensibility.

He didn't have any experience to live Thailand, any Thai friend, to study Thai language.

What I would like to emphasize that it is too difficult to explore new market for Japanese. National staff who knows domestic market very well should corporate to expand the business in each country.

## 3.2 Solutions

### 3.2.1 Sogo-Shoshas should be Multinational

#### **3.2.1.1 Necessary change in branch role**

In order to capture the markets of developing countries, the capacity of branches must be strengthened.

Until now, the branch was instructed to take action from the headquarters, only realizing the strategy of the head office.

I have also experienced things that have been made failed by repeatedly implementing strategies that are not consistent with the current situation of the local headquarters and Japanese people thought in Thailand in Thailand.

Local staffs need the ability to develop markets, and they actually develop the market, local boss needs to manage local people.

For that purpose, they must delegate the internal settlement and personnel authority from the Japanese to the local people.

There is a theory about overseas branch of Barlett and Ghoshal, it is classification of overseas branches in the role.

The vertical axis shows the level of strategic importance of the local market, and the horizontal axis shows the level of resources and capacity of the branch office. The branch office of the trading company so far was Implementer which is the lower left.

However, in order to capture the market where the branch exists, it must become a strategic leader that autonomously exploits the market with high strategic importance and branch office capability.

For that, they must enhance national staff's skill and tasks and national staffs should have a right to make some decisions by itself. Please see table4.

**Table 4 Classification of branch in the role**

		<b>Classifications of branch in overseas</b>	
the importance of local market	high	ブラックホール Black hole	戦略的リーダー Strategic Leader
	low	実行者 Implementer	貢献者 Contributor
		low	high
		<b>Ability and resource in Branch</b>	

Barlett Ghoshal(1989)

### 3.2.1.2 Headquarters also must change

For changing the branches, the headquarters must also change. Because the head office owns all authority concerning investment and personnel affairs, it is necessary to delegate to the branch office. They must change the current situation that head office is pushing strategy to branch office, let branch office develop strategy independently.

In order to communicate with a branch where a foreigner becomes a management team, even at the head office, it is necessary to hire and internationalize foreigners. They will revise the present system which only prefers to Japanese, they must adjust treatment and evaluation of foreigners according to global standards.

### 3.2.1.3 Four classifications of multinational companies

There are four classifications of multinational companies called IR Grid as a prior research. Although this is a theory with the manufacturing industry in mind, it can be applied to trading companies as well.

IR Grid is a multinational enterprise divided into integration for global and responsiveness for

local and classified into four categories based on its strength.

The four are ① Global ② International ③ Multinational ④ Transnational.

Please see table5.

#### ① Global

Assets and abilities concentrate in the home country. And share the results worldwide.

Foreign subsidiary faithfully executes strategy of parent company. The headquarters are all in power.

Knowledge is developed and retained in the middle.

Most of Japanese companies are global companies.

#### ② International

To Adjust and apply the home country technology to the country's market.

The source of core competence is concentrated, others are dispersed.

Overseas subsidiaries apply and utilize the parent company's competency

Knowledge is developed in the center and transferred to overseas units

Many companies in the USA are International.

#### ③ Multinational

It is a form of governance where autonomy is handed over to overseas subsidiaries to a high degree.

Capabilities are dispersed, self-sufficiency system for each country, overseas subsidiaries sense and utilize opportunities at the site

Knowledge is developed and maintained within each overseas unit.

Most of Europe's companies are Multinational.

