

FEATURES

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'Entrepreneurial Leadership in the Meiji Cotton Spinners' Early Conceptualisation of Global Competition'

The cotton spinning sector was one of the industries that stood at the forefront of Japanese global competition. Its superior competitiveness became obvious in the interwar period, and the sources of its competitive advantage have attracted considerable scholarly interest. A series of studies have stressed the significance of planned coordination and managerial innovation within the industry as a whole, and found that the leading spinners and trading companies realised the importance of efficient coordination. A principal focus of my thesis is the entrepreneurial foundation of the industry's competitiveness; my research inquires into the Meiji industrial leaders' conceptualization of the new nature of entrepreneurial management. This entails an analysis of their early entrepreneurial leadership in the 1880s, which provided the developing industry with a long-range plan for exponential growth. My finding is that the substance of industrial competitiveness resided in the noticeable cognitive commonality in their sustainable core competence for the upcoming global competition.

Early British concern with the growing Japanese competition can be found in an article by A.S. Lewis for the Manchester Guardian on 9 June 1911. Indian industrialists were expressing similar concerns by the mid 1920s. Through his investigation of the Japanese cotton spinners in the period, Arnos S. Pearse of the International Federation of Master Cotton Spinners' and Manufacturers' Association in Manchester found the competitive essence to be in their highly integrated production and planned coordination¹. A report on the British cotton industry, published by Political and Economic Planning (PEP, London) in June 1934, and other research well expressed the escalating frustration in both London and Lancashire²: not only cotton masters

¹ See the section of the Japanese cotton industry: Pearse, 1929, pp. 25-29, p. 34, pp. 38-42, pp. 76-86.

² Board of Trade in 1928 conducted a series of researches on the Japanese cotton industry of the 2nd half of the 1920s. See BT 55/5 C.C.R.1. Civil research: Sub-committee on cotton industry; Memorandum on cotton industry in Japan with copies of various reports, despatches, etc. Copy 1: Department of overseas trade; Report on the cotton spinning & weaving industry in Japan 1925-26. Then, as the international competition got fiercer from the beginning of the 1930s, Foreign Office also got involved with the research on the Japanese industry in 1933 and 1934. See FO262/1843/103. Labour Japan, copy 1: Industrial labour and the dormitory system in Japan: being a few salient points on the wages and work hour controversies in Japan, by R. V. C. Bodley, special correspondent of the sphere. British Embassy, Tokyo; FO371/17157. Memorandum on Japanese competition, copy 1: Japanese competition, 'Notes on particular industries: cotton'; copy 2: Doc. 7883/583/23 No. 492, extract from the round table, Japan's bid for world trade; copy 3: Doc. 8036/583/23 No. 521, Japanese trade competition, 17 January 1934.

but also Whitehall were obviously fed up with the severe difficulty faced by attempts to build a rejuvenated industrial phalanx that could fend off the rising tide of Japanese textile products in their turf, namely, the global market (Bamberg, 1984, 1988; Dupree, 1987).

Despite earlier concern, expressed both in Lancashire and the US, it was the First World War, which provided the Japanese with an unparalleled opportunity for augmentation of production capacity (Clark, 1914, pp. 114-146). The adoption of Casablanca's apron system for ring frames and of high-draft spinning enhanced versatility and speed (Tamagawa, 1997, p. 7); the positive criss-cross integrations of production throughout the 1920s also reinforced managerial capacity (Abe, 2004). Step by step, the Japanese spinners steadily treaded the path to the dominance in the markets of Korea, Manchuria, China, and India, then, reached their competitive zenith in the first half of the 1930s. However, just a couple of decades before the industrial pinnacle, the picture had been completely different. Every aspect of the Japanese spinning sector had been noticeably underdeveloped at the turn of the century, compared to Bombay and Lancashire (Otsuka, Ranis & Saxonhouse, 1988). Thus, what was the drive behind its strikingly swift growth?

