



Special Essay:

Caught in Inaction?!?

How do Companies Respond (or not) to the Business Implications of Demographic Change: Insights from the World's Most Mature Market Japan

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It is now more than a decade since I became interested in the business implications of demographic change and subsequently the silver market phenomenon. After an initial interest in the HR and knowledge management implications of demographic change, my co-editor Professor Cornelius Herstatt from Hamburg University of Technology and I started a joint research project on the silver market phenomenon in 2007 and as a result of that, the first edition of 'The Silver Market Phenomenon' was published in the fall of 2008 (Kohlbacher and Herstatt 2008). Thanks to the many positive reactions to the book and its successful development on the market, we soon started working on a more focused second edition that was eventually published in 2011 (Kohlbacher and Herstatt 2011). The Chinese language edition of the book should be available at around the same time as this newsletter, and Cornelius and I are currently working on the 3rd edition of 'The Silver Market Phenomenon'.

In my research – even though global in nature – I had initially focused on Japan, the country most severely affected by demographic change, with a rapidly aging as well as shrinking population. Japan is the world's most 'mature' market and can be considered a 'lead market' for products for older people and there

are many lessons to be learned (Kohlbacher 2011; Kohlbacher, Gudorf, and Herstatt 2011; Kohlbacher and Rabe 2015; Prieler and Kohlbacher 2016). Are we going to see a new 'Japan as number one' with Japan being the number one country in terms of population ageing – but possibly also in terms of innovative responses to the demographic challenge?

"Population ageing is a global trend and China is now also on its way to become a global lead market for the silver industry."

But population ageing is a global trend and China is now also on its way to become a global lead market for the silver industry. According to the China Report on the Development of the Silver Hair Industry 2014 (Zheng 2014), the domestic market for providing essential services and products for the aging population is estimated to be worth 4 trillion yuan (\$651 billion) in 2014, or 8 percent of GDP, but it will climb to 33 percent of GDP in 2050. China will become the largest market for businesses serving senior citizens by 2050, when its aging population will account for about one-fourth of the global total and its consumption is expected to reach 106 trillion yuan (Zheng 2014).

On 29 March, 2015, the Financial Times ran a piece on its website entitled "Ageing population in China creates business opportunities". The print edition of 30 March, 2015 featured the same article but with the title "China's ageing society sets minds ticking" (Bradshaw 30 March, 2015). This article suggested that China "presents a fascinating case for those interested in the social and economic challenges of ageing populations, not to mention the business opportunities" and that "For just this reason Florian Kohlbacher moved to China in August after 11 years studying demographic change in Japan" (ibid). It is true that after more than a decade in Japan, I had moved to China in 2014 to join the International Business School Suzhou (IBSS) at Xi'an Jiaotong-Liverpool University (XJTLU). Apart from my appointment as Associate Professor of Marketing and Innovation in the business school (IBSS), I had also become the Founding Director of the XJTLU Research Institute on Ageing and Society (RIAS), an interdisciplinary research institute at the university level. And just very recently, I have returned to Japan as the North Asia Director of the Economist Corporate Network, the networking and private briefing service of the Economist Intelligence Unit. In this new role as well, I keep working on ageing and business, as can be seen from an event I organized in early July on "Ageing Means Business: Managing the Business Opportunities and Challenges of Demographic Change".



Let me take this opportunity to reflect upon a decade of research on the silver market phenomenon. I first got interested in the issue of demographic change in the form of population aging while I was a visiting researcher at Hitotsubashi University in Tokyo from 2005-2007. Looking at

the data, there was no doubt: This is huge! And it's gonna be a no-brainer for businesses to do something to respond to this trend. At the very least to fend off the challenges, but more importantly to leverage new business opportunities. But when I set out to talk to executives and managers from companies in all kinds of industries, I was surprised. I seemed to get the same answer all the time: "Yes, this is a very important topic. And yes, there is a business opportunity here.". Great! I thought and continued to ask: So, what does your company do about it? And this is where it started to get really interesting – and disappointing. "Oh, us, we haven't started looking into this in detail yet." Or: "Oh, us, no we are in the B-to-B business and so this is not really relevant to us; but the consumer goods industry has plenty of opportunities there." Or: "We're currently working on this big business restructuring project, but I am sure that once we're done, we can have a go at this.", etc. etc.

