

Appendix 2 Historical Research on the Sogoshosha

Cho (1987) and Murofushi (1998) investigated the developmental process of the Sogoshosha after the Second World War from the viewpoint of their function, as described below.

1) The 1950s (Period of Growth)

The Korean War exposed the vulnerability of Japanese trading companies to unexpected changes in the external economic environment, and as their future vision, the significance of their internationalization was emphasised. Consecutive periods of stagnation especially in the trade sector, compelled the Japanese government to implement public support programmes. The outcome was the provision of various subsidiary supports for Japanese trading companies in 1953. These dynamic government support programmes helped the Sogoshosha to rationalize their conventional operations and to expand the variety of their product and service (Cho 1987).

2) The 1960s (Period of Decline)

As a result of manufacturer's direct participation in trading, and diseconomies of scale as the result of overly-diversified products and services by the Sogoshosha, they experienced a sharp decrease in their trade volume. To stop this decrease, the Sogoshosha looked for a new function. Mitsui Bussan and the Mitsubishi Corporation were examples of functional diversification (Cho 1987).

3) The 1970s (Period of Criticism)

In this era, at first, there was a slowdown in the growth rate of the Japanese economy. Second, there was a change in the economic and industrial structure of Japan. Third, the fluctuation of currencies in 1971 made exports from Japan less predictable. These events caused fierce competition among the Sogoshosha, which accelerated inflation in Japan. Consequently, they were criticised by the public. (Cho 1987).

4) The 1980s (Period of Uncertainty)

Small and medium scale companies and technology-led industries in Japan began accessing international markets and financial institutions directly, which substantially undermined the conventional function of Sogoshosha. Almost all the Sogoshosha

changed their business strategy to emphasise third-country trade, investment in R&D, and direct investment in foreign business (Cho 1987).

5) The 1990s (Period of Management Reform for Globalisation)

The Sogoshosha began to reform their management structure. They set and shared subjects and goals inside the company in order to ensure profits even during the period of low economic growth by establishing a management system suitable for the hyper-information society and globalisation. The Sogoshosha have refined their abilities and functions (Murofushi 1998).