Three Market Configurations in "Mega-competition":

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The Emergence of Global Mega-competition and the Vicissitudes of Main Market Configurations

Since the socialist world collapsed toward the end of the 20th century, markets around the world have been rapidly globalized, giving rise to a situation of "mega-competition" that crosses national and regional boundaries. It goes without saying that the idea of competition and the economic and social typology that have taken the lead in bringing about this change have derived from capitalism of the American or Anglo-Saxon variety. Moreover, boosted both by the universality of the underlying idea of competition and by the IT revolution and the frantic stock-market boom that erupted in the United States during the 1990s, this tidal wave seems to have engulfed the entire world.

This process might as well have been characterized as a second round of Americanization, in succession to the first one that took place in the immediate aftermath of World War II. But, if so, does this mean that the world has single-mindedly moved in the direction of convergence with the American model, and it is going to step up this movement still further?

The issue involved is not that simple. To begin with, the first few years of the 21st century are already beginning to see the American-led big boom begin to run out of steam, accompanied by the onset of an IT recession and the collapse of the stock market boom, and also affected by the psychological impacts of the anti-American terrorist attacks of September 11, 2001. But this is only part of the entire story. Looked at from the standpoint of this paper, it is important to note that the globalization of the world economy had begun to proceed since the 1980s, concurrently with the internationalization somewhat belatedly of the Japanese management style, and also with the rapid rise of the East Asian economies that was stimulated primarily by the international dissemination of the Japanese management style, and that subsequently in the 1990s the globalization process was significantly expedited by the movement toward unification of the European Union that resulted in the creation of the new currency Euro. The fact that European countries, with their strong inward-looking orientation, began their experimentation with mega-competition within the framework of the EU seems to have exerted significant impacts on the globalization process.

The purpose of this paper is to assert that the onset of global "mega-competition" should not be understood simplistically as the unfolding of a process by which the global standards based on the American model is being diffused globally, but rather that such global competition is unfolding accompanied by interplays among the modes of competition and market configurations peculiar to the three major regions of the world, i.e., the United States, Europe, and East Asia, and that the relationships of competition and cooperation among these three modes ought to be more duly taken into account. In what follows, therefore, I would like to try to determine the extent to which the American model can be universal, and the extent to which the American boom can be sustainable, and thereby to propose a standpoint from which to analyze the contents and characteristics of "mega-competition." Such an approach cannot but also take issue with the argument for "deregulation" that gained influence in the United States during the 1980s and after, and also with the call for "structural reform" that is rampant in Japan and is deemed to be responsible for keeping the Japanese economy stagnant since the burst of the bubble economy in the early 1990s.

The Theoretical Perspective on Competition, a Market, and Organizations

This paper's basic perspective on competition or a market concerns the question of how the relationship between a market and organizations should be understood, or more precisely, the question of how the working of a market is affected by organizations. As such, the perspective adopted here has much in common with the theory of firms and organizations developed by Coase [1937] and Williamson [1975], or what is known as the internalization theory. This theory takes note of the tendency for organizations, such as firms, the state, and households, to internalize external transactions among individuals who are theoretically deemed to be the basic actors in the market, and asserts that such internalization has the effect of saving the costs of transactions, on the one hand, while it also has the effect of weakening the competitive momentums in the market, pushing the market into a state of imperfect competition, on the other. It should be pointed out, however, that the internalization theory falls short of proving further into the internal working of the organizations.

My perspective is different from this because, paying attention mainly to corporate organizations, I am primarily interested in examining how organizations with qualitative differences affect the functions of the market differently. I also focus my attention on the fact that such qualitative differences do not only differentiate one individual firm from another, but they also manifest themselves clearly as typological differences between countries or regions. Qualitative differences between countries or regions in which firms are located may be explained in terms of the differences in the geographical and historical conditions of the respective countries or regions, and ultimately in terms of social and cultural differences between them. Such a cultural approach, already detested strongly by many researchers for years, seems to have come under stepped-up attack especially since the argument for global standards or for "one best model" has gained momentum fueled by the advance in the globalization process and the economic "revival" of America. In Japan, too, not a few firms, affected by the prolonged recession and the bleak and shaky future prospects, are taking a fresh look at their established arrangements and managerial practices by openly declaring that they should "allow free play to market mechanisms," as evidenced by Keizai Dôyûkai's (Japan Association of Corporate Executive's) 1997 declaration that it would commit itself to creating a market-oriented Japanese economy.

It cannot be denied, nonetheless, that an organization is a collection of human beings, and that the way in which the group of human beings is managed and operated cannot but be significantly affected by the types of people who constitute the organization. The term "culture" is used here in the sense of the manner in which inter-personal information is processed, while affected by the geographical and historical environments, which are the two major (horizontal and vertical) factors defining the composition of human society. Questions of crucial importance in characterizing the manner of inter-personal information processing, as we will see on a more concrete basis later, are: whether information is disseminated among individuals for processing and utilization or it is processed and utilized in a more collective way (i.e., the question of "context" to be discussed later); and whether the authority and responsibility of an individual member's job is defined broadly or narrowly (i.e., the question of "demarcation"). As far as I know, the United States and Japan differ most strikingly from each other with regard to these questions. Underlying this difference is the stark contrast between the locational and historical environments of the two countries: the United States is characterized as a country of immigrants and their descendants from around the world who dispersedly inhabit the vast expanse of the country's continental landscape; on the other hand, Japan is a peripheral island country in the Far East, densely populated by homogeneous and inward-looking people. One might of course say that these differences are a matter of degree, but there is a lot more to them than meets the eye. In this regard, our perspective on competition or markets has much in common with the approach of economic or management geography, which is commanding much attention lately (Abo [2000], [2002]).