At first, I was a little puzzled. Almost every executive I talked to was knowledgeable about the demographic trends and the business opportunities. But when I asked about their own companies, they all of a sudden presented me with all kinds of excuses why they are just not ready yet or why this does not really matter to them. I call this the difference between a first-person opportunity and a third-person opportunity (Kohlbacher, Herstatt, and Levsen 2015). I.e. the potential opportunities for anyone – or possibly even everyone – are third-person opportunities, while those potential opportunities for a specific actor – i.e. a specific entrepreneur or company - are first-person opportunities. Obviously, most executives do recognize the general potential of aging as a business opportunity; but only for someone else out there and not necessarily for their own businesses. In other words, it seems that many companies fail to be able to translate the third-person opportunity into a first-person opportunity. How is this possible? I decided to start a research project to find out what is going on.

Together with Professor Ken Matsuno from Babson College, we conducted field work involving qualitative interviews as well as a large sample survey with 545 marketing managers in Japan. As usual, we chose Japan for our research, because it is the country that is most severely affected by population aging in the whole world and frequently identified as a lead market in terms of 'silver' products (see also above). What we found was that most companies are:

- 1) Aware of/sure about the state of demographic change
- 2) Not so sure about/ convinced of the effect (for their business)
- 3) Not really prepared in terms of responses (with exceptions)

" Obviously, most executives do recognize the general potential of aging as a business opportunity; but only for someone else out there and not necessarily for their own businesses. "



So far, this seemed to confirm the anecdotal evidence from my previous discussions with managers. But what is the reason for the gap between 1) and 2) and thus subsequently 3)? Our survey provided the answer.

"Obviously, most executives do recognize the general potential of aging as a business opportunity; but only for someone else out there and not necessarily for their own businesses"

There is something that negatively affects the impact of an understanding of the situation (i.e. demographic change) and the response to it (i.e. marketing strategy and tactics). It is called *ambivalence*. This occurs when one's evaluation of a phenomenon's potential implication is not fully captured on a bipolar continuum from positive to negative, but rather is expressed as both positive and negative. In our case this means that managers have both a positive and a negative evaluation of what demographic change means for their own business. It could be good, but it could also be bad. Or it could be that they are just not really sure about it and this means that they are ambivalent about it and thus are also ambivalent about how to respond. In the absence of ambivalence, there is a strong direct relationship between an understanding of demographic change and the business response to it, i.e. the better the manager understands the phenomenon (= the implications of demographic change), the more likely he/she is to respond (and the better he/she can respond in terms of marketing solutions). But if there is ambivalence, the direct effect is weakened and in the case of very high ambivalence, it can be completely turned off, thus leading to a non-response. When this happens, the company is caught in inaction. It goes without saying that this is a highly dangerous situation .



So, why do managers become ambivalent in the first place? We believe that there are several reasons for this. First of all, there is a lack of in-depth knowledge and understanding about demographic change in terms of its marketing implications. While we have legions of marketing studies about younger or even middle-aged consumers, older cohorts remain widely neglected by both academic and professional marketing research i.e. we don't really know who the older consumer is and how he/she makes purchasing decisions. Second, the level and time line of the information are not suitable to make specific, tactical marketing decisions. Macro data about demographic change are valuable to understand the bigger picture, but what is needed to make decisions on the response is detailed, micro-level data. And oftentimes the data presented in reports and presentations show future trends up to the year 2050 or even 2100 (I must know because I am

doing this all the time myself). But where is the executive who is planning ahead for decades or even centuries into the future?

