

Industry crisis and leadership in high-performing  
organizations:  
The case of the Japanese orange industry, 1968–1989

Hideto MATSUBARA  
Graduate School of Commerce and Management  
Hitotsubashi University, Japan  
April 2013

*No.165*

# **Industry crisis and leadership in high-performing organizations: The case of the Japanese orange industry, 1968–1989**

Hideto MATSUBARA

Graduate School of Commerce and Management

Hitotsubashi University, Japan

## **Abstract**

The purpose of this study is to identify and explore the determinants of success in the context of an industry crisis. To do so, we used the Japanese orange industry as an illustrative case, from which valuable information was obtained.

Between 1968 and 1989, the Japanese orange industry underwent a period of crisis that was characterized by low levels of profitability, stunted growth, and limited development. This economic downturn compelled the production sector of the orange industry to develop innovative solutions for dealing with the crisis, as the shipping associations' failure to respond to the crisis would damage their market position in the long term. Despite the pervasive economic crisis, those associations that were able to maintain internal contradictions became industry leaders. These events raise several questions. First, what factors incited aggressive associations to employ such counterintuitive strategies? Second, in a period of economic crisis, how could a successful shipping association realize favorable strategies?

Based on our analysis, we drew the following conclusions. First, although some shipping associations in the orange industry dealt with the economic crisis through the elimination of internal contradictions (which were impediments to success), it led to a reduced ability to respond to changes in the supply chain. Related to this, although other associations were rife with internal contradictions in the short run, they could achieve desirable outcomes by positively utilizing issues that were perceived as problems. Finally, we found that organizational leadership played a critical role in transforming problems into key factors for success.

## **1. Introduction**

The purpose of this paper is to identify and explore the characteristics that differentiate organizations that succeed from those that fail during periods of economic crisis. During these periods, organizations must quickly adapt to dynamic environmental demands to avoid being overwhelmed. As such, many organizations attempt to overcome the difficulties they face by developing and implementing a variety of responsive strategies. Despite universal effort towards environmental adaptation, some organizations succeed while others fail. This paper adopts a historical, case-based perspective to explain why this occurs.

To explore this phenomenon, this paper focuses on the Japanese orange industry during the last years of the 1960s, 1970s, and 1980s.<sup>1</sup> We selected the orange industry during this period because it was characterized by many of the issues described above. First, the productive sectors of the Japanese orange industry primarily comprised small, family-run orange orchards. As a result, these areas were particularly susceptible to the problems caused by the industry crisis from 1968 to 1989, and were, therefore, compelled to adapt to survive. Given this, we have the power of hindsight to examine the costs and benefits associated with the various responses developed by them. Moreover, the second reason for selecting the orange industry also relates to the visibility of organizations' actions in dealing with the crisis. Because we know how each production organization individually dealt with the crisis, we can see how these decisions influenced the respective futures of those organizations.

Within the Japanese orange industry, the crisis that affected the production sector revealed an interesting phenomenon. Shipping associations that had reacted positively (that is, eliminated internal contradictions) to the crisis were unable to improve their long-term market position. In contrast, those associations that maintained internal contradictions enhanced their respective positions in the market. The primary goal of this paper is to identify the determinants that caused this development.

## **2. An overview and analytical interpretation of the Japanese orange industry**

### **2.1. Overview**

As evidenced by the growth in total area dedicated to cultivation, the Japanese

---

<sup>1</sup> The official name of the product is satsuma mandarin (*Citrus unshiu*). However, for the sake of simplicity, we will simply refer to this fruit as the Japanese orange. We focus on Japanese oranges that are eaten raw, due to the proportion of sales that are attributed to buyers who consume the oranges in this way.

orange industry has undergone a dramatic shift (see Figure 1). Annual Japanese orange consumption increased from 1.9 kilograms per capita in 1947 to 22.1 kilograms in 1968 (see Figure 2). Between 1968 and 1972, the annual consumption of oranges increased further, leveling at 32.2 kilograms per capita. Following its peak in 1972, however, the annual consumption of oranges fell to 10.7 kilograms per capita in 1994. Despite the fact that the Japanese orange industry enjoyed a period of rapid growth following World War II, an oversupply occurred at the end of the 1960s. As a result, the Japanese areas that produced the oranges were subjected to an economic crisis that endured until the oversupply was resolved 20 years later.