Characteristic Features of Three Types of Markets, Three Corporate Organizational Models, and Three Patterns of Competition in Three Major Regions: A Comparison Based on the Findings of Researches on Japan-based Hybrid Factories

In the remaining part of this paper, I will compare the types of markets and the patterns of competition prevalent in three major regions of the United States, Europe, and Japan (and Asia), in relation with the corporate organizational forms and business models peculiar to each region. The main features of the relations between markets, organizations and business models in the three regions are summarized in Table 1. Some of the research findings of the Japanese Multinational Enterprise Study Group (JMNESG), of which I am a member, are cited in support of various entries in the table.

Table 1 Three Types of Market,Organization and Business Models in Three Major Regions USA (UK) Japan (East Asia) Continental Europe principal characteristics market fundamentalism cooperative organization-orientation regulative organization-orientation nature of market external market, price-led, speculative internal market-orientation in firms, quality-led internal market-orientation in community, high quality-led nature of organization rule and law-based, trust, M&A group-based, keiretsu, cross-shareholdings social regulation-based, cartel-alliance corporate governance owners' control employees' control owner-employees' joint control management system rigid demarcation, individual-based division of labor flexible demarcation, worksite-oriented all members involvement regulation-based demarcation, specialist-led division of labor money-capital market direct financing, stock market capitalism indirect financing, main bank system indirect financing, universal banking social institution individual-based division of labor of persons and firms, all-out competition, standardization-orientation organization-based division of labor of persons and firms, coexistence of competition and cooperation, flexibility two party-led division of labor, restricted competition and conventional gradualism

Market Fundamentalism in the United States
Key Characteristics of Markets and Organizations
To begin with, there may be no objection to stating that the relations between markets and corporate organizations in the United States can be characterized essentially as those of market fundamentalism. Competitive transactions in the United States -- not only transactions between individuals or between firms, but also intra-firm transactions - tend to be carried out in a strictly business-like manner based on price competition, while precluding intervention of organizations as much as possible. In transactions between firms, it is a general rule for the purchasing firm to invite a large number of potential suppliers to submit quotations and select the lowest bidder as the supplier for a particular transaction, and to repeat the same procedure all over again for another transaction. These arrangements are very unlikely to long-lasting transaction relations among firms (see, for instance, Womack, et al [1990]). Moreover, contractual relations also prevail inside firms. In a joint-stock company corporate governance is typically implemented in such a way that the shareholders as the owners of the firm conclude with the board of directors as their agency a contract commissioning the latter with the task of taking care of the firm's management, and the extent to which the latter has fulfilled their side of the bargain is assessed on the basis of the earnings report and the stock price. And firms themselves are daily subjected to possible selling and purchasing (merger and absorption), at prices determined by their stock prices.
And signed between the board of directors responsible for managing the firm and employees who are placed under their administration are formal contracts of employment, which define for each employee exactly what job demarcation he/she should occupy among the narrowly and rigidly defined job demarcations, what his/her authority and responsibility should be, and what price (i.e., wage or payment) should be paid to his/her service. This explains why labor fluidity among firms, either through poaching by firms which is now an everyday occurrence or through voluntary jumping of jobs by employees, is so high, and the high labor fluidity vividly attests to the fact that price-dictated market-like transaction relations have permeated inside the corporate structure.
In American markets with their strong price-driven nature, an economic and social equilibrium is achieved primarily by means of temporal or transient external transactions. This logically implies that American markets are characterized as those of what Dore [2000] calls "stock market capitalism," in the sense that a large number of widely dispersed investors, operating in the extensive and diversified market environments,

where momentums of "opportunism" and "the limitation of rationality" (Williamson [1975, Ch.2]) are often at work, tend to display both the dynamism and the danger of taking speculative actions.

ii) The Mode of Corporate Governance

Turning now to firms (in particular joint-stock companies) as basic units of organizations, they are most frequently controlled by their owners. This form of corporate governance is dovetails with the market environments described above, in the sense that the relationship of control over a firm is changed when the ownership of the firm is transacted through the transaction of its stocks. Although it is well known that even the United States once experienced an era of managerialism that emerged against the backdrop of factors such as the rise of professional managers and the diffusion of stock ownership (Berle and Means [1933]), ultimately shareholders' control has struck roots as big institutional investors have come to wield increasingly strong influence by accumulating investment funds of mass investors.

Owners' control has been sustained by the structure of the financial and capital market that is oriented toward direct financing, wherein fund owners, by purchasing corporate shares in the securities market, become stockholders (or investors in firms) who directly supply the firms with necessary capital funds. On surface, the practice of direct financing may appear to be the most natural form of financing well adapted to the logic of capitalism, but in reality it is dictated to a considerable extent by peculiarly American factors. Historically speaking, the United States with its extensive geographical scope could not afford to spend much time in concentrating social funds saved by the public into the hands of banks and other financial institutions for redistribution as investment funds; it was much easier to procure all the necessary funds at one sweep from within and without the country by playing upon speculative motives of potential investors. It is, therefore, one-sided to say that direct financing is the most rational form of corporate financing.