No wonder that many decide to put the decision about silver marketing off until later and focus on – seemingly – more urgent and immediately pressing issues first. And finally, there are still many preconceptions and misunderstandings about age and aging and often even outright ageism. Again the only remedy to this situation is to do proper, in-depth marketing research. I.e. we need to do our homework first. Here are 4 tips about the most common mistakes when dealing with demographic marketing challenges and how to avoid them:

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Mistake	Reason and tip for manager
Segmenting exclusively according to age	Very tempting due to demographic development; but modern marketing left the simplistic segmentation based on age behind a long time ago. Individual lifestyle, financial, professional and health situation, etc., significantly influence the needs and wants of consumers.
Measuring all "seniors" by the same yardstick	50+, 55+, 65+ may sound handy and may generalize the silver market. But it may not make sense to work this way. With today's high life expectancy, 50+ can almost refer to half of the human life-cycle.
Underestimating and/or patronizing seniors	Nowadays, it is more and more important to know exactly what consumers want and to cater to their individual needs. End-users are more and more tied into the development process providing ideas or even start an innovative process. Instead of asking seniors or incorporating them into development, many companies active in the silver market seem to believe that they know what customers want much better than they do. As is the case for segmentation: do not take a step backwards but be innovative and approach consumers.
Fear of age and "seniors" (no, seriously!!)	Many companies fear that their image among other age groups will be damaged if they appeal to the silver market. Parallel success among young and senior people is indeed a big challenge and not completely without risk. The key to success refers to "universal design" or "trans-generational design" as well as to "ageless" or "age-neutral" marketing. As usual: exceptions confirm the rule and depending on the product, an age-emphasizing strategy can also lead to success (e.g., Dove pro-age). However, in general it is true: beware of ageism, think trans-generationally!



I hope you haven't become too depressed by now by all the bad news about what is going wrong with the business (non-) response to



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demographic change. Fortunately, there is some good news as well. As explained above, while executives generally seem to acknowledge the importance of demographic trends, relatively few companies take concrete action to try to develop the older market segment. But there are a few notable exceptions. Yes, there are some pioneering firms out there that got it right (Kohlbacher 2011; Kohlbacher, Gudorf, and Herstatt 2011; Kohlbacher, Herstatt, and Levsen 2015). The most impressive one is probably Fujitsu's Raku-Raku Phone that has developed into a long-seller over more than 15 years already. Having started as a just simple-to-use mobile phone with a reduced set of functions it has quickly turned into a high-tech device that remains easy-to-use but offers a full range of functions and technological innovations that ensure a great customer experience (Kohlbacher and Hideg 2011). In China, the consumer electronics company Xiaomi Technology Co., Ltd – famous for its smartphones and other mobile devices – successfully developed a special version of its popular Hongmi (Redmi) smartphone series targeted at older people.

The research by Ken and I showed that there can be various types of responses:

1) *moving up* That is the most straight forward solution as it means embracing the silver segment as an addition to current activity. In most cases, it means developing this segment in addition to the current customer base rather than exclusively moving into the older segment. The Raku-Raku Phone is an example of adding a product line to the portfolio in order to 'move up'. In a similar vein, Pearson Publishing introduced English language books/seminars for those affluent silver consumers who enjoy traveling abroad but with limited language proficiency. This is definitely a big move for a company that has traditionally focused on college and high school educational publications.

→ *ACTION IDEA : reconsider existing products and look at how to re-message, re-package with little new development. We saw this with the move diaper makers have made in adapting existing technologies to adult sizes. Many other products are now adapting such as the move from Seven-11 and other CVS chains to develop single serve ready to eat meal packaging for increasing single older people homes*

2) *moving down* This one is kind of counterintuitive as it means to develop (even) younger segments. We encountered this case with a Japanese education company whose core business is to help Japanese

senior high school students prepare for the university entry exams. Rather than deciding to go into the market for educational products for older people – a segment where they do not have any experience – they decided to start targeting younger, junior high school students and start the preparation support even earlier.