#### ④ Transnational

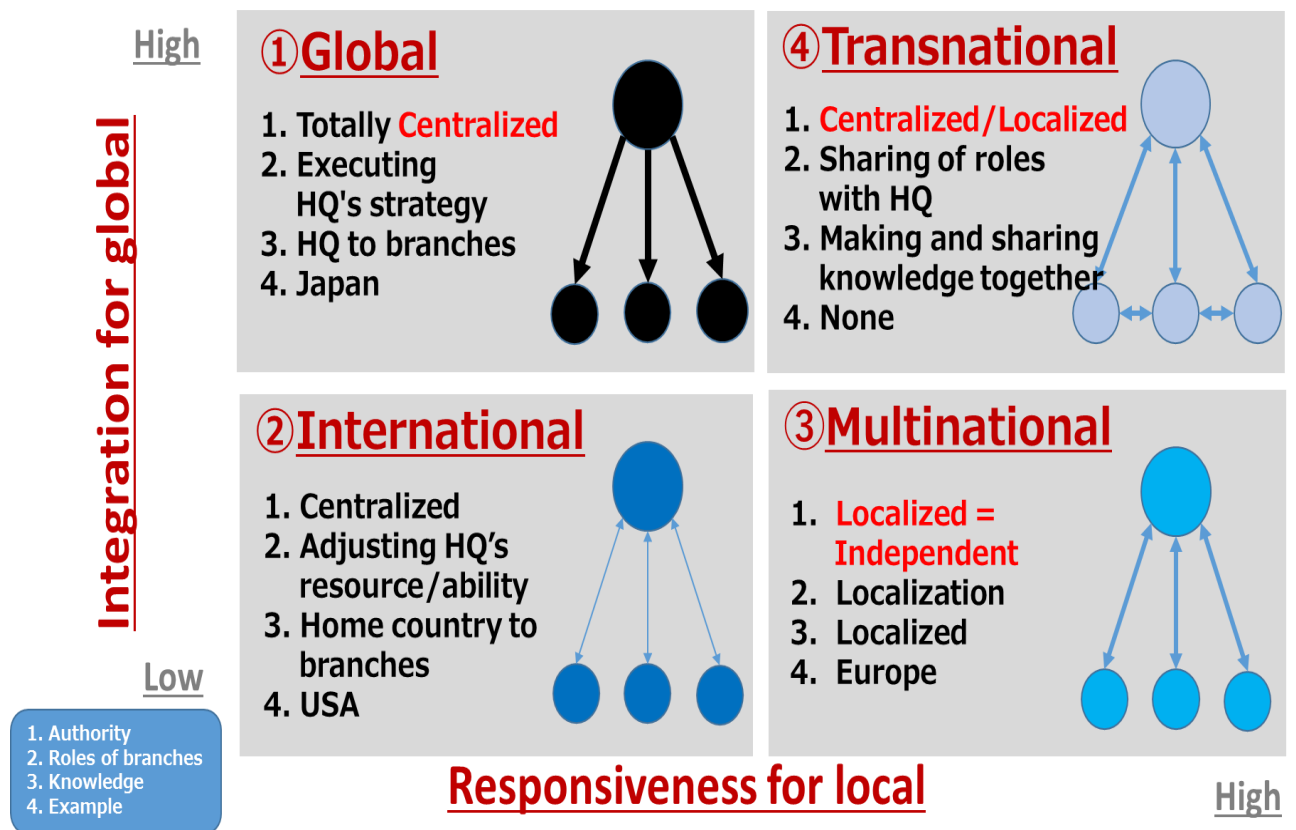
It is an ideal form of a multinational corporation.

Assets and capabilities are dispersed and interdependent, and each is specialized. Each overseas unit contributes to operations around the world in a differentiated form.

Knowledge is developed together with other head offices and branch units and is shared all over the world.

By the way, knowledge is very different between manufacturing industry and trading company. In a trading company, Knowledge is slanderous, and there are not patents or clear techniques as in the manufacturing industry. For example, the factory is planning relocation, the price of copper is about to come down soon, there is the factory in China that is likely to make products with inquiries from customers, and so on.

**Table 5 Four classifications of multinational companies by author work from IR grid**



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#### 3.2.1.4 Sogo-Shoshas are global type in IR grid

Sogo-Shoshas are extremely domestic, conservative, old-fashioned companies inside.

Most of customers are Japanese firms though they are in overseas.

##### ① Human

There is big discrimination between Japanese and foreigners.

So, they cannot recruit foreign talented foreign employees, they retire quickly, they change jobs to foreign companies and local companies.

The Thai case, the Thai who has the title of vice president has no authority and the Japanese of the flat who are sent from the headquarters and doesn't have any title has power.

##### ② Organization

They are adopting Japanese high context culture.

Important matter in company is decided by informal talking in Japanese.

Only Japanese people become administrators, foreigners hiring branches do not have the chance to become a high position.