Research has so far concentrated on four areas: economic and financial perspectives (Murakami, 1970a, 1970b; Takamura, 1970a, 1970b, 1970c, 1970d, 1971; Yamaguchi, 1970), organisational development (Abe, 1992, 2004; Fletcher, 1996, 1998; Mass & Lazonick, 1990; Kuwahara, 1986, 2004; Takamura 1971), labour supply and management (Pearse, 1929; Foreign Office, 1934; Hazama, 1978; Hunter 2003; Utley, 1931), and technological progress (Kiyokawa, 1995; Otsuka, Ranis & Saxonhouse, 1988; Tamagawa, 1995, 1997). Besides, the vast collection of company histories³, a strong element of Japanese business history, have also provided a rich source of firm level details, which explain each spinning firm's respective path to organisational development (Toyobo, 1986). It is evident that the Meiji spinners' competitiveness resided in the effective indication of necessary competition as well as coordination (Fletcher, 1998; Kuwahara, 1986, 1990; Mass & Lazonick 1990; Miyamoto, 1988). But who was at the forefront of the infant cotton industry's development?

My presentation answered this question. A master plan had already been called for in the 1880s, a "grand blue print" that would mould the style and structure of Japanese industrial competitiveness. The leadership was taken by the Osaka Cotton Spinning Company, which began its operation in 1883, under the charismatic direction of Takeo Yamanobe. As a latecomer in western-style mechanisation, the most distinct weakness in the early phase of Japanese industrial development was sound technical knowledge regarding the strategic combination of production resources. Yamanobe was able to provide spinners with British-standard technology. His contribution was however not a sole achievement: his every entrepreneurial activity, especially

³ Institute of Innovation Research, Hitotsubashi University (Tokyo, Japan) and Japan Business History Institute (Tokyo) archive the largest collections of Japanese company history.

in Britain, was undertaken with Mitsui Trading Company's London Office. Senjiro Watanabe of the London Office possessed a clear vision of the industry's future, and facilitated the growth of international trading as well. My study argues that their collaboration provided an unprecedented entrepreneurial leadership, which allowed the infant industry to catch up with its competitors. In addition, their leadership supplied an essential cognitive commonality amongst the Meiji spinners. This certainly involved a reduction of information cost in the exercise of judgement in business decisions.

The importance of entrepreneurial leadership in developing sustainable industrial competitiveness is central to my argument. The following three must be readdressed: the effective leadership in comprehension of an entrepreneurial model, the prompt diffusion of cognitive commonality in business, and the early conceptualisation of global competition. My study stresses that both Yamanobe and Watanabe were exceptionally entrepreneurial in their pioneering vision, inimitable to others: they were able to provide significant guidance on entrepreneurial business models, managerial improvement, technological choice, strategic market segments, international competitors, scale of production, and the nature of global market competition. The impact of their insightful conceptual leadership proved to be groundbreaking, as their entrepreneurial vision materialised in the first half of the 20th century. Nonetheless, it is important to note that, as Miyamoto (Miyamoto, 1988) argued, the subsequent corporate performance of Yamanobe's firm did not markedly excel the others especially after 1900; besides, Watanabe's article reviewed in my research was the only written record of his guidance on the growing global competition. They certainly made an entrepreneurial breakthrough in grasping the most urgent industrial necessities, but that did not always guarantee them unchallengeable leadership in the practice of entrepreneurial management. Spinning companies such as Mie, Kanegafuchi, Settsu, and Amagasaki became more competitive in the local market and more aggressive in the pursuit of overseas potentials from the turn of the century (Mutoh, 1933, 1934; Miyamoto, 1988). Still, Yamanobe's Osaka Cotton Spinning Company maintained its pioneering position in vertical integrations of production and consequent technological innovations until its merger with Mie Spinning Company in June 1914 (Toyobo, 1986). It is also certain that Watanabe's conception of engaging with the inevitable Indian competition pioneered further managerial interrelatedness between the spinning sector and trading companies. Even so, Mitsui's Toyo Menka Kaisha faced fierce competition with Nippon Menka Kaisha as well as Goshō Nippon in the international trade of raw cotton and Japanese products.