Inter-corporate relations under this sort of interaction between the market and firms typically take the form of restricted competition (monopoly and oligopoly), restricted by means of trusts or holding-companies, and recourse is often made to mergers and absorptions to form such trusts or holding-companies. Given the environments that make it difficult for a private firm to form organizational relationships with other firms not involving market transactions or to cooperate with other firms as independent entities, firms opt to internalize their competitors by directly absorbing them as part of their organizational structure. The practice of merger and absorption, which reduces firms themselves into marketable commodities, can be regarded as an ultimate manifestation of market fundamentalism. One significant contradiction inherent in the American economy is that, despite the theoretical assumption that a market economy can work most efficiently when perfect competition prevails, a market economy in reality can easily end up allowing a few gigantic firms to form monopolies or oligopolies.

This gives rise to a social rule for regulating these inter-firm relations, which usually takes the form of legal regulation based on a series of anti-trust laws aimed at promoting competition. In the competitive society of the United States that encompasses a wide diversity of market participants, unambiguously defined laws can be the only effective means of regulating the economy, and their effectiveness is safeguarded by the federal government which is administered by the presidential leadership. This explains why the school of industrial organization with its concern to analyze the relationship between competition and monopoly with emphasis on the issue of restrictions on market entry, and the institutional school which proves into the relations between organizational patterns and markets have gained influence in the American academia of economists (Bain [1968], Veblen [1915], and Williamson [1975]).

iii) Management and Production System

The most fundamental factor that affects the competitive advantage and efficiency of a firm having these organizational features is its management and production system. A management and production system concerns the question of what would be the best way for the operational division, acting under the direction of the board of directors, to allocate and deploy materials, money and other managerial resources, and carry out the firm's daily business operations most efficiently and profitably. It is at the level of individual firms' management and production systems that qualitative differences among corporate organizations of different countries and regions are most pronounced. And the system's overall efficiency is crucially affected by factors such as the types of authorities and responsibilities that various subdivisions of the operational division and employees assigned to administrative posts of various levels are invested with, the way in which the division of labor and the system of cooperation among various subdivisions are arranged, and the way in which the procedures for performing jobs and activities are systematized. So long as what E.T. Hall [1976] calls the "context," or the density with which information is processed and exchanged among people, differs from one society to the next, people around the world would not be induced to harbor a certain uniform model, however intensively they are educated and trained to do so. Table 2 Hybrid Factories Evaluation of 6 Groups and 23 Items in the USA, the UK, Continenntal Europe and East Asia 23 Elements-6 Groups USA UK Cont.Europe East Asia GI Work organization/administration 2.9 3.4 3.0 3.4 1. Job Classification 3.7 4.4 3.2 4.7 2. Job Rotation 2.4 3.3 2.8 2.7 3. Training 2.6 3.5 3.1 3.3 4. Wage 2.9 2.8 2.8 3.4 5. Promotion 3.1 3.4 3.1 3.4 6. Supervisor 2.9 3.4 3.1 3.1 GII Production control 3.3 3.5 3.1 3.4 7. Equipment 4.3 3.9 3.4 3.8 8. Maintenance 2.6 3.0 2.8 3.1 9. Quality Control 3.4 3.6 3.1 3.4 10.Operation Management 3.0 3.6 3.2 3.3 GIII Parts procurement 3.0 2.5 2.8 3.2 11. Local Content 2.7 1.9 2.8 3.0 12. Suppliers 3.9 2.7 2.9 3.7 13. Methods 2.5 2.9 2.8 3.0 GIV Team sense 3.2 3.3 2.7 3.3 14. Small Group 2.5 2.7 2.5 3.0 15. Information 3.6 3.6 2.8 3.4 16. Unity 3.5 3.7 2.8 3.5 GV Labor relations 3.6 3.5 3.2 3.2 17. Employment Policy 3.4 3.3 3.1 3.1 18. Employment Security 3.4 3.4 3.2 3.1 19. Union 4.4 4.2 3.5 3.6 20. Grievance 3.3 3.0 3.1 3.1 VGI Parent/ subsidiary 3.6 2.8 3.0 2.6 21. JPN Ratio 3.7 2.4 2.6 1.6 22. Power Delegation 3.6 3.0 3.2 3.0 23. Local Manager 3.6 3.0 3.1 3.4 Total Average 3.3 3.2 3.0 3.2 To prove into this point a little further, let us look at the job classification which constitutes the basic prerequisite for working organizations in a managerial system (see Table 2, which summarizes the findings of our aforementioned researches). In the American managerial system, the scope of authority and responsibility allotted to each employee is very narrowly and rigidly defined, with the result that a job site is arranged on the basis of a rigidly defined division of labor among various job categories, and accordingly the procedures for evaluation of individual employees' performance and their reward (i.e., the procedures for "promotion," and the "wage scale") are defined on a job-by-job basis. Employees are assigned to various jobs by checking the levels of their knowledge, skills and other factors of competence against the specified requirements for each job category (and this practice leads to the procurement and utilization of "ready-made" human resources). The performance of an employee is evaluated basically on a job category by job category basis (while the performance of a white-collar employee is evaluated in reference to his/her individual accomplishments), along an evaluation scale that is broken down into a large number of steps with a wide gap separating one step from the next (i.e., meritocracy). This managerial model has proven effective in mass production of a limited variety of good (typically in the Ford system), where it pursues the advantages of division of labor to the fullest extent, and in research and development of reform- or innovation-oriented technologies, where it has the advantage of encouraging meritocratic competition. In either application, the managerial model very seldom enhances cooperation or cooperative work.