### ③ Investment

Every investment in any small investment is settled by headquarters. Even regarding entertainment expenses, foreigners have no right to decide it even if it is small in overseas branches,

### ④ Knowledge

Basically, it will be a one-way change from head office to branch. They cannot give opinions from the branch to the head office.

The head office sees the branch as a subsidiary organization, and since the head office has the personnel authority, it is difficult to make a challenging opinion.

There is also a cultural aspect that opinion is difficult to say to the top because the organization is Japanese.

#### **3.2.1.5 Sogo-Shoshas should become transnational.**

Sogo-Shoshas should be transnational.

Transnational is ideal which has good points of global and multinational.

The organization is highly globalized and highly localized.

As a characteristic of the transnational organization, they place emphasis on global efficiency global learning, flexibly correspondent countries, regarding the world as one market

Information exchange was actively carried out at the branch office and the head office without distinguishing between foreigners and Japanese people,

Many ideas and thoughts are exchanged.

There is no discrimination, equal pay for equal work is assumed.

Position of headquarters and branches is almost equal.

As a summary, because the trading company's present situation and the ideal form transnational are too big differences, any branches are not capable to exchange.

Therefore, it's impossible to shift from global to transnational immediately.

#### **3.2.1.6 Sogo-Shoshas should be multinational before transnational.**

In other words, Sogo-Shoshas should be multinational before transnational. Because branches don't have talented workers and ability to expand business by themselves so far which branches of transnational company must have.

Branches must get decisive power from headquarters.

There are many things to have to do for being multinational.

In order to actual transforming into multinational, changes are necessary in various parts.

They can be categorized into the following four.

① Human

Adopting foreigners are important for internationalization of head office. The general trading company does not know to reflect the opinions of foreigners because it has been operated only by the Japanese way of thinking. They must start with forming the soil that incorporates foreigners' opinions into our head office. By working together foreigners, English communication in the company will become active. Also, hiring foreigners is important in order to carry out branch reforms from foreigners' perspective.

It is necessary to realize the foreign manager at the branch office. It is necessary for branch offices to appoint local people to management. It is necessary to understand the way the local market and local people think, and to operate with the best use of the capabilities of the employees.

② Organization

In addition to making decisions, documents and internal meetings should gradually be changed to English.

They must change from present condition using Japanese to English which is a common language in the world, promoting internationalization and creating an environment where foreigners can work easily. It is necessary to change Japanese culture to international culture. Now they are doing informal decision making, which Japanese people decide based on relationship between Japanese people and pre-conference roundtable, but they need to change to formal decision making which is world standard decision making method.

③ Small investment and in-house approval

The head office needs transferring small authority to branches to the branch office, and it is necessary to make agile judgment. Waiting for a slow judgment at the conventional headquarters at such a time will lose the competition with other companies. Regarding activities in the area, it is necessary to delegate the decision right to the branch and make it decide.

It is necessary to give authority to national staff from Japanese. The current situation is that all Japanese have decision right even within branch office.

It can become active and reduce detachment from the local market. From the headquarters to the branch office, also from the Japanese to the local people, by delegating power to give power to the local people.

④ Knowledge

As explained earlier, the trading company's knowledge is allegorical and it is necessary to manage how to optimize employees with knowledge. Manufacturer's knowledge refers to patents and concrete technology. However, the knowledge of Sogo-Shoshas is extremely

slandorous, as each employee predicts what kind of policy are to be taken by each customer in the future, what kind of products can be produced, how the market moves, and so on.

In other words, the knowledge management of a trading company should focus on how to manage knowledge inhabiting people.

Here is good example of knowledge management in Hitachi.

The name is Hitachi's Global Human Resources Database

"We have created a" global grading system "that unifiedly evaluates the job value over manager, and developed" global human resources database "for all group employees. "Global grading system" evaluates the job value over the group manager (equivalent to section chief) on a global unified basis and conducts a grade rating so that more than 900 group companies each have their own name, It is a thing passing through a certain sideways. (Abbreviation) By this means, it is possible to grasp human resources within the group by grade classification, and it is possible to implement a unified training program under the same global standards, and they will also make use of it to confirm the appropriateness of selection and treatment, to hire human resources with appropriate treatment.

