

Preface

Currently, Japanese companies are positively promoting the “integration and/or separation of businesses” with the aim of gaining a competitive advantage. Although various individual and combined business models exist, the common goal is to enhance the value of the business.

Nowadays, the competition that exists among business groups is more important than that among individual firms. Therefore, the strategies for managing numerous individual firms have become important from the viewpoint of the business group as a whole.

In Japan, there are many core companies that engage in unique inter-firm relationships, called “Keiretsu”, which confer substantial influence upon the members of the group through continuous transactions, even in the absence of capital-alliances. Therefore, our research also considers these uniquely Japanese attributes. The management methods employed in Japanese companies include the following: (1) application of evaluation systems; (2) execution of mergers and acquisitions (M&A); (3) utilization of segment information; (4) management of inter-firm relations; and (5) adoption of organizational learning.

In this book, we explore and elucidate business group management (BGM) and inter-firm management in Japanese companies, both theoretically and practically through case studies, survey research, and other methodologies. The analyses, hypotheses, and conclusions presented in this book will be useful for business practitioners and for academic researchers.

This book consists of the following five parts.

Part 1: Accounting Information for Group Management and Management Control Systems

The first paper by Hamada examines the managerial accounting methods used in business group management by analyzing the role played by the

group headquarters. In particular, it is examined how the managerial accounting system and consolidated performance evaluation system are designed and utilized in Japanese companies.

The second paper by Tomo, Yori, and Asada investigates the current situation and problems associated with the application of management control systems in companies that are falling under the control of holding company. The meaning of business reformation, the extent of authority delegation, and the roles of the holding company are examined.

Part 2: M&A, Including MBO, and Outsourcing for Group Reformation

The first paper by Suzuki investigates the effects of M&A on financial performance. This paper regards M&A as a means to transfer business resources from one company to another, whereby a firm or business is itself a type of resource. From this standpoint, the effects of M&A on business sustainability performance are evaluated.

The second paper by Kaneda examines management buyouts (MBOs) of Japanese companies. In MBOs, corporations tend to retain the original management and employees, generally avoiding massive layoffs. Thus, some large corporations prefer to use MBOs to spin off subsidiaries. As an example, the spinning off of subsidiaries from Nissan Motor Company, during which the management changed its style of corporate management, is presented.

The third paper by Matsuoka discusses outsourcing. The purpose of outsourcing has evolved, and strategic outsourcing or value-creation outsourcing has emerged in recent years. This paper describes the historical transitions undergone by outsourcing and looks in particular at the current managerial meaning of strategic outsourcing.

The fourth paper by Monden explains the acquisition price of M&A as a practical example of the *incentive price*, using the case study of the merger between City group and Nikko. The estimated synergy of M&A will be allocated to both the acquiring firm and the acquired firm. The central problem in this allocation is how to determine the acquisition premium for the stockholders of the acquired firm considering the interest of stockholders of the acquiring firm.

Part 3: Analyses of Accounting Information for Consolidated Business Groups and Segmental Business Units

The first paper by Takano discusses how management accounting information is used for BGM through the analysis of consolidated accounting information. The associated analyses with case studies are provided in this paper.

The second chapter by Hiraoka investigates segment reporting for business evaluation using a case study. Starting in April 2010, Japanese companies will be obliged to introduce a “management approach” to segment reporting. However, Panasonic Electric Works is already applying this approach to arrangement. Through a case study of segment reporting at Panasonic Electric Works, this paper shows how an analysis of “business evaluation” can be made.

Part 4: Management of Inter-Firm Relations

The first paper by Minagawa discusses how management accounting can achieve the goal congruence among supply chain partners. Among the critical issues to be resolved for efficient supply chain management is how to reduce the risks that associate with opportunistic behaviors by partners.

The second paper by Ozawa demonstrates the hypothesis that for Toyota to maintain its strong negotiating position, it is necessary to have a system in place that rewards dealerships based on their sales performances, rather than one that increases sales by reducing invoice prices in the low-demand season.

The third paper by Hoshi discusses the royalties of franchise contracts and profit allocation. The basis for assessing royalties in a franchise contract in a convenience store business is usually the gross profit or the gross profit plus the “loss amount,” which corresponds to the cost of purchased merchandise that was subsequently discarded because it was past its consumption-date. This paper examines the effect of loss inclusion in the royalty base, so that the profit allocation issues that arise in a convenience store business can be clarified.

The fourth paper by Kubota investigates the factors that influence the control mechanisms of joint ventures. The success of inter-company

alliances or joint ventures is dependent upon the management control systems for inter-firm relations. In general, compared to the situation in Western companies, the managers of Japanese companies are inclined to get involved in on-site, shop-floor-level manufacturing, and to conduct informal controls. This paper clarifies the Japanese inter-firm control mechanism through the research survey of the top management of manufacturing companies in Japan.

The fifth paper by Sakaguchi explores the question as to whether or not inter-firm cooperation contributes to the performance level of Japanese firms, based on a survey of 97 Japanese manufacturing companies. Inter-firm cooperation, the relationship between cooperation and performance, and the emerging problems in Japanese inter-firm cooperation are examined.

The sixth paper by Monden discusses incentive price used as a transaction price for allocating the joint profits to the member firms of the network organization. The criterion to determine such an incentive price is the contribution grade of how each party has contributed to gain the joint profit, and it will be measured based on the tangible and/or intangible assets or the expenses paid to develop such assets.

Part 5: Inter-Organizational Learning and Autonomous Organizations

The first paper by Kondo discusses the management of population-level learning and inter-organizational relations in Japan. In this paper, the differences in the various learning patterns of various inter-firm relations are summarized. In addition, appropriate organizational learning strategies to be adopted by each organization to adapt flexibly to changes in the management environments, while controlling dysfunctional results, are discussed.

The second paper by Ito investigates management control systems for empowered organizations. The concepts and principles of empowered organizations contrast with those of centralized organizations, which are designed and managed using a “command-and-control” logic. The relationship between the organization principle and management accounting is analyzed in detail. Tentative conclusions are reached based on case studies of high-achieving Japanese companies, such as Toyota, Kyocera, Kao, and 7-Eleven.

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