→ *ACTION IDEA* : push the products available to younger groups is a short time strategy that will work for a while. More importantly target the affluent retiring grandparents to support grandchildren with higher end products. The move by many toys and game manufacturers to develop more hi-tech toys for younger children and then appeal to grandparents to purchase.

3) *moving deep* This strategy involves improving quality/service and/or adding additional features or services to create value-added for which higher prices can be charged. That means that even when selling less in terms of units (due to the shrinking of the younger age groups), revenue can remain stable or even grow due to higher margins per unit. The children's education and toy industry is a case in point, especially in Asia where e.g. the Chinese 'little emperors' that get spoiled by their parents and grandparents have already become famous. In Japan, supermarket chains (e.g., Aeon, Itohyokado) are offering smaller packaged prepared food but with higher quality raw materials (e.g., organic vegetable, domestic beef/pork, free-range chicken) for health conscious, educated, and affluent older people, and convenience store chains now offer special home delivery services for older people who have difficulties carrying their shopping bags back home.

→ *ACTION IDEA* we are seeing more higher end entertainment aimed at seniors such as "revival tours" and "nostalgia visits". A few years ago Tokyo Disneyland realized that there was an uptick in older visitors taking their grandchildren to their parks. They then found some were visiting as couple to celebrate anniversaries etc. So campaigns were successfully launched to encourage older couples to "relive" young memories with higher end packages

Finally, 4) *moving out* i.e. going international/global. Companies that have been focusing overly on the domestic market have to consider going international and explore foreign markets to compensate for decreasing business volume on their home turfs. Indeed, this is one of the reasons for an increase in international activities by more and more small and medium sized companies from Japan that traditionally were only offering on the Japanese market. One obvious industry is



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babies/infants/children apparel where manufacturers are shifting their emphasis to Southeast Asia (e.g., Singapore, Thailand). Other examples including education company Benesse expanding its Asia business or real estate business Mitsui Fudosan trying to utilize their accumulated know-how in developing cities in Japan during the growth era to the still-growing Asian cities (e.g., suburban development collaborating with railway companies, shopping centers).

→ *ACTION IDEA the growth of and export aging care expertise to China and other markets both for the building of Japanese older people wanting to live cheaper in SE Asia etc and also catering to the aging populations of other countries.*

Let me close by coming back to the perception of business opportunities. Identifying or recognizing a business opportunity is of course a necessary condition for doing business, but it is not a sufficient one. Once identified, measures need to be taken in order to exploit that opportunity. As explained above, many companies currently fail to make that transition from recognition to exploitation of opportunities arising from demographic change. Rather than passively waiting for something to happen, managers need to become more proactive in dealing with demographic change and this will involve the proactive shaping of the conditions that make it feasible to exploit the opportunity in question. It's time now to seize the golden opportunity of silver marketing and I hope this short article will serve as a call to arms for academics to conduct more research and for practitioners to become more active in this segment.



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Special Essay: Toward Sustainable Growth of Japanese MNCs : On Explorative Activity and Dual Embeddedness in their Foreign Subsidiaries¹⁾

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In recent year, a large number of MNCs have been operating in emerging countries and competing fiercely each other there. In order to achieve sustainable growth in emerging countries, it is very important for MNCs to undertake explorative activity, which is activity to search for and develop new business or products, as well as exploitive activity, which entails improvement in the efficiency of production system and so on. This can be called the management of ambidexterity in MNCs.