"Global Human Resources Database" is managed with a two-tier database. The first layer is a "human resources database" that contains basic information such as the full name, year of company entry, company name and position of employee of approximately 250,000 employees of the group. The second layer is a "Global Human Resources System" that contains information on the nurturing of executive candidates over managerial level (equivalent to section chief). By utilizing the "Global Human Resources System", information on the "number" and "quality" of executive candidate human resources can be visualized from young people to management. It has become possible to provide executives with timely provision of successor training for each position. "(Initiatives for Securing and Training Global Managers, May 13, 2014 General Association of Japan Economic Organization Association)

In Hitachi, Human Resources Database has been constructed for the purpose of personnel management, future promotion, personnel placement in the right place, training, etc. But in Sogo-shoshas, the basics of knowledge exchange within the company and a network of human resources for building a worldwide business will be created.

### **3.2.1.7 Examples**

I would like to introduce successful examples of Japanese multinational company.

- ① Komatsu ("Report 1st Komatsu Global Human Resources: The 73rd Labor Policy Forum Japanese Independent Administrative Institution Labor Policy Research and Training Organization from April 14, 2014) (Ministry of Health, Labor and Welfare Mission 2)

Komatsu can be said to be a highly localized company where foreigners work through



development, production, sales and management.

Komatsu entered the United States of America in 1985, Belgium in 1967, Germany in 1989, UK in 1985, Indonesia in 1982, Australia in 1992, China in 1996, Germany in 1996, South Africa in 1997 and Chile in 1999. All these are now the local people working for the CEO.

Other local subsidiaries also looked to future local people management.

The pattern of overseas expansion is the same as in other countries, as Japanese people set up local subsidiaries and joint ventures to scale to a certain extent, promptly promote localization and leave decisive power to local people.

It is now a very international company that sales in Japan are 19% of the total and 59% of the employees are foreigners.

② Ajinomoto in south east Asia ("Weekly Diamond December 10, 2016 " Diamond Co., Ltd.) Taste and preference, sales and management are localized, and it has made great success. Taking advantage of the core ability of traditional Ajinomoto umami, they continue to challenge the world market, especially the taste part has big differences in each country. Among them, they are promoting localization in development, production and sales.

"The basics of Ajinomoto's BOP strategy is the popularization of thorough localization and the origin" UMAMI (amino acid type umami ingredients based taste) ".

The first step in localization is setting prices and product sizes according to local consumption propensity.

They are pursuing thorough localization of taste and preference. For example, with regard to seasoning, in Indonesia where fried chicken is a national food, "Sajiku" based on fried powder is developed, in Nigeria where red is preferred as taste color, "Madish" which stands out is developed, it has been very popular and continues to grow two digits each year.

Even in the ASEAN region, a local salesman who already has 3,500 people carries the above-mentioned small-volume packed goods, explains products, replenishes them, collects money by turning the local market and individual shops one by one

As the first stage, enter the market from "Ajinomoto" of about 1 to 2 yen, and build a brand and sales network. Based on that, they will add flavor seasonings as a second stage, furthermore in line with maturity of income and food culture, menu seasoning like "Mabo tofu noodle", third stage instant noodles etc. and then they develop high value added products to processed foods. The Thai market, which is positioned as an ideal model, has stepped up its stage from the sale of "Ajinomoto" 50 years ago, and now it manufactures and sells canned coffee, instant noodles, frozen foods, and exports and commercial products totaling sales about 100 billion yen. "

③ Child companies of Sekisui-Chemical in USA, Switzerland, Netherland (Hideki Yoshihara "Local President and Internal Internationalization" Toyo Keizai Inc., 1989, 現地人社長と

内なる国際化 1989)

Although it is an example of a subsidiary company, Sekisui Chemical Co., Ltd. has also promoted localization from early on, and can be said to be a successful company.

Main business is plastics, high performance plastics · environment, lifeline · housing.

The following program is shown as training of local human resources in 2013, and local people are demonstrating their abilities as top management and managerial group of group companies. (Sekisui Chemical Co., Ltd. CSR Report 2013 Focus on Human Resources [https://www.sekisui.co.jp/csr/pdf/csr\\_report2013\\_06.pdf](https://www.sekisui.co.jp/csr/pdf/csr_report2013_06.pdf))

Development of top management and managerial level training in the US

Start of top European management training

Development of China manager level training, examination of common personnel measures

"About global expansion

We will further strengthen and expand our core business (interlayer, form, etc.), which is progressing global business due to "prominence" of our products, and we will further strengthen and expand our core business focusing on five projects, we aim to accelerate development by "localizing prominence".