The years during which producers oversupplied with oranges were critical in terms of lost profits. Despite economic inflation, the oversupply of oranges caused the price to remain stable in the Japanese market. Producers suffered a price slump in 1968 and 1972, and endured rising material and labor costs, which resulted in a reduction of their real profit on each orange that they sold (see Figure 3). Owing to this reduced profit, implementation of legislative incentives to exit the market in 1989, and an increased amount of orange imports, the number of producers in the Japanese market decreased.

Given the dynamic nature of the orange industry following World War II, it can be classified into three periods: 1954–1968,<sup>2</sup> 1968–1989, and 1989 to the present day. By 1954, the orange industry had regained its pre-war production capacity. Following an extended period of rapid growth, however, the oversupply issue arose in 1968. In response to the difficult economic times associated with the oversupply, many farmers withdrew from the industry, thereby shrinking its production capacity in 1989 (see Figure 4).

This paper primarily focuses on the period between 1968 and 1989, during which the productive sector experienced low profitability. Moreover, this period was characterized by an increasing gap between the Japanese orange industry as a whole and the production sector in which oranges were cultivated.

## **2.2. An analytical view of the Japanese orange industry**

To clearly establish the differences between the development of the whole industry and that of orange-producing areas, a proper understanding of the connection between the two is necessary. Thus, this study proposes two kinds of relationships for

---

<sup>2</sup> The industry's production capability was damaged by the war; however, the production volume in 1954 was equal to its pre-war peak. Thus, this paper treats 1954 as the beginning of the post-war development of the orange industry in Japan.

understanding this connection: supply chains as vertical relationships and inter-regional competition as horizontal relationships. The details of these relationship frameworks are described below.

First, we conceptualize the supply chain as a series of vertical relationships that reflect the industry's cumulative development. According to Christopher (1992), the supply chain is a network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer. Although many researchers have demonstrated the significance of supply chain analysis in a number of contexts, in this paper, we focus on its implementation in the context of strategic management. For example, according to Croom and Batchelor (1997), organizational behavior is conditioned and contextualized by its patterns of interaction with other firms in its supply chain. Thus, the adoption of the supply chain perspective by firms makes them accountable for their strategic behavior. In addition, Ketchen and Giunipero (2004) argued that the supply chain perspective provides strategic management analyses with a supraorganization level. Although these arguments are related to the analysis of companies, an emphasis on competition renders supply chain analysis important for the Japanese orange industry as well.

The typical supply chain in the Japanese orange industry is depicted in Figure 5. In production sectors, some shipping associations (which are normally agricultural cooperatives) transport Japanese oranges from farmers to wholesale firms in the markets near Japanese metropolitan areas. In these markets, wholesale firms auction the products and distribute them to retailers through intermediate wholesalers.

Second, we characterize inter-regional competition as a series of horizontal relationships. The impact of "indication of origin" on consumers' purchasing motivations has been incorporated into country-of-origin (Samiee, 1994) and brand strategy (Aaker, 1996) analyses. Moreover, indication of origin enables the geographic regions that produce oranges to gain the loyalty of their consumers. Hence, it is clear that competition is critical for those areas of the country that produce oranges.

Productive geographic regions compete with each other in a wholesale market (Ishikawa, 1970). The price of oranges is not traditionally dictated by the shipping associations, but is determined through auctions. This leaves market competitors no means for engaging in competitive price strategy. Therefore, market participants compete on the basis of volume of trade or quality rather than price. In terms of quality, orange-producing sectors emphasize consistent quality as well as high quality. Although the quality of industrial products is determined only by the production process, the

quality of agricultural products is contingent on numerous post-production processes as well. Therefore, agricultural products must be classified according to certain specifications for meeting consistent high-quality standards (Ohara, 1979). Therefore, orange-producing sectors approach quality from two perspectives: (1) ensuring high-quality production in terms of good taste and appearance, and (2) ensuring consistent quality.