These features of the American management system at the job-site level can be discerned considerably clearly from the finding of our researches on Japanese hybrid factories in the United States. It is quite revealing, for instance, to see from Table 2 the extent to which Japanese automobile makers are successful in applying their reward systems to their offshore plants in the United States. Whereas a traditional American firm would prefer to divide the job categories on its final assembly line into hundreds of units, Japanese auto makers, with their strong preoccupation to leave the job categories as flexible as possible, have defined the job categories very roughly, cutting back on their total number drastically down to only two or three. But there is a flip side to this approach. The Japanese firms have found it difficult to practice performance evaluation exactly as in Japan, on an individual-by-individual basis instead of a job-by-job basis, with due consideration paid to each employee's seniority standing, and even after 20 years since the commencement of the operation of their offshore plants they are still sticking to the practice of evaluating employees' performance on the basis of a very limited number of job categories, with the result that they fail to provide employees with enough incentives for promotion.

It must be kept in mind at this juncture that there is no way of assuring that a certain management system is more efficient than others across time and space, because the performance of management systems can vary depending on the type of industry, the market size, and the types of strategies and policies pursued by the firm and the country. My contention here is that, nonetheless, the issue of comparative advantage among different countries cannot be totally dismissed (Ricardo [1817], and Porter [1990]), and that merits and

demerits of a certain management system must be assessed ultimately by asking what institutional or organizational setups of what country, industry, or firm it fits in best.
Another important point needs to be emphasized about market fundamentalism of the United States. Even though the American market structure is equipped with what appear to be universal features, which seem to have solidly supported its claim to be the global standard, such a claim has come to be made not because America's economy or society represents some standard norm, but rather, paradoxically enough, because it is extraordinary and exceptional. A society of immigrants composed of various peoples and cultures from almost all parts of the world, the United States has had no other choice but to establish a set of well-defined rules with which to integrate peoples and cultures of diverse origins into a unified country and a national economy, and, economically, has had no other choice but to link them up in the market. This is exactly what a market should be like by nature (Marx [1867, Book I, Ch. 2]), and this explains why market fundamentalism of the American type, backed up, needless to say, by the political and economic influences of the United States, gains currency as a common rule for regulating world-scale transactions among actors of extremely different backgrounds

Japanese-type Cooperative Organization-Orientation
Key Characteristics of Markets and Organizations
In contrast to the relationship between markets and corporate organizations in the United States, the relationship in Japan is characterized by the fact that markets are penetrated so deeply by organizational factors that it can be aptly called organization-oriented. Moreover, organization is cooperative in nature, so the relationship may be characterized as one of cooperative organization-orientation. It is important to note, however, that this does not mean that market functions are far from dormant.
Inter-firm transaction relations - not only those among members belonging to corporate groups in the broad sense, including groups bound by cross-shareholdings, and keiretsu- or subcontracting-relations, but also those among independent firms - are still generally characterized as relations of long-term transactions among a limited number of specific firms, even though these relations are beginning to undergo some changes lately. It is impossible to explain solely in terms of the logic of market why firms that are independent from each other both in form and substance, if not firms that are in relations of control and subordination through shareholdings or other tie-ups, maintain their transaction relations for extended periods as if they were organizationally related to each other.
Inside the firm, moreover, corporate governance is controlled so predominantly by managers that in many cases, stockholders, even including financial institutions that are the firm's largest shareholders holding as much as several percentages of its total shares through cross-shareholding arrangements, are not regarded as having concluded a contract with the managers on an equal footing. On the other hand, both managers and ordinary employees are far less conscious that they have entered into transaction relations by signing employment contracts. Both of them are called "members of the company" and members of the board of directors are selected as a matter of principle from among "members of the company" through competition and promotion. Thus, managers and ordinary employees are "fellow mates" who are supposed to collaborate with each other to make "our company" grow bigger and more successful. The relatively small difference between a company president's salary and those of rank and file employees in Japan is one of the important factors that eloquently attest to this. (As Dore [2000] points out, when this small discrepancy disappears, the Japanese management system will undergo profound changes.) Job demarcations, which specify the scope of authority and responsibility for each job, are very broadly drawn and applied very flexibly; and each employee acquires a broad range of knowledge and expertise by going through the job-rotation and on-the-job training (JR-OJT) arrangements, and makes use of that knowledge and expertise in an effort to accomplish "improvements" far in excess of the specified targets. Such sense of purpose and behavioral attitude displayed by the rank and file employee essentially have much in common with those of the owners and managers of the firm, and there is no denying that this sort of sense of belongingness is anchored in the system of "lifetime employment."
Nonetheless, it is evident that a firm in Japan is not a society without any competition. Even though the differential in the salaries of the top manager and a rank file employee is much smaller than elsewhere in the

world, a very stringent performance appraisal system is rigorously put into effect at all levels of jobs, with each individual employee's performance and the way he/she works being scrutinized in a comprehensive manner; and the primary concern for this performance appraisal is to determine whether a certain employee is successfully performing his/her broadly defined job mentioned above, and whether his/her commitment to "improvements" is strong enough (which means that the appraisal is on an individual-by-individual basis). And what becomes the focus of competition in this organization-oriented society is not the amount of monetary remuneration, but the expectation that tiny bits of leads one gets over other competitors at each round of assessment will eventually add up to the "honor" of being promoted along the ladder of managerial hierarchy. One can understand the important role played by this competitive momentum in Japanese firms by just looking at the big gaps in efficiency and product quality that separate private firms from public offices or public enterprises in Japan.

