

Abstracts

Team Management for Inducing Innovation

Tadahiro Sakai and Hisashi Kuwahara

Businesses aim to achieve continuous innovation and promote organizational reform for the purpose of consolidating and utilizing a diversity of specialist human resources, both within and outside the company. In contrast, there has been a growing trend for individual workers to take personal responsibility for developing and expanding their specialist skills and build careers that are not dependent on the one company.

This paper examines team management as an organizational form for open collaboration in which it is possible to reconcile the needs of businesses to utilize diverse and specialized human resources, both internal and external, in order to induce innovation with the needs of workers to build an independent career through proactive skills development. With regard to this kind of team management, the FFS Theory, Team Competency Model, and other theories have already been proposed. However, many issues remain, such as the free rider problem and separation of evaluations for team and individual results or the problem of distributing the fruits of labor based on such evaluations.

In this paper, we compare and analyze cases of teams across organizational boundaries within a particular business and teams across business boundaries, and by doing so clarify issues and response trends for team management aimed at open collaboration. With regard to the two internal and two external collaboration teams, we compare various dimensions such as team organization (team scale, composition, organizational prerogative and/or participation qualification), team operation (leadership, communication, and/or decision-making), and team evaluation (results evaluation or distribution, and/or other incentives other than economic compensation) This analysis uncovered the following similarities and differences.

For team organization, we found there were no major differences in scale and organizational prerogative, but there were major differences in participation qualification and role formation, with greater emphasis placed on work experience and qualifications in the case of the members of the internal-external collaborative teams and the roles of members were more static. For team operation, there were no major differences between the two kinds of teams, and emphasis was placed on information sharing through communication.

For team evaluation, there were major differences between the two kinds of teams with regard to evaluation methods and standards for distributing economic compensation, with greater emphasis placed on

clarification of individual results and distribution commensurate with results in the case of the members of the internal-external collaborative teams. Moreover, in internal-external collaborative teams greater emphasis was placed on the possibility of team results contributing to the building of individuals' careers in addition to economic compensation.

In the future, in open collaboration across business boundaries, the most important issue will be the securing and expansion of opportunities for workers to independently shape their own careers, particularly in the case of outside workers.

The Major Amendment of Japanese Competition Law of 2005: The Leniency System

Aiko Shibata

This paper considers the 2005 revision of antitrust law in Japan, focusing in particular on the leniency system. Reduction rates of penalties of the leniency program in Japan differ from those in the European Union (EU) and the United States. The largest difference between Japan as opposed to EU and US is that Japanese reduction rate is 30% whereas US and EU is 100% after the investigation phase. However, in reality the difference in the incentive given by leniency program is not as large as difference in percentage indicates, due to the difference in the legal execution of each country. “After the investigation has begun” means after the onsite inspection. In case of Japan the cases which have received onsite inspection are likely to be established with infringement which leads the legal action by the Japan Fair Trade Commission. However, looking at the western case, the onsite inspection actually occurs prior to this. Onsite inspection likely occurs as soon as the authority comes to hold information and knowledge. It may happen several months before JFTC's onsite inspection day. Due to this difference in the legal procedures, the probability of taking legal action in EU and US may be lower than that in Japan. Thus, the incentive for applying for a leniency program is not so different among Japan, EU and US, compared to the indicated difference in the amount of reduction rates among the three countries.

If cartels collapse, a society would achieve more efficient production. Thus, the implementation of policies that makes the leniency system easier to be applied would achieve a higher level of social welfare. A model analysis show how the leniency system works and offers some policy suggestions. This model assumes that cartels have already been formed, that the reduction rate of the leniency program is fixed, and that all leniency applicants would receive reductions. The following three points are indicated.

1. The greater the number of members in a cartel, a leniency program is more applied for. Conversely, the smaller is the number of members in a cartel, a leniency program is less used. This is because a leniency program is effective when the group probability, the probability of any member of a group applying for a leniency program, is greater than the probability of single member applying for a leniency program. A group probability will be increased if the number of cartel members is increased.
2. The greater the profits of the cartel, less a leniency program will be applied for. On the other hand, the greater the benefit of applying for a leniency program,

more a leniency program is used. Moreover, the greater is the surcharges to be paid by a company if a company is caught by the authorities, the more likely a company is to apply for a leniency program.

3. A leniency program would be more applied for, if the top management is eager to find out violation of the competition laws within the sections and the branches of its firm and committed in applying for a leniency program once violation is found. For this purpose it is important to advocate the internal control of firms and encourage the top management to apply for a leniency program, if violation of the competition laws is found within a firm.

Corporate Value Management in the Banking Industry

Toshihiro Sugiyama

Japan's banking industry is gradually emerging from the aftermath of the collapse of the economic bubble. Having attained a healthy level of recovery, an increasing number of banks are now switching from defensive to aggressive business strategies. Here the key phrase is "maximization of corporate value".

Conventionally, Japanese businesses can be said to have focused on expanding sales rather than expanding profits as their business objective. For this reason, the strengthening of product/service competitiveness was believed to be a top priority. They paid interest without delay to debt providers and thought that paying average dividends to the providers of share capital was sufficient.