### **3. Brief History**

Before empirically analyzing the Japanese orange industry from 1968 to 1989, it is important to document how the industry operated in the years prior to that period. Before 1968, the developments in both the individual production sectors and the overall orange industry were comparable. In this section, we first focus on the entire Japanese orange industry through a supply-chain framework, and then consider competition in the productive sector.

#### **3.1. Supply chain**

Japan's rapid post war economic growth caused a sharp increase in the price of perishable foods. To stabilize prices, the Japanese government aimed to make the distribution of products through central wholesale markets more efficient. Specifically, the government promoted mass distribution and required wholesale firms to engage in large-scale trading practices. Thus, from 1954 through 1968, government-mandated distribution policies required wholesale firms to conduct large transactions.

In contrast to wholesale firms, however, small fruit and vegetable shops resisted engaging in large-scale transactions owing to concerns regarding decline in product quality. To successfully engage in large-scale transactions, the orange-producing areas would need to integrate with neighboring areas. Although this, in and of itself, would not damage product quality, each production region in integrated areas had different production conditions and backgrounds. By lumping all the products into one integrated shipper for transportation to the wholesale market, product differentiation and quality would inevitably drop (Wakabayashi, 1969; Ishikawa, 1973). However, these concerns of retail shops did not significantly influence the collective attitudes of producers or consumers, and strong demand for Japanese oranges persisted. In addition, retail shops could handle inconsistent quality to some degree by re-sorting products by themselves. In this way, the supply chain for the Japanese orange industry could handle problems regarding production sector integration. As a result, the industry endured government-mandated, large-scale transactions.

### **3.2. Inter-regional competition**

Orange-producing areas in Japan recognized the importance of large-scale transactions for determining the price of oranges in wholesale markets. These markets tended to prefer large-scale transactions to small-scale transactions. Shipping associations in small production regions did not secure sufficient volume for large-scale trades; therefore, they could not gain a competitive advantage in the wholesale market unless their products were of a remarkably superior quality (Ishikawa, 1965). These conditions led to intense competition among orange-producing areas for two reasons.

First, the conditions promoted the increase in production capacity. Shortly after entering the Japanese orange industry, many farmers could expand their orange orchards. Second, shipping associations sought to pursue large-scale transactions to improve their respective positions in the market. Specifically, they expanded the geographic range from where they collected products through integration and the standardization of brand names in nearby regions. In doing so, they increased their competitive advantage over other associations. Through these expansions and integrations, brand emphasis transitioned from individual farmers or villages to countries or prefectures.

In this light, the development of the productive sector coincided with that of the industry as a whole. Although the integration of areas that produced oranges introduced some highly publicized problems related to product quality, these problems influenced neither consumer demand for oranges nor support from the supply chain.

## **4. Production area divisions and the developmental gap between the Japanese orange industry and its constituent sectors**

The collapse of orange prices in 1968 and 1972 triggered significant changes in the industry. The period of growth ended and the industry was suddenly characterized by low profitability. To overcome this drastic change and retain profitability, farmers and shipping associations in each production region had to respond immediately, and thus, attempted to compete with others in the market based on product quality. However, the quality competition that ensued caused individual production areas to neglect the development of the industry as a whole. In this section, we discuss competition within the productive sector and analyze the entire orange industry in Japan through a supply chain framework.

### **4.1. Production area divisions**

Because the industry shrank in this period, competition among orange-producing regions became so intense that the period was informally termed the “Japanese orange war.” The relative importance of trade volume for each production

region gradually declined, because each region recognized the importance of product quality as a means to engage in market competition as below. Large-scale integrated areas that had enjoyed competitive advantages during the period of growth in the 1950s and early 1960s were unable to thrive on the basis of trade volume alone because the quality of their products was inconsistent. Moreover, areas that produced high-quality oranges were able to establish high prices through auctions in wholesale markets. As such, it is clear that despite the growing economic crisis for the Japanese orange industry, high-quality products yielded high unit prices. Therefore, to increase their profits and survive in an increasingly competitive market, orange-producing areas competed on the basis of quality.