In inter-firm transactions in Japan, the quality of products and the supplier's ability to make the deadline are often considered more important than the prices of products, and consequently internal or semi-internal transactions are attached with great importance. This does not necessarily mean, however, that the in-house production ratio at Japanese firms is high; on the contrary, the in-house production ratios at manufacturers of assembled goods are generally low. What is distinctive about inter-firm transactions in Japan is that many of the transactions between firms that are affiliated with each other through keiretsu and other tie-ups, despite their formal appearances of being external, are in fact semi-internal. It is pointed out that "opportunistic" actions very seldom take place in such semi-internal transactions, even though they are performed by a limited number of parties in the relatively restricted competitive environment (Williamson [1975]. In these transactions, a group of reliable "coteries," while being rivals to each other, cooperate with each other and intensively exchange information with each other, making joint efforts on a long-term basis to improve their performance concerning QCD (product quality, costs, and delivery before the deadline). The just-in-time (JIT) delivery system is the most typical outcome of such joint efforts. Needless to say, if these joint efforts lose the momentum of market competition they end up being ineffective.

ii) The Mode of Corporate Governance

Standing poles apart from its American counterpart, the Japanese-style corporate governance structure is characterized by the extremely small extent of influence the shareholders have in the management of a firm, which is governed by the stronger initiative of the managers, and is essentially under the control of its employees (see, for instance, Aoki [1988]). All the board members, including the president, are promoted from ordinary employees. On the part of the shareholders, who are supposed to be in opposition to the managers, financial institutions and other institutional investors, which are the firm's largest shareholders each owning several percentages of its total shares, in fact collaborate with the managers in the "cross-shareholding" arrangements, which are partly meant to prevent hostile takeover by outsiders. To be sure, since the 1990s following the collapse of the bubble economic boom, and under the effect of the call for structural reforms and the deterioration of the asset standing of financial institutions, the corporate governance structure in Japan has begun to show some new developments, such as the appointment of outside board members and the unwinding of the cross-shareholding arrangements; but, these new changes are still limited in extent, and seem to have not affected the basic features of the corporate governance structure in any significant way.

It goes without saying that the structure of the financial and capital market well adapted to this corporate governance structure is the one oriented toward indirect financing, which is carried out through the intermediary of banks and other financial institutions. Unlike indirect financing, which involves only a temporal and once-and-for-all relationship between the firm issuing stocks and its underwriting financial institutions, indirect financing requires the firm and its lending institutions to maintain contacts on a daily basis through the handling of loans and deposits, and naturally induces them to nurture a long-lasting relationship. Moreover, a majority of the Japanese people, who are hard-working, have a high propensity to save, and strong aspiration for stable livelihood, have been firmly incorporated into this system by choosing to deposit their spare money in banks rather than investing the money in corporate stocks and becoming shareholders, who are made little of and who receive the dividend at the rate less than half that in the West. These internal or semi-internal transaction relations easily induce the firms and the financial institutions concerned to develop closer ties, and eventually to form corporate groups, which in turn give rise to the main-bank system, wherein the leading city bank in each corporate group leads the entire group by monitoring the operations of the member firms. The main-bank system is now under attack for having failed to put a brake on the babble economic boom when it was overheating in the 1980s, and for having instead fueled speculative investments in land and let bad loans to accumulate; but it should be kept in mind that until that time, the main-bank system's function to supply funds for growth to prospective firms by carefully monitoring their performance had been highly appraised both within Japan and abroad.

Dominant among the inter-firm organizational relations within these corporate groups are relations of vertical division of labor, such as the keiretsu and sub-contracting relations for parts supply, with the groups not so much concerned with restricting the supply of some goods and controlling their prices. On the contrary, because each group tries had to protect the survival of its member firm belonging to each industry - for instance, the automobile manufacturer and the household electric appliance industry - the competition among a large number of firms participating in the markets tend to become harsher. On the other hand, the group-wide coordination, if carried out excessively in certain industries, such as construction, can give rise to cases of "bid rigging" involving politicians, bureaucrats and business people. Thus, group-initiated regulation can encourage competition in some cases, while it can also restrict competition in other cases.

iii) Management and Production System

The most important characteristic of the Japanese-style management and production system that dictates the efficiency of Japanese corporate organizations is that job demarcations, which specify the scope of authority and responsibility for each job, are very broadly drawn and applied very flexibly in Japanese firms, so that each employee to combine the division of labor and cooperative work flexibly enough, so that they can perform small-lot production of a wide variety of products by flexibly appointing their employees to work under different combinations of division of labor and cooperative work, and thereby quickly responding to changes in markets.

In order to make this possible, each employee must acquire a wide range of knowledge and skills well adapted to the firm's fields of action (site-oriented knowledge and skills) so that he/she is fully aware of the situation in which the firm's system and fields of action stand at each moment, and in case there is any change in the situation is capable of coping with it by making proper judgment (Koike [1988]). Such employees equipped with company-specific versatile skills cannot be trained by ready-made professional educational/ training programs, but must be nurtured by means of in-house OJT programs, which are anchored by the "lifetime employment" system, and which give rise to an individual-based evaluation and reward method - or a job qualification system that combines a personnel evaluation system and a seniority system. The practice of nurturing and utilizing these "order-made-type" human resources has resulted in the formation of an internal labor market.