However, as reform of the financial intermediation system progresses, the role of the financial market in the procurement of business funds has grown. In particular, corporate governance in listed enterprises has changed significantly, and the importance of business-focused management has long been emphasized.

This trend shows signs of spreading also to banks, the majority of which are stock market-listed. Because interest-rate and operational regulations had been laid down previously, financial institutions had engaged in volume competition with approximate accounting practices with regard to revenue remaining unchanged. Today, however, as relaxation of financial regulations expands, revenue management in the banking industry has also been enhanced. Improvements have also been achieved through the upgrading of risk management systems to deal with risks that became apparent in the long-term economic slump following the bursting of the economic bubble. The internal management prerequisites needed for corporate value management in the banking industry are gradually being developed.

Despite their being world leaders in terms of scale of collective assets, it has been pointed out that Japan's financial institutions are weaker than financial institutions in Europe and America in terms of shareholder value. Today, as megabanks are regaining sufficient management health and interest is growing in the industrial reorganization of regional financial institutions, the financial institution management paradigm can be said to be entering a period of major

change towards “maximization of corporate value”.

Because of the nature of its business activities, certain aspects of banking industry corporate value and measures required for the maximization of corporate value differ from those of other industries in general. However, few previous research papers have examined corporate value in the banking industry; this paper therefore examines corporate value management in Japan’s banking industry from both theoretical and practical perspectives.

The Catalysis Mechanism of “The Visible Hand of the Market”: Leveraging Adversity for Strategic Advantage in the Declining Industry

Kazunori Sunagawa

The purpose of this article is to explore and estimate characteristic properties and possibilities, focusing on the growth strategies and the logic and mechanism of entrepreneurial activities, of SMEs that are community-based and have also established independent business relationships. The case studies are of the management reconstruction processes at a local private railway company. Moreover, to enable the definition of the issues, case studies were selected for two factors in particular. Firstly, these kinds of businesses are generally regarded as operating under inferior conditions in terms of both scale and managerial resources; they are difficult subjects for discussion of strategic theory themes. Secondly, with regard to case selection, the paper makes a point of examining the mechanisms of growth strategies for businesses in the so-called “declining industries” with the low-growth market rather than the for which market growth is low and that are not in new or pioneering industries, but rather in industries that normally tend to be regarded as “declining industries”. Based on the afore-mentioned issue settings and using the resource base theory (RBV) framework as a clue, the paper focuses on mechanisms for accumulating and using resources in each case, especially mechanisms for the induction and activation of resources. That is to say, resource accumulation/use and market building are interactive processes and are the mechanism for the role of business entrepreneurs – in other words, the “visible hand of the market”. More specifically, the paper discusses the growth strategies enabled by two breakthroughs that create the processes for utilizing extremely limited existing resources/unused resources and utilize the uniqueness of resources accumulated over time within a unique history as a source of competitive superiority. Furthermore, because focus is placed on problem discovery as the method of approximation, individual cases are interpreted in multiple frameworks and the descriptive capacity of each framework is compared and examined in the consideration of each case. This examination clearly showed that firstly, the potential of growth strategies and the uniqueness of logic for small/medium businesses levered up in adverse circumstances are unique, and role of the business entrepreneur is on the leverage point for leaping out of adversity. Moreover, indirect mechanisms that work uniquely in the marginal sector of the market and the conceptual powers of the business entrepreneurs who use them are effective in processes that utilize leveraging.

Management Support System for Implementing Value Creation Strategy

Junsei Tsukuda

This paper examines value creation strategies: what they are and how they are actualized, as well as how management systems are related to the formulation and implementation of such strategies and how such systems are constructed. To that end, it is first necessary to clarify value creation strategies from the perspectives of concept and content. Thus first of all the concept of value then the concept of strategy are reviewed and summarized, then defined using the new “comprehensive definition” framework. Value is “tolerability of sacrifice rendered to obtain, achieve, or preserve something”, and its amplitude is “measured in terms of the amount and rarity of the sacrifice made”.

“Value creation” encompasses all efforts to heighten both “individual value” including safety, health, convenience, comfort, etc. and “social value”, such as social stability, improvement of public service levels, depressing evils and encouraging virtue in the society, consideration of contrasting standpoints, and promotion of fair trade. “Strategies” are the “orientation of actions that utilize situations” and easily confused with but distinct from “tactics”, which involve the “selection of specific actions under given situations”.

Thus “value creation strategies” are options for implicit and comprehensive actions taken by organizations in order to increase safety, health, convenience, and/or comfort of people (ultimately, the actions lead to the development of products and/or services or acquisition of new customer, frequently with no apparent direct connection). Such strategies take advantage of an organization’s strong domain of operations and skills together with predominant resources, while simultaneously strengthening/concealing the organization’s weak points; in addition to matching the management philosophy (and preferably traditional customs and thinking way) of the organization. Value creation strategies should match the philosophies and management styles of the organization’s current executives and lead to realize the organizational vision.