Thus, we aim to achieve overseas sales of 330 billion yen in the final fiscal year (2016 fiscal year). " (Medium-term management plan 「SHINKA!-Advance 2016」)

They are trying to obtain 330 billion yen from overseas market, which is a quarter of companywide sales.

They are currently striving to internationalize this high goal.

### **3.2.1.8 Summary**

By delegating various powers from the headquarters and promoting localization in this manner, it is possible to efficiently incorporate overseas markets. In addition, by having the branch offices formulate strategies from the headquarters, it will lead to strengthening the capacity of the branches that form the basis for the exchange of global knowledge.

In the next chapter I would like to see how to change the organization specifically.

## **3.2.2 Restructuring**

### **3.2.2.1 Kotter's 8steps**

There are 8 Steps of Kotter as the theory of organization reform.

This is a psychologist Kotter analyzed and studied practical examples of more than 100 companies, and summarized it as a procedure of organization change.

In reforming the organization, Kotter says that one of these eight steps must not be dropped and

must be done in order.

It is also applicable to organizational change at trading companies and I believe that reform should be promoted accordingly.

**Table 6 Kotter 8steps**



A general trading company has a large number of employees, a large number of sales divisions, and branches in many countries around the world, which is very large scale. On that assumption, we must proceed with reform while paying attention to features.

#### 1, Create a Sense of Urgency

It is necessary for all of their employees to have sense of crisis. Sogo-Shoshas have many employees. It is for the first time in history that it is in the red, and it is vital to foster a sense of crisis that if the dramatic remedial measures are not taken the current crisis will continue.

In addition, it is a resource business is unstable, and we give employees awareness that the development of other fields that can generate revenue is the mission.

Some general employers have a sweet expectation that general trading companies have been raising huge profits for many years so that even if they do not do anything, some employees have a sweet expectation, but it is necessary to have a firm understanding that it cannot be maintained.

## 2, Build a Guiding Coalition

Specifically, in order to promote internationalization at companywide, department and branch offices, it is necessary to gather talented personnel from each department and major overseas branch offices at the head office. The important thing is to have foreign employees, senior staff, if possible participate in the team not only from within the company, but also from companies that actually succeeded by localizing and actualizing localization such as Komatsu, Ajinomoto and consultants.

President's commitment is indispensable. In the case of Mitsubishi Corporation's failure to publicize the English language, the president was lacking in determination to overtake to the last.

It is important to turn PDCA to penetrate.

## 3, Form a Strategic Vision and Initiatives

Make plans as to what kind of figure should be concretely in what kind of figure at each branch office and each division, and how it will become it. Ideal form, timing, and plan are required as specifically as possible.

The key point of in-house globalization is the globalization of customers. It cannot be said that true globalization has progressed even when the boss becomes non-Japanese. (Hideki Yoshihara "General trading company - Japanese operate in Japanese" National Economic Journal Vol. 187, No. 3, 2003 pp.19 - 34 吉原英樹『総合商社—日本人が日本語で経営』国民経済雑誌 第187巻第3号 2003年 pp.19-34)

## 4, Enlist a Volunteer Army

To inform it to national staffs many times by meeting.

It is necessary to penetrate the vision of change to the end of the organization.

It is necessary to issue a message to the whole company, the headquarters to penetrate the branch office policy, and also within the branch office, the manager should face-to-face meetings with the branch officials to understand the policy.

## 5, Enable Action by Removing Barriers

Employees make documents in English until reaching the end, English documents and meetings The important thing is not to return everything to English at once, but to gradually change from simple documents to English, so as not to be a big burden on employees.

In addition, informal decision-making between Japanese people has to be turned into official decision-making at the meeting. The head office must regulate the informal decision of things for Japanese employees by rule. At the same time they must also encourage active exchange of opinions within the company.

#### 6, Generate Short-Term

Headquarters give the power to branch office and let them draw strategy by themselves.

It is necessary to raise the ratio of sales to overseas companies. As mentioned earlier, the key point of in-house globalization is the globalization of customers.