This management and production system is suitable for industries or business areas in which a number of relatively homogeneous and inward-looking people work together to produce final products through competition and cooperation. More specifically, included in such industries and industrial activities are automobile manufacturing, assembly of household electric appliances, manufacturing of precision parts or precision machine tools, and applied designing. These are areas in which a firm's competitive advantage rests not only upon its competence at quantity production, but also and crucially upon its capability to differentiate its products from those of its competitors and to perform quality control well enough - namely, areas in which a large number of employees on the shop-floor are required to have considerably good judgment and strong aspirations to improve themselves (that is, a shop-floor characterized by "proactive participation by all the members"). This Japanese concern for technical finesse is eloquently manifested by the wide currency enjoyed in Japan by a series of English words coined most likely in the country, including "ME" (microelectronics) and especially "mechatronics" (mechanics + electronics). New technologies in these areas are developed with participation of a large number of employees at the shop-floor level, even including those of semi-internal supplier firms, contrivances

In the development of new technologies in these areas, a large number of employees at the shop-floor level, even including those of semi-internal supplier firms, participate actively, each being encouraged to bring various new ideas and contrivances to the task and to improve upon them (Abo [1994]).

According to the typology of technologies recently formulated by Fujimoto et al [2001], the foregoing Japanese system is suitable for industries like automobile manufacturing where production is carried out in an "integral" way, involving a large number of participants at many different stages of production processes, all the way from the designing of dies though the final assembly and inspection, who jointly refine technologies in great detail by checking against and readjusting each other's ideas over and over again. This approach is radically different from the "modular" approach with its emphasis on assembling finished products by procuring ready-made modules from the outside suppliers that are most price competitive at a given moment, an approach that is drawing much attention because of its contribution to Dell Computer's successful performance in the recent information technology (IT) revolution.
According to our research findings, the social and cultural environments in East Asia (and in particular in South Korea and Taiwan) are very similar to those in Japan and are fairly receptive to the Japanese management and production system, while the environments in the United States are not very welcoming. The environments in Europe are somewhere in between, though those in Britain are relatively more closer to those in Ease Asia (see Table 2, Itagaki [1997], and Abo [1998a]). It should be duly kept in mind, however, that the ease with which the Japanese management and production system can be transferred into a certain region (the "degree of its applicability" or the "degree of hybridization" with the indigenous system) is not simply dictated by the region's cultural affinity with Japan, but is also affected by an individual firm's strategic efforts and the types and quantities of "ready-made results" (i.e., ready-made machines and facilities, parts, and its employees in the home country to be dispatched on loan) the firm tries to bring into its offshore plants (see Cole [1999]). Yet there is no denying that the Japanese system can be transplanted with little costs into a foreign land having social and cultural affinities with Japan.

European-type Regulative Organization-Orientation
Key Characteristics of Markets and Organizations
In the sense that the relationship between markets and corporate organizations in Europe is characterized by considerably greater importance of organizational aspects, it may be classified somewhere in between the American and the Japanese models, but insofar as it has some leaning toward communitarian regulation, it should not be compared with the two other models by the same scale. It is conventionally believed, furthermore, that Europe can be roughly divided into two parts, Britain and Continental Europe, and that the relationship between markets and corporate organizations in the former share the Anglo-Saxon cultural traditions with the American model, and the relationship in the latter with inclination toward organizational aspects is much closer to that in Japan (see, for instance, Dore [2000]). Interestingly enough, however, the findings of our researches reveal that recently the British model has greater affinities than the Continental European model with the Japanese model (According to the UK research by JMNESG in 1997). Thus the relationships among the three models are somewhat complicated, but the following discussion is focused mainly on Continental Europe.
The most important characteristic of the Continental European markets as looked at in the context of this paper is that they are oriented far less strongly toward prices than the markets in the two other regions, and that in narrow markets of local communities the prices of goods are determined primarily in consideration of the quality of goods, with little attention paid to competitive factors. Firms generally appear to be interested in securing large profits by supplying products of high quality and superb functions to specific markets. Inter-firm relations in these markets, reflecting their traditionally strong tendencies to work as cartels, as have typically been the case in Germany, and influenced also by strong interference by banks, have given rise to an established behavior pattern of restricting competition by coordinating production and prices. The sufficient condition for making this behavior pattern viable is that this behavior patter must be approved not only by firms on the supply side, but also by their clients, and in particular the final consumers, who refuse to make decisions on what to buy solely on the basis of their prices. I have the impression from my own experience that people of this region do not mind much even if the same good is being sold at different prices by different stores in the same area (even if the law of one price does not strictly hold), and do not respond sensitively to sales at bargain prices. Retail stores do not seem to have large assortments of goods, but seem to procure most of the goods from suppliers or wholesalers after receiving orders for them. In sum, I have the

impression that the Continental European society as a whole is adhering to some "rule" that is not fully in tune with cut-throat price competition (Abo's experiences in Germany in 1984-85).

The Mode of Corporate Governance

Within the firm, especially within the German firm, the authority of shareholders is significantly restricted by legal provisions that call for "equalization of the rights of labor and capital" (Kato, E.) through greater participation of employees or their unions in the management of the firms. Limited shareholder authority is explained partly by the fact that a large number of firms in Germany, including large ones, take the form of family concerns such as G.m.b.H., instead of joint-stock company, but even in joint-stock companies, the codetermination law provides that the half the members of the audit council (or board of directors) of a firm should be chosen from among the employees, and that the employee representation council (Betriebstrat), representing the union and employees, can interfere with managerial decision making processes at various levels (see, for instance, the Japanese Institute of Labor (JIL) [1998]).

