GOOD FENCES MAKE GOOD NEIGHBORS: PROPERTY RIGHTS, APPROPRIABILITY, AND OPEN FIRM BORDERS IN JAPAN

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PROPERTY RIGHTS

- EXPECTATIONS AND GUARANTEES UNDERPIN PROPERTY RIGHTS
- THESE ARE TERMS “GOOD FENCES” IN MY PAPER
- WITHOUT THESE
  - ECONOMIES WILL NOT GROW
  - ENTERPRISES WILL NOT PROFIT
  - ENTREPRENEURS WILL NOT TAKE RISKS

APPROPRIABILITY

- TAKING POSSESSION OF PROPERTY
- CRUCIAL STEP IN-BETWEEN IDENTIFYING GOOD IDEAS, GENERATING THEM, AND PROFITING FROM THEM

OPEN FIRM BORDERS IN JAPAN

- TOYOTA'S NETWORK OF 1ST TIER SUPPLIERS NUMBERS ABOUT 200
- TOYOTA'S NETWORK OF 2ND TIER SUPPLIERS NUMBERS IN 1000s
- ONE TOSHIBA FACTORY BOASTS 250 CUSTOM SUPPLIERS & 500 REGULAR BUT NOT CUSTOM SUPPLIERS

JAPANESE FIRMS HAVE THE GOODS OR DO THEY?

- OPEN FIRM BORDERS
- ROBUST IDEA OF PARTNERSHIP
- PROPERTY RIGHTS

POSSIBLE COMBINATIONS

- ONE POSSIBILITY: HIGH PROPERTY RIGHTS & LOW APPROPRIABILITY
  - U.S. OR AT LEAST S.V. MODEL
- ANOTHER: LOW PROPERTY RIGHTS PROTECTION & HIGH APPROPRIABILITY
  - JAPAN OR AT LEAST TOYOTA PRODUCTION SYSTEM MODEL

TO COMPENSATE FOR HI APPROPRIABILITY & LO P.R.

- EXCLUSIVE NETWORK ORGANIZATIONS
- LIMITED ACCESSIBILITY TO GOOD IDEAS
- LIMITED FLOW & ENHANCEMENT OF GOOD IDEAS

HOW RECOGNIZE PROPERTY RIGHTS?

- PROPERTY RIGHT LAW EXISTS
- TIME CONSUMING & NOT LIKELY TO RESULT IN ONE-SIDED DECISIONS
  - CHOTEI AS THE NORM

INSTEAD OF P.R.

- TRANSACTION-SPECIFIC AS OPPOSED TO RESIDUAL P.R.
- RECOGNITION & REWARD IN MIDST OF 3 TREASURES
- GOVERNANCE ROLE OF SUPPLIER ASSOCIATIONS TO MITIGATE LACK OF P.R. PROTECTION

GENERALIZABILITY OF TWO SYSTEMS

- TODAY P.R. PROTECTION IS SEEN AS SINE QUA NON IN DEVELOPMENT
  - RULE OF LAW(S) SEEMS UNIVERSAL
- TPS WORKS OVERSEAS BUT U.S. NETWORKS LIKE THOSE IN JAPAN
  - EXCLUSIVE
  - LIMITED RECOGNITION OF GOOD IDEAS
  - SUPPLIER ASSOCIATIONS DO NOT FUNCTION IN THE SAME WAY