#### 7, Sustain Acceleration

To promote further change by taking advantage of change.

They will make use of the wisdom and ingenuity of the branch where reform is successful well also at other branches and aim to increase sales to further overseas companies.

To proceed to be multinational company completely.

#### 8, Institute Change

To keep progress to be transnational company in the future.

#### **3.2.2.2 Failure case**

Mitsubishi/Mitsui have failed to settle English as corporate language.

Mitsubishi headquarters 1992

At Mitsubishi Corporation in 1992, President Makihara announced corporate English officialization. However, the opposition from the administrative department in particular failed strongly. Makihara was called an alien and was not quite agreed with employees at all.

"Since Mr. Makihara graduated from Harvard University and living abroad for a long time, they recognize that the logic nature of English and English as a common language is important in business, and to disseminate global internal communication and external messages I am thinking that I should use English (Monthly Report of the Japan Fair Trade Fair Monthly August-September 2000.)

They can positively incorporate English used as a common language of international business internally and respond to changes in future Sogo-Shosha. It was intended to create a system, but in the company, it is usually necessary to have English, many city departments are also large, and internal rebound has not been realized greatly. "(Hideki Yoshihara "General trading company - Japanese operate in Japanese" National Economic Journal Vol. 187, No. 3, 2003 pp.19 – 34, 吉原英樹『総合商社—日本人が日本語で経営』国民経済雑誌 第187巻第3号 2003年 pp.19-34)

It is conceivable that employees did not feel the need to use English, including the administration department.

It seems that Mr. Makihara didn't have leader's vision, enthusiasm.

However, considering the current situation, the market is obliged to overseas, and if customers are asked overseas, internationalization inside the company cannot be avoided.

## Mitsui USA 1970

Even at Mitsui, attempts to make common language as English in the conference at a US corporation in 1970 failed.

"An example of Mitsui USA in the general trading company is an example of an examination of the English official language of the public. In Mitsui USA, the general manager's conference is held once a week. At the time of 1970, a meeting where the executives of the company and 20 Japanese representatives representing each sales department and one American who is the vice president of administrative attendance were presenting in Japanese. and the official language of this conference was switched to English.

The company's English conference was expected as a new attempt to convert Mitsui & Co. into English as the official language of English but it was returned to Japanese again. The conference in English became funeral and useful information was sent to participants. The reason is that it was not exchanged between Japanese and English, and the conference was held in Japanese, summarizing the minutes of the conference in English and distributing it to stakeholders in the US (Nikkei Business 1994 Jan31 issued) "

Japanese couldn't exchange the information.

Obstacle on organizational reform is a Japanese high context culture.

As Japanese people prefer to work with Japanese people rather than foreigners as culture and prefer to use Japanese rather than English.

However, consciousness to globalization is currently changing, and it can be said that the external environment is greatly different from the era in which Mitsubishi Corporation and Mitsui & Co.Ltd organization reform failed.

There are good examples including Honda, Rakuten, and Uniqlo. Today, more Japanese companies are promoting English official languages, especially those who are seeking markets abroad.

English officialization is the minimum condition for employing excellent foreign employees who give wisdom for competing in the world and it is a good opportunity for Japanese employees to look overseas as well.

## Honda, English as official language in company in 2020

(Nihon Keizai Shimbun, June 29, 2015)

"Honda announced on 29th that the official language inside the company will be in English with the goal of 2020. They will use English to create meetings that cross regional areas and to share globally with unified languages and communication between regions. Following Rakuten and other emerging companies, major long-established firms have also shifted to switch official languages to English.

The sustainability report that was disclosed on the same day clearly marks the officialization

of English. They will switch the language when sharing information between countries and regions to English by 2012. The information sending side prepares English materials and documents and conducts conversation in English. In the past, Japanese expats translated documents created in Japanese into local languages.

They intend to enrich their English learning program for employees who do not have English as their mother tongue and to add English ability to managerial promotion requirements. But they will continue to use local languages such as Japanese at domestic meetings.

For Japanese companies, Rakuten launched a policy to turn the official language into English in 10 years, and has been implementing it since 2012. Casual clothing store "UNIQLO" also raises the official language of English. In the automobile-related field, Bridgestone clearly states that the official language of English is included in the medium-term management plan. Nissan is engaged in partnership with Renault in English, but it is not an official language. "

However, of course organizational reform including English has problems and difficulties.