Based on this concept definition, the paper presents three concrete examples of value creation strategies and four examples of ideas on value creation and then uses the former to firstly consider the process for realizing strategies that have a common explanation. The paper gives 11 examples of items that are necessary and that need to be clarified in order for organizations to reap the results of their value creation strategies and examines each of these items in the concrete. The latter four examples of ideas are not concrete, and so at this point some cannot be discussed in detail; thus 4 of 11 items are exemplified. These items form a framework for the process of realizing value

creation strategies.

Management systems can be broadly divided into operation support systems and management support systems, and it is the latter that contributes to the realization of value creation strategies. According to the strategy realization process, management systems to realize strategy comprise strategy formulation systems (SFS) and strategy implementation systems(SIS). The former (SFS) comprises systems for strategy concept, valuation and selection of strategy, and supporting strategy realization. The latter(SIS) contains as its elements the framework for strategy realization, examples by type of organization, ideas for value creation, DB, IR ss, calculation ss, organization models, market models, and strategy concept realization frameworks. SIS is realized through the completion of a management information system (MIS). In this case, the MIS includes such elements, though they have not yet been implemented, as problem-finding subsystem, causal systems of problems, automatic diagnosis theory, and the functional relationship between operational factors and results.

Development of Support Systems for Strategic Technology Management

Masashige Tsuji

In this paper I will firstly confirm the need for MOT (Management of Technology) and TM (Technology Management) and clarify business management issues concerning MOT and TM. I will then outline the areas of research concerning these topics, positioning the theme of this paper within this outlined framework. The theme, “Development of Support Systems for Strategic Technology Management”, is related to “technology management frameworks” and focuses on strategies and technological strategy phases. With this theme I aim to clarify technological strategies, design an “ideal information system” as a framework to support these technological strategies, and then develop specific construction methods. First of all, I will clarify the concept of strategic TM. I explain how this maintains and expands corporate value by 1) positioning research and development as a business strategy under the leadership of top management; 2) formulating a comprehensive R&D plan as one business strategy; 3) planning comprehensive research and development complying with business strategies while at the same time incorporating marketability; then 4) increasing knowledge and technological skills and tying these to business and product development. Finally, I design an “overall image for a system to support technological strategies” as a concrete framework for actualizing this concept. This system is hierarchical, broadly comprising a portal site, decision support system, search system, and database. The search and decision support systems comprise human resource research, research progress, mapping, technology extraction/evaluation support, R&D vector configuration support, knowledge/technology acquisition strategy support, intellectual property/patent use strategy support, R&D project evaluation/selection support, and R&D project management support systems. Here I will introduce a number of development examples and present concrete methods for system development.

New Value through Knowledge, Experience and Insight – New Industrial and Business Strategies for Creating Value –

Yosaku Hasegawa

In an era of severe competition, the need for businesses and industries to create value has been well publicized.

This paper first of all sets out the author's viewpoint regarding value, particularly the relationship between the physical concept of "entropy" and value, while at the same time explaining the background leading to the focus on value creation and innovation, the situation in Europe, the United States, China, and the situation regarding political innovation measures in Japan. In order to clarify the situation regarding research on value creation and innovation, the paper then examines two works, introducing their content and features, as well as the future direction of innovation research. After discussing "knowledge", "experience", and "insight" – thought to be the fundamentals of value creation strategy – the paper summarizes the opinions of the author on the dilemmas with which each of these factors is faced and measures for overcoming each dilemma. Finally, the paper discusses "belief" and "mind" as the most important components of value creation strategies. The paper was written based on a lecture on the same subject that was presented in July 2006 at the 226th Monthly Public Workshop of the Nihon University College of Economics' Institute of Business Research.

Empirical Study of Nikkei 225 Option with the Markov-Switching Mean Model

Kiyotaka Satoyoshi and Hidetoshi Mitsui

The return volatility of the underlying asset plays an important role in option pricing theory and is a highly sensitive parameter for option prices. The main assumptions when deriving the Black-Scholes (1973) option pricing model are that the price of underlying asset is lognormally distributed and that volatility is constant over time. However, it is well known that the return volatility of the underlying asset changes over time, and thus it is extremely important to specify the model of changing volatility in order to evaluate option prices.

Satoyoshi (2004) has found that the MSGARCH model fits the TOPIX data better than the GARCH model and that a switch occurs in the mean of volatility. Based on these results, Satoyoshi and Mitsui (2006) evaluates Nikkei 225 option prices using the MSGARCH model. Their results showed that the MSGARCH model with the Student- t distribution has better performance compared to the GARCH model and the Black-Scholes model for call options. The reason why the MSGARCH model improves the performance is that it is a hybrid of the Markov-Switching model and the GARCH model and can fully explain the leptokurtosis of underlying asset returns. However, because the mean return is held constant, no consideration is given to skewness. Thus, this empirical study uses the different MSGARCH model, where the mean return is also assumed to follow a Markov process, to evaluate Nikkei 225 option prices for the purpose of examining whether it could have better performance compared to other models.

The results show that, for call options, the MSGARCH model in this study enables more accurate pricing than the GARCH model, the Black-Scholes model and the MSGARCH model in which the mean return is constant. However, the proposed model doesn't have good performance for put options.