Looked at from the standpoint of individual employees, on the other hand, their participation in the management of their firm mentioned above, strictly speaking, is possible only through the intermediation of their union or the employee representation council; they are by no means participating in the management of the firm with the clear sense of identity with the firm or as its "members." What is at work is the reproduction within an individual firm of a binary division that separates society into the camp of managers or the capitalist class, on the one hand, and workers or the working class, on the other. In this respect, both cooperation and competition within a firm are restrained by rules of social regulation.

The financial and capital market in Europe, with the exception of the British one that is similar to that in the United States, is basically characterized by the method of indirect financing as in Japan, though it should be kept in mind that large diversified banks, especially in Germany, with their traditionally continental nature, have strong collusive relations with industrial firms, that often extend to businesses of securities handing. Large banks in Germany and France have traditionally been internally-oriented, with the result that the money market of Frankfurt, for instance, has been internationalized at a rate unbecomingly slower than the German economic power would justify. Even though large banks of Continental Europe have recently begun to internationalize their operations by actively involving in large cases of merger and acquisition, these actions have turned our rather clumsy with BMW's acquisition of Rover in Britain, the "merger" between the German Daimler and the American Chrysler, and the German banks' plan to buy up American banks all having either failed or having faced with difficulties.

The most well known inter-firm organizations are cartels in Germany and elsewhere, which are monopolistic arrangements formed by mutually competitive, independent firms with the purpose of adjusting production volumes and prices. Large banks often perform important roles as the intermediaries for these coordinating activities, which eloquently attest to this region's strong orientation toward inter-firm cooperation and avoidance of competition.

Management and Production System

Job demarcations at the shop-floor level in Continental Europe are arranged on the basis of national or local qualifications that are broken down into 5 to 7 ranks, and thus can be classified for the time being somewhere between those in the United States and Japan. It should be noted, however, that underlying these job demarcations, though recently becoming on the wane, are the traditional binary class relations between labor and capital, the meister system and other similar arrangements for developing and utilizing artisan-like skills and expertise, and also the framework of communitarian welfare society. Consequently, the structure of division of labor in Europe, if not defined as narrowly and rigidly as in the United States, is bound by laws and systems, labor unions, and social customs and regulations, and is often found lacking in flexibility with regard to transfer and allocation of human resources, and the methods by which they are educate and trained.

The framework of such social regulation, as shown in Table 2, is reflected in the situation of hybridization at Japanese offshore plants in Europe (According to the Europe research by JMNESG in 1997-98).

At the European workplace, a system of skills training is firmly established, and workers have strong willingness to acquire skills; and in particular the training of artisan-like skills is practiced in great depth, if

not widely enough. If a Japan-based firm operating in Europe attempts to introduce the Japanese-style flexible manufacturing method into such a workplace, such an attempt is not likely to succeed unless it is made in Britain, where the situation is somewhat different from that in Continental Europe. To be sure, labor unions' influence is eroding significantly everywhere, but in Germany, for instance, labor unions are being replaced by employee representation councils which are playing increasingly important roles, making it difficult for company managers to make free decisions not only on matters such as wages and personnel reductions, but also on a wide range of matters including promotions, redeployment of workers, and changes in manufacturing processes. Much the same trend is taking place so widely across Europe that it must be concluded that corporate behavior is considerably strongly checked by forces of social regulation.
Thus, on a number of counts, such as relatively broad job demarcations, the cooperative and workplace oriented nature of the management method, and the existence of long-established practices, the management method of Europe, especially that of Continental Europe, seems to be much closer than the American method to the Japanese method; but Japanese transplants in Europe are not performing so successfully as those in the United States primarily because of the national and social regulation at work in Europe and the smaller size of the European market. But these factors are beginning to change concurrently with the integration of community-based markets into a European-wide gigantic market. As "mega-competition" is gathering momentum and various local regulations are being deregulated or unified within this gigantic market, Europe's image as an inward-looking and strongly regulative society is undergoing significant changes.

Concluding Remarks: Whither "Mega-competition"?
We have observed above that underneath the outward appearance of the world economy which has been swept over by global "mega-competition" in recent years, three major types of competition and market structure are at work in three main regions of the world. Before concluding this paper, I would like to sum up the main implications of the foregoing observations in connection with the future outlook for "mega-competition."
First, looking at "mega-competition" simple-mindedly as a product produced by the global dissemination of the American-type practice of attaching supreme importance to market forces is too superficial. The modes of competition and market structures of various countries and regions do not easily converge into a single model, because the social, institutional, and cultural environments in which each market functions differs from one country to the next, inducing firms in each market, which are the basic actors in that market, to develop organizational forms, including corporate governance structures and management and production systems, that are qualitatively different from those of their counterparts in other countries or regions. There is of course no denying that as the spheres of activities of capital and firms expand more and more across national borders, the differences in these systems and organizational setups among different countries or regions will grow smaller. It is important to recall, nonetheless, that despite having been exposed to powerful waves of Europeanization, Americanization, and Japanization that have emerged in the modern history of capitalism, the institutional setups of various regions continue to be characterized at their core by arrangements and practices peculiar to each region.
Second, the steadfast and tenacious nature of these systems derives from cultural factors closely related to the lifestyle of people living in the community concerned and the way in which they perform their work, but systems and setups peculiar to a certain region are not always conducive to the development of all industries and technologies. The American model that led the world during most part of the 20th century was certainly characterized by some strong universal aspects typical to a multi-racial society, but this universality was, in a sense, a flip side of America's peculiarity.
Third, moreover, the rise of the IT revolution and the stock market boom and their subsequent collapse in the period from the end of the 20th century to the first years of the 21st century should not be regarded simply as manifesting the limits of industrialization and technological development, but should rather be interpreted as pointing to the fact that the macroscopic framework of the American economy has been overstrained - i.e., an economic boom fueled by domestic consumption and speculative investments in stocks made it necessary to continue running huge trade and current account deficits externally in order to finance this internal economic boom, which meant that the cumulative external debts grew to extraordinary proportions, which in turn meant