① Company character

First, they must consider how to protect the company's character and way of thinking. Current Sogo-Shoshas have strong character for each trading company such as chaebol and non-chaebol. In this regard, it is effective to adopt only those who can observe the management policy.

④ Compliance

Secondary, how to protect compliance when the number of foreigners in the headquarters and branches is much will be an important discussion. It is good to decide the standards at the headquarters and apply them throughout the company.

③ Resistance of the Japanese

The biggest problem is the resistance to reforms from Japanese who currently have strong power. It is conceivable that they do not agree and do not transfer power to foreigners smoothly.

In this regard, Japanese people cannot keep the present salary level as-is in this state, basically most of the Japanese employees are also self-directed to English conversation classes, many from my experience. It seems that there are many employees who are longing for English and wanting to speak.

### **3.2.2.3 Example of restructuring**

Eli Lilly and Company is a good example of organization change.

This is published in the paper entitled "globalization of an ethnocentric firm: evolutionary perspective" published in 1995 by a scholar named Malnight.

He illustrated an example of internationalization of an American pharmaceutical company called Eli Lilly. This is the study that stage of becoming an international company after graduating from the 1970s it was domestic enterprise, and among the research of multinational

enterprises with many static theories, a few valuable papers that carried out dynamic analysis. Eli Lilly is a pharmaceutical company and has gradually globalized. First, they determined the expedition sales as purpose, then gradually globalized the Clinical, marketing and manufacturing departments.

Role of OUS (out of united states) has changed.

Initially, OUS was in Appendage changed to participation, contribution, and finally integration.

Below points are lessons applicable for Sogo-Shoshas.

- 1, Strong leadership is indispensable.
- 2, Expanding sales lead globalization.
- 3, Going global, more exchanging knowledge.

#### **3.2.2.4 A preliminary example at a general trading company**

In addition, ITOCHU Corporation is currently conducting various policies ahead within Sogo-Shoshas. (Toru Arai "The secret of ITOCHU leap forward" Yosensha, 2017, 新井徹『伊藤忠躍進の秘密』洋泉社、2017 年)

Prior investment in non-resource sector, database of overseas talented personnel, unified grade worldwide and trying to utilize human resources.

they are implementing a program to train excellent employees on site at the headquarters for two years.

Among them, it is worth noting that investing in China's state-owned enterprise CITIC and explicitly setting out the advance to developing countries. They encourage Japanese employees to learn not only English but also Chinese.

However, although there are drawbacks that the investment amount is excessively biased in China as a portfolio, it is an example that is ahead of the point that it is aiming for full-scale advancement to the overseas market which I have been described up.

## **4. Conclusion**

### **4.1 Conclusion**

Factors that have traditionally prevented globalization of trading companies are: (1) high profitable resource business (2) Japanese customers (3) merit of military organization.

However, in order to maintain profits, they must enter the consumer market of developing countries.

To that end, it is necessary to globalize the head office and strengthen the branch office.

Although a transnational company is ideal, it is impossible to transform into a transnational company at once for a Sogo-Shoshas, which is too conservative and operated by Japanese. And it should be a multi-national company. In that case, it is vital to smoothly and reliably reform using Kotter's 8 steps.



The ups and downs of individual companies in the future will change greatly depending on whether companies can steadily implement such reforms or not.

## 4.2 Contribution

### Academic significance

It is very meaningful that this paper proposes not only the theory about multinational corporations which were mainly in the manufacturing industry but also a method of concretely how to globalize Sogo-Shoshas which no one previously wrote as a thesis.

### Practical significance

I believe that the proposal that theoretically deny that many Sogo-Shoshas are going to suddenly change to transnational and that they should go through multinational is also of great practical significance. By showing concrete action guidelines, I believe that Sogo-Shoshas have been able to quickly change to multinational companies.

## 4.3 Limitations

It is presupposed that it holds intention to maintain or expand the profit amount.

It does not cover strategy theory

This paper is not supposed to be applied at manufacturers or specialized trading companies

It is not considered differences in proficiency levels at each branch office

It is a discussion between the headquarters and the local corporation, and discussion about the subsidiary is not covered.

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