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SAVING FAMILY BUSINESS SUPPLIERS OF KEIRETSUS

Subrata Chattopadhyay Banerjee

Nanyang Technological University, Singapore

Corresponding Email: subrata10.chattopadhyay@gmail.com

Abstract

The Institutionalized business culture of a country exerts a strong influence on the executive and strategic directions of a multinational corporation (MNC). On the other hand, the MEs (medium sized enterprises) are also responsible towards the growth of a MNC, especially in the national business market and generally in the international platform. We study the tensions arising due to the inevitable globalization of the MEs. The impact of globalization is felt within the traditional institutionalized business culture of MEs (in Asia) and as a result, on the national business system. Particularly, this study examines the current situation of Japanese family businesses, which are small and medium sized suppliers to keiretsus, the large Japanese enterprises. The post-second world war success of the Japanese economic system is analyzed followed by its current collaboration with suppliers, which are tied to specific large Keiretsu enterprises as a sole supporter. We show how the lack of adaptation with the fast changing demands of globalization is causing the failure of keiretsu enterprises, like Toshiba, Canon etc. and thereby, affecting the fate of their suppliers.

In comparison, we specifically look into the case of Germany, which was also decimated after the Second World War and subsequently bounced back with a very successful economic system. In particular, we argue that the German Mittelstand can serve as an example of leading innovation and global niche market dominance, in contrast to the MEs tied to local enterprises. Through this comparative study approach between the German Mittelstand and Japanese Keiretsus, we suggest what the Japanese policy makers may have to engage in globalization and resolving issues of succession that plague family enterprises.

Keywords: Japan, Mittelstand, Keiretsus, Globalization, Policy, Family Enterprise, MEs.