that the high interest rate and the strong dollar necessary to maintain the huge external debts turned into financial and industrial burdens. The factor immediately responsible for having allowed this overstrain to continue unabated was a large inflow of foreign funds, including Japan money, but the factor more responsible for allowing this horrible external imbalance to be overlooked seems to have been the dilution of international consciousness brought about by the word "globalization," along with the dollar's inertia as the "international key currency."

Fourth, on the other hand, the development of the IT industry by no means has come to an end with the collapse of the IT revolution; another round of a large-scale information and communication revolution will come back to life again on a global scale. But there is no guarantee that the United States will be the center of the new IT revolution. This is because, unlike the development of the Internet until now, which has been centered in the United States both in terms of the development of software and the base for its utilization, its further development in the future is likely to pivot around competition among IT-related firms for making the Internet accessible from mobile terminals, and for making the Internet applicable to various household electric appliances, means of transportation, and various other facets of people's daily life, and in that event, there will b some room for the Japanese-style management system with its emphasis on developing technologies with active participation of employees at the shop-floor level to regain competitive advantage. It should be kept in mind that even when the recent IT boom was going on, the American industry manufacturing computers and related machinery was handicapped by the absence of competitive supporting industries from which to procure parts and industrial machines, and this shortcoming gave rise to huge excess imports from Japan and other supplying bases where Japan-based firms were in operation.

Fifth, let me look into what will become of "mega-competition" in the future. There is no denying that with the relative wane in the influence of the American-type market fundamentalism, which has been leading the era of global "mega-competition," the competition itself is now facing a turning point. However, the two other factors that have been the important components of this trend - namely, the rise of the Asian economy, and the European strive toward its unification - have not shown any significant changes in their basic drifts, even if they have lost some steam under the effects of the financial crisis, and the IT recession and the terrorist attacks in the United States. The rising economies of Asia, while shifting increasingly larger portions of activities to China and India, are continuing to expand their sphere of influence as one of the three major economic regions of the world along with Europe and North America, and as such still have ample potential to grow further. In the light of these likely developments, mega-competition in years to come is expected to proceed while taking on a diversity of features that differ from one region to the next. With regard to the Japanese economy itself, it may be possible to say that, with its domestic market having entered a sort of stage for maturation, the country's technological advantage, that has been built by its manufacturing firms, has been transferred to Asia through direct investments, serving as the technological backbone sustaining the region's development (see, for instance, Itagaki [1997] and Abo [2000]).

Sixth and finally, it is undeniable, nonetheless, that the future outlook for the Japanese economy, along with the issue of how the huge outburst of the American bubble economy can possibly readjusted, is a serious worrying factor for the world economy. The future of the Japanese economy depends crucially on the Japanese plan for structural reforms, which began to be propose in the aftermath of the burst of the bubble and went into full gear with the establishment of the Koizumi government in the spring of 2000. Sparing a detailed discussion on this point which I have developed elsewhere (Abo [1998c]), the gist of the reform plan is in its assertion that the key to the revitalization of the Japanese economy after the collapse of the bubble is to "reckon with the postwar system of Japan" following the example of the American model, as declared by Keizai Doyukai's 1997 declaration mentioned earlier (see, for instance, Dore [2000]). As such, the reform plan has much bearing upon this paper's contention.

Now, the most serious problem with the reform plan is that by arguing for reorganization or abolition of the preexisting Japanese model (or by its assertion that Japan as it stands is full of shortcomings), it has thrown the people and firms of Japan into a state of having lost self-confidence about their own future outlook, or a state of having lost "business confidence" (Rosenof [1975]). With the hundred million Japanese having fallen prey to bearish sentiment, not only firms have refrained from making new investments, but also ordinary consumers, who are the most wealthy in Japan now, have cut back on their consumption expenditures.

It should be also pointed out that depending on the timing of its implementation, the structural reform plan can prove very dangerous. It is part of commonsense knowledge that President F.D. Roosevelt's New Deal policies had the effects of stimulating economic recovery, but it is often overlooked that some of the social reform programs carried out as part of the New Deal, such as the legislation of laws concerning labor and employment, and those concerning social welfare, had the effects of damaging the conservative business people's business confidence, putting a brake on the speed of economic recovery and triggering the outbreak of the 1937 recession (Rosenof [1975], and Abo [1978]). Put differently, it is by all means imperative that we should put to good and proper use the important lesson drawn from the New Deal: that if a far-reaching institutional reform is carried out when the economy is very weak or stagnant, it can give rise to a crisis of confidence, which can nip off the momentum for economic recovery in buds.

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