To maintain the high quality of their oranges, production sectors were careful to select which products to ship. Given the oversupply of oranges in the market, consumers enjoyed the favored position of being extremely selective while purchasing oranges. As such, if even a few unappetizing oranges were sold, consumers tended to dismiss the entire produce of that area as poor. To maintain demand for their oranges, production sectors were strongly incentivized to ship superior products. However, the diversity of Japanese farmers' skills led shipping associations to consider whether the selection, shipping, and selling of products from integrated areas would result in negative perceptions of their products. This issue was particularly problematic for part-time farmers.

The productive sector of the Japanese orange industry constructed a framework for cooperative selling through shipping associations. However, the slump in prices raised several contradictions in orange-producing areas. Shipping associations were originally homogenous groups of farmers that produced products of consistent quality and had equal responsibility for cooperative selling. However, increased economic growth in other industries resulted in an increase in the number of part-time farmers in those industries. As a result, shipping associations comprised both full-time farmers, who earned their livelihoods solely through orange production, and part-time farmers, who gradually transitioned out of the Japanese orange industry. Given the intense competition, part-time farmers who were perceived as obstacles to quality improvement were excluded from industry activities by the shipping associations.

Furthermore, heterogeneity associated with the part- and full-time farmers, and the inconsistent product quality that resulted from it, transcended individual production regions and became a significant issue in large-scale integrated areas. In the integrated areas, producers of high-quality oranges had become dissatisfied that their products had been coupled with those of lesser quality. This friction was revealed by the intense



competition and price slump in integrated shipping areas. Because of their dissatisfaction, some producers of high-quality oranges separated from the integrated area. In other cases, the integrated areas were compelled to fragment into several brands to distinguish the products produced in different regions.

Individual orange-producing areas within Japan underwent significant change between the 1950s and 1980s. During the early stages of development, which was a period of significant economic growth, these areas openly integrated. However, as the orange industry fell into crisis, many producers adopted a strategy of isolation and competition. Since greater emphasis was placed on product quality, producers of high-quality oranges disallowed inferior farmers from contributing their products to the market. These divisions within integrated areas caused the volume of each shipping transaction to shrink.

## **4.2. The gap between the Japanese orange industry and its regions of production**

Although the divisions described in subsection 4.1 greatly influenced individual production regions, the Japanese orange industry remained relatively unchanged during that period. In particular, although the industry continued to promote transactions of greater volumes, the transaction volumes of the shipping associations continued to shrink.

Hence, it is possible to identify both a commonality and a difference with the previous period. In terms of similarity, wholesale firms' demands for large-volume transactions persisted after 1968. These volume retailers became the drivers of the retail sector, which previously comprised fruit and vegetable shops. Given these changes, the supply chain welcomed large-volume transactions during this period. As a result, orange producers that reduced the volumes of their shipments struggled to achieve their capacity to respond to the needs of high-volume retailers and were compelled to participate in a shrinking segment of the market characterized by high prices.

Despite volume retailers' preference for high-volume transactions, it was not easy for the shipping association in each production area to consistently meet their volume requirements. This was because volume retailers relied on not only the volume of their sales but also consistent quality of their products.<sup>3</sup> As outlined above, improvements in product quality for oranges typically involved the exclusion of inferior farmers. Without this mechanism to regulate which products were included in the

---

<sup>3</sup> Volume retailers were characterized by mass selling with fewer employees. Thus, it was difficult for a relatively small number of sales clerks to handle inconsistent quality.

product batches from integrated areas, it would have been difficult to maintain a high degree of quality for those products, thereby reducing the price of the oranges. The tradeoff between volume and quality made the high-volume production of high-quality oranges difficult.