Considering the sources of competitive advantage of the Japanese cotton industry in the inter-war period, Mass and Lazonick put forward a significant analytical framework with the five cost headings: labour, fixed capital, materials, marketing, and administrative (Mass & Lazonick, 1990, pp. 37-45). In their explanations of Japanese success, the analysis revealed that noticeable cost advantages were derived commonly from a series of ongoing innovations in organisational structures, managerial procedures, marketing, and production technologies. It deserves our attention that the foremost source of every innovative endeavour to achieve the cost advantages was found in the entrepreneurial vision outlined by Yamanobe and Watanabe.

Both Yamanobe and Watanabe had developed and then publicised their ideas in the 1880s, but the zenith of the planned industrial competitiveness was accomplished in the 1930s. During the consequent industrial advance of more than a half-century, the key nature of competitive advantages changed little; the two entrepreneurs remarkably foresaw the most fundamental requirements of an upcoming epoch of capitalism: in Chandlerian terms, of the rising managerial capitalism (Abe, 1997, 2009; Chandler, 1977, 1990a, 1990b; Teece, 1993). As Watanabe proclaimed, the Japanese focus on the Indian competition and emulation of the Bombay spinners at the early phase of development, should not lead to another version of the Indian model. Both Yamanobe and Watanabe strenuously emphasised efficient managerial coordination to develop a Japanese-style collective system that could rival Bombay in the same market segments. Watanabe thoroughly analysed Bombay's competitive advantages. The aggressive practice of entrepreneurial management explains the Japanese timely development under the epoch of visible hands as well as mass production.

Watanabe's report elucidated that Mitsui was not a mere agent of machinery purchase and delivery; trading companies were the critical hub of developing and disseminating strategic knowledge that enabled the Meiji spinners to find a place within global market competition. Regarding technological choice and procurement of machinery, the trading companies certainly played the most vital role in the Japanese cost advantage. More significantly, they were central to the incessant international coordination to sustain the Japanese advantage in market competition over Bombay and Lancashire. It is legitimate to argue that, due to Watanabe's pioneering endeavour, the Meiji spinners' early conceptualisation of global competition could be initiated, and this gave rise to the foundation of international perspective in their succeeding entrepreneurial management as well as technical innovations. Their cost advantages then followed. In my study, Casson's view provides a critical stance. Casson opened a new phase in the conceptual development of entrepreneurship by his analytical focus upon information cost. He identified the noticeably common entrepreneurial function within all the past approaches: the exercise of judgement in business decisions (Casson, 1982). Cassonian entrepreneurship concerns the capacity of developing skills and procedures for optimising information selection and processing. The theoretical breakthrough in Cassonian framework resides in its applicability to entrepreneurial history, especially in those of late industrialisation. Efficient transfer of advanced technology, scientific knowledge, and managerial system was one of the principal requirements in successful late industrialisation (Jeremy, 1991; Nakaoka, 1991; Shin, 1996; Uchida, 1991; Ville, 1991; Yuzawa, 1991). Since the earliest phase of industrial development, the high cost of information caused the most conspicuous difficulty in technology transfer. An unprecedentedly wide array of technical information regarding textile machinery and of scientific knowledge for new systems of mechanised manufacture demanded high cost. Conquest of this high information cost hence became the initial essence of entrepreneurial management. Technological choice required exercises of daring judgement in business decisions, and Takeo Yamanobe of the OCSC was at the forefront of the venture of industrialisation.

The prominent competitiveness of the inter-war Japanese cotton industry, so feared by Indian and British industrialists, can be explained by another historical context: the entrepreneurial leadership in the early conceptualisation of global competition.

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