Japanese MNCs in the manufacturing industry have, however, put a high value on exploitative activity rather than explorative activity in foreign countries. It seems that such Japanese behavior will face certain limits to growth even in emerging markets in the near future. It will be of importance that they collaborate with local actors, such as alliance partners, customers, suppliers, research institutes, in order to undertake the explorative activity of developing new business or products even in emerging markets. A foreign subsidiary, however, is an embedded entities in a global network of MNCs. In other words, there are two types of embeddedness in MNCs : (1) intra-corporate embeddedness (between headquarters and foreign subsidiaries) and (2) local embeddedness (between foreign subsidiaries and local actors). On the one hand, embeddedness might be useful, but on the other hand, it might be a hindrance to the sustainable growth of Japanese MNCs. Therefore, while Japanese MNCs need to reduce the level of intra-corporate " over "-embeddedness, they need to increase the level of local embeddedness.

In addition, it is also extremely important for Japanese MNCs to develop a new type of international talented staff to facilitate such activity. To date Japanese expatriates have been people who only carry out faithfully the strategy formulated by the headquarters in the home country. This kind of talented staff will not be able to develop new business or product for sustainable growth in emerging countries. The following paragraphs discuss this issue.

Many MNCs from all over the world have been forced to engage in a hard-fought struggle in emerging markets because there are great difference in the business environment between advanced countries and emerging countries. This

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is especially true of Japanese MNCs. As the manufacture of high quality products has become a competitive advantage for Japanese MNCs, they have transferred manufacturing techniques and production systems from their parent company to foreign subsidiaries. In transferring those techniques or systems to foreign subsidiaries, tight control over foreign subsidiaries by the parent companies becomes a necessary condition. Accordingly, many Japanese MNCs have built a centralized and hierarchical organization (Bartlett & Ghoshal, 1989). This type of foreign subsidiary cannot develop a new business or product in foreign countries because autonomy or entrepreneurship in a foreign subsidiary is required to do such activity. In other words, this means that a foreign subsidiary must take initiative in their corporate group (Birkinshaw, 2000), and at the same time must innovate so as to create new business or products which will spread around the world as well as in the host country.

In order to develop new business or products in an emerging country, foreign subsidiaries of MNCs needs to attach importance to explorative activity rather than exploitative activity. A foreign subsidiary must sense and acquire knowledge or information for new business or products that fits to the needs of local customers through this explorative activity (Doz, Santos & Williamson, 2001). It is, however, not so easy for these companies to engage in explorative activity. As many studies have suggested, the management of ambidexterity is vital for MNCs, although these activities entail paradoxical challenges (Benner & Tushman, 2003; March, 1991). Based on embeddedness perspective, it matters for MNCs how to manage multiple embeddedness with regards to institutional and cultural aspect (Meyer, Mudambi & Narula, 2011). Regarding MNC embeddedness, there are two types : (1) intra-corporate embeddedness, and (2) local embeddedness.

Some research has shown the importance of external embedded network of foreign subsidiaries in terms of subsidiary innovation, because foreign subsidiaries cannot access to and acquire local-specific knowledge from local actors without embeddedness with local actors (Andersson, Forsgren & Holm, 2002). On the other hand, there is an unfavorable side to MNC embeddedness. If the level of embeddedness is too high (i.e. over-embeddedness), the negative effects of embeddedness will emerge, such as a reduced possibility of finding new business opportunities (Hagedoorn & Frankort, 2008). In order to develop a new business or product in foreign countries, it is of vital that MNCs reduce the level of intra-corporate "over"-embeddedness and increase the level of local embeddedness.

It is extremely important for Japanese MNCs to facilitate the explorative activity of foreign subsidiaries, but the role of managers in foreign subsidiaries is also very important. To facilitate such explorative activity, a new role or competence will be required for managers of foreign subsidiaries. Up to now the main role of Japanese expatriates has been to implement faithfully the strategy formulated by the headquarters in the home country. To put it concretely, their main roles have mainly been as follows (Shiraki, 2006): (1) the transfer of management philosophy, management policy, production techniques and systems from the parent company to foreign subsidiaries; (2)

the coordination of activities between headquarters and foreign subsidiaries; and (3) the management of foreign subsidiaries. There is no doubt that such roles of expatriates are important in the management of foreign subsidiaries, but the roles expected of them seem to differ when it comes to facilitating the explorative activity of foreign subsidiaries.