This circumstance, though unfortunate, raises the following question: Were producers overwhelmed by industry crisis after all? Certainly, most areas that engaged in quality competition for their survival could not participate in the long-term development of the orange industry. However, one area called “*Mikkabi town*” succeeded in adjusting to the industry’s development (see Figure 6). Therefore, in the next section, this study focuses on the case of Mikkabi town.

## **5. The case of Mikkabi town**

The manner in which Mikkabi enhanced its market position at a time of crisis was exceptional. The key factor of Mikkabi’s success was the realization of “high-price high-volume” selling through volume retailers. Although many orange-producing areas resolved conflicts between superior and inferior farmers by eliminating the latter, Mikkabi embraced the presence of both types of farmers in their shipping association. Using this strategy, Mikkabi was successful at producing high-quality products with minimal losses in production capacity and was able to accommodate the demands of volume retailers without suffering crippling losses in profitability. In this section, we initially describe Mikkabi’s market behavior and subsequently discuss the development of the region’s orange-producing capabilities.

### **5.1. Branding and market position: Building long-term competitive advantage from the supply chain**

#### **5.1.1. First supply chain: Branding**

Mikkabi’s first steps in dealing with the industry crisis related to its movement into the high-price segment of the orange market. In response to the price collapse in 1968, Mikkabi began producing oranges with high merchantability, which could be sold at a high price, thereby stabilizing the management. Mikkabi, which sought to distinguish itself as a premium seller of oranges, was engaged in intense competition with small, prestigious areas of production. These smaller regions were more adept at consistently producing high-quality oranges that could be sold at a high price because it was easier for these areas to regulate the organizations located there. Although Mikkabi had significantly more farmers than these small areas, it adopted their production techniques. As a result, Mikkabi was successful in joining the high-priced segment of the orange market.

Although the high-priced segment of the orange market shrank, it developed a reputation for quality and prestige. As such, shipping associations seeking to associate their brands with excellence could attempt to enter this segment. Mikkabi adopted such a strategy. Through this approach, Mikkabi improved consumer perceptions of its products, as evidenced by some areas' fraudulent claims, which associated their products with Mikkabi in 1981. During this event, the Mikkabi brand piqued the interest of consumers in retail shops. Although this practice is questionable, it nonetheless illustrates the degree to which Mikkabi was able to improve the quality of its oranges and penetrate the high-priced segment of the market.

### **5.1.2. Second supply chain: Building market position**

Although Mikkabi's strategy was heavily based on the changing perceptions of its brand, it was also largely based on the volumes that it sold. Specifically, Mikkabi came to believe that responding to volume retailers was important for conducting successful business. Consider, for example, the following statement by Mikkabi's shipping association:

A volume retailer plays an active role in carrying branded products, and thus, we have to respond to the demands of a volume retailer.<sup>4</sup> Kumiadayori, 1980-11, p. 7.

Mikkabi successfully developed such a response to volume retailers, which is indicated by the following statement of a member of a wholesale firm:

What we, wholesale markets, consider an absolute requirement for producing areas is continuous and large-volume shipping, especially because volume retailers have begun ordering considerable volumes recently. We appreciate that Mikkabi meets our supply requirements. ... Intermediate wholesalers and retail shops come to wholesale markets for making purchases every day; therefore, shipping a constant volume, under any circumstances, is very attractive. These producing areas can accept all orders ... and are always valued by wholesale markets. Producing areas that cannot accept all orders are useless.<sup>5</sup> Kumiadayori, 1979-11, p. 7

Despite its relative obscurity compared to the larger prefecture brands, Mikkabi was able to establish its brand in the market through their complementary strategies.

As an indicator of their quality, between 1968 and 1989, Mikkabi's oranges (110.6 yen) were approximately twice as expensive as those produced within the Shizuoka prefecture (where Mikkabi is located; 58.8 yen) and in Japan as a whole (64.1 yen), on average. Because Mikkabi's prices were differentiated from their competitors,

---

<sup>4</sup> The author has translated this text from Japanese to English.

<sup>5</sup> The author has translated this text from Japanese to English. It was a statement by Teruo Takada, who belonged to Kinnko-Seika Co., Ltd.

its products could neither be mixed with those from other areas, nor be displayed with the Shizuoka brand.<sup>6</sup>

Based on the abovementioned information, it is clear that Mikkabi was able to penetrate the high-price market segment and maintain a reputation as a producer of high-quality products. This indicates that Mikkabi's high-price goods were widely sold through volume retailers. Although many orange producers seek to produce expensive products with corresponding reductions in transaction volumes, Mikkabi was successful at selling their products not only at a high price but also at a high volume.

## **5.2. Transforming the contradiction between quality and volume into competitive advantage**

How was Mikkabi successful in terms of both quality strategy and volume strategy? We need to examine the internal environment to answer this question. Mikkabi's market behavior was unique in that it emphasized both the volume of transactions (as per the demands of volume retailers) and product quality. Mikkabi was able to successfully implement a strategy that emphasized both high volume and high quality by employing part-time farmers, who accounted for 60% of the total membership of Mikkabi's shipping associations as of November, 1970. Unlike many other areas, however, Mikkabi didn't preclude part-time farmers from participating in the orange market. Given the development of other areas of production raises the question regarding how Mikkabi was able to transform multiple points of discord (i.e., part-time vs. full-time farmers, quality vs. volume) into long-term competitive advantage.

To answer this question, we examine the efforts of superior farmers (and their high-quality products) and inferior farmers (and their low-quality products). More specifically, we first consider why superior farmers who may be inclined to eliminate inferior farmers from integrated areas remained loyal to a shipping association that risked a reduction in overall product quality? Second, we consider how inferior farmers were treated. Through an evaluation of these two complementary issues, we reveal how Mikkabi managed to maintain a high level of quality for its products without eliminating the contributions of inferior farmers.

### **5.2.1. Superior farmers**

In this section, we explore the question related to superior farmers' loyalty to

---

<sup>6</sup> The retail shops usually displayed prefecture-brands on oranges. The shop owners believed that because prefecture brands were more identifiable to consumers than town- or village-based brands, the products could be associated with a more identifiable brand. However, Mikkabi-brand was obviously differentiated from the prefecture-brand or ordinary brands.

shipping associations that threatened the overall quality of their products. The inferior farmers that were a part of Mikkabi's shipping association did not necessarily inhibit the overall performance of the area. Full-time farmers recognized the importance of transaction volume to remain competitive in wholesale markets, and pursued revenues in multiple associations resulting from several internal and external factors. These factors are detailed below.

First, Mikkabi actively engaged in efforts to penetrate the high-price market segment of the orange industry. Mikkabi introduced several products with strict provisions that only a few farmers were skilled enough to meet. These products ensured the generation of profit for the superior farmers, while simultaneously expanding Mikkabi's overall product range.

Second, Mikkabi expended significant effort to rate its products accurately. In general, it would be preferable that the degree to which a producer contributed to the association was inherently connected to the assessment of that producer. However, some orange-producing areas often gave unnecessarily-optimistic assessments to prevent inferior farmers from leaving the shipping associations. As a result, some superior farmers left the associations on account of the dishonest assessments. In contrast, Mikkabi built an assessment system in which honesty was valued and rewarded. Through this system, rating differences among orange producers were significant, indicating that Mikkabi farmers were accurately rated inside the association.

Through their treatment of superior farmers, Mikkabi was able to satisfy their need for profit and mitigate frustration that may have resulted from unfair assessments of inferior farmers.

### **5.2.2. Inferior farmers**

Mikkabi's strategy to include inferior farmers in its shipping association raised a new question: how did the oranges produced by inferior farmers achieve the level of quality expected for an area of such prestige? In short, Mikkabi's shipping association imposed strict criteria for shipping on all member farmers. The association also trained each farmer to produce oranges that met these quality criteria. This strategy is discussed in detail below.

The last opportunity to check the quality of a product before it ships is in the fruit sorting facility. In this facility, the association conducted thorough quality control operations related to the production standards established for each contributing farmer. The association deducted points from the farmer's evaluation when products were of poor quality. If