There are not a great number of Japanese MNCs that have undertaken explorative activity in foreign countries, but a few MNCs that have addressed such activities will now be introduced²⁾.

The first is the case of Gamma. This company is a leading general trading company (so-called Sogo Shosha) in Japan. The company formulated a new corporate strategy entitled "New Strategic Direction" in 2013. In order to carry out this strategy, the company has accelerated its global business development by leveraging its shift toward the Asian market. To establish a local presence within the Asian market, the company aims to develop a strategy for multi-localization in the retail and automotive businesses in collaboration with some prominent regional companies, such as Thai and Indonesian companies. Needless to say, such a strategy entails explorative activities. Thus, the company has undertaken explorative activities mainly in the Asian market to underpin its sustainable growth toward 2020.

It was essential for the company to reconsider the relationship between headquarters and foreign subsidiaries or branches in order to undertake explorative activity. The company has shifted the relationship from a vertical relationship to a horizontal one. Foreign subsidiaries have begun to be given autonomy to run their business and to be encouraged to develop a new business or propose a new business idea. There is a typical case which illustrates such organizational reform in the company. Gamma made a radical decision to relocate its entire headquarters in the metal business from Tokyo to Singapore in 2013 (Enomoto, 2014). It goes without saying that this reforms in Gamma has led to a reduction of intra-corporate over-embeddedness and the increase of collaboration with local actors, namely local embeddedness.

As it is also indispensable to develop talented people who have competence to promote such business activities, the company has laid great stress on the development of international human resources in recent years. The company has been especially committed to strengthening the global competitiveness of young employees. It began to dispatch young employees to countries all over the world, in particular emerging countries including China and India. Moreover, the company has begun to transfer quite a lot of personnel to headquarters from regional offices around the world. In particular, Gamma expects that young Japanese employees will develop into talented people with entrepreneurship who will be able to develop new business in emerging countries.

The next is the case of Omega, which is also a leading general trading company in Japan. Omega introduced a new corporate concept of "360° innovation" within its medium-term corporate plan called "2020 Vision" in 2014. This means collaborating across business divisions, connecting

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information, ideas, businesses, generations, nations, and experience on a 360 horizon in order to create new value and thereby drive innovation. In recent years, the company has laid stress on undertaking explorative activities in new business in collaboration with local companies. For example, the company established a medical healthcare business division, which consolidated various medical or healthcare businesses throughout many different divisions. As the lack of medical infrastructure becomes a matter of much concern in Asian region, the company made a decision to enter the core medical business in Asian region by foreign direct investment in a company that is Asia's largest private hospital group.

Omega has also made particular efforts to develop international talented people which will be able to promote such activity in foreign countries, especially emerging countries. The company has started a variety of new human resource practices or development program to foster mobility across business units. For instance, the company introduced a required overseas transfer program for every young employee for about one year. Also, in order to develop "area specialists" and "language specialists", 30-40 young staff from headquarters are transferred to several countries to gain local experience every years. Thus, the company expects Japanese employees to gain entrepreneurship as well as ability to collaborate which is necessary to develop new business and products in foreign countries.

To sum up, Omega has been able to foster explorative activities through several measures, including headquarters' emphasis on exploration in mid-term strategy, building an external embedded relationship with local alliance partners, and human resource management practices which are aimed at developing future entrepreneur or collaborative talent with local entities.

The third case is Beta, which is a diversified MNC in manufacturing industry in Japan. In recent years the company has shifted its main business from electro-optics to a life care business that is expected to grow both advanced countries and developing countries. In order to do such business, the company has made an effort to reform management and organization in a global perspective. With regard to organizational reform, the company has not only downsized its headquarters, but also shifted some of the functions of headquarters to Singapore. Moreover, the company has given much autonomy to foreign subsidiaries so as to operate in a way that is adapted to local business environment.

As for management reform, the company has tried to make a shift to global management from traditional Japanese management since a new CEO took office several years ago. To give a few example, the company has removed barriers between Japanese employees and foreign employees, and at the same time appointed some talented foreign people to the post of executive or divisional manager in headquarters. In addition, the company has tried to appoint a great number of talented local staff to top management position in foreign subsidiaries dramatically. In such case, Japanese expatriates are simply advisers or an assistants to talented local staff. It can be said that this is a rare case in Japanese MNCs. Thus, the company has undertaken to

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reduce the level of an intra-corporate embeddedness as part of the implementation of global management.

As mentioned above, it is extremely important for Japanese MNCs to develop new business or product for their sustainable growth in emerging countries. In order to attain this end, Japanese MNCs need to undertake explorative activity. However, most of them, especially MNCs in manufacturing industry, have laid more stress on exploitative activity rather than explorative activity even in international operations.

Japanese MNCs have to make attempt to resolve many problems when undertaking explorative activity in emerging countries. One of them is to reconsider the tight relationship between headquarters and foreign subsidiaries. It is essential for Japanese MNCs to give autonomy to their some foreign subsidiaries, and at the same time to facilitate their collaboration with local actors for developing new business or products. In other words, it is ,in particular, essential for Japanese MNCs to reduce the level of intra-corporate over embeddedness and increase the level of local embeddedness. If Japanese MNCs try to increase the level of local embeddedness, they might acquire local-specific or tacit knowledge on the development of new business or products from local actors. Here, it matters Japanese MNCs how to implement the management of ambidexterity.

There are, however, a limited number of Japanese MNCs that have addressed such innovative activity in foreign country, especially in emerging country. As seen in this essay, it is highly likely that Japanese MNCs in the service industry rather than in manufacturing industry will engage in such explorative activity, because they must conduct business in a way that matches the needs of local customer in foreign countries. Although Japanese manufacturers have attached a great deal of importance to transferring their superior production system or manufacturing technique to their foreign subsidiaries since they started local production, it is conceivable that they must also tackle to the development of new business or products even in emerging markets in the near future.

Furthermore, it is indispensable for Japanese MNCs to reconsider the role of managers in foreign subsidiaries, especially Japanese expatriate, and to develop a new type of international talented personnel for undertaking explorative activity in emerging countries. As mentioned earlier, Japanese expatriate have in past been no more than staff who faithfully implement the strategy formulated by headquarters in the home country. However, regardless whether the staff are Japanese expatriate or talented local people, there is undoubtedly a requirement for a new role or competence for managers of a foreign subsidiary. It can be said that international talented people who have such competence or mindsets as creativity, entrepreneurship, and the ability of cross-cultural communication and negotiation will be required for Japanese MNCs. In other words, it is requisite for Japanese MNCs to develop such talented staff as explorative innovators as



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well as boundary spanners. In recent year the development of talented global personnel has attracted much attention in various fields including universities, business and government in our country. However, the definition of talented global personnel remains obscure and their specific competences have not been well defined.

In any case, only Japanese MNCs that continue to make efforts to undertake explorative activity, while at the same time to developing a new type of talented personnel, are likely to achieve sustainable growth even in emerging countries.

Notes

- 1) This essay is mainly based on a paper (Takao Yamamoto & Yoshiharu Kuwana, "The Explorative Activities and Dual Embeddedness in a Foreign Subsidiary : On a Case Study of Japanese General Trading Companies") presented to an 29th Annual Conference of the Association of Japanese Business Studies held in New Orleans on June 25 and 26. Therefore, it is part of a joint research project with Takao Yamamoto, who is an associate professor at Kanagawa University. However, if there are any mistakes or misunderstandings in this essay, the author takes full responsibility.
- 2) The company names introduced here have been changed to preserve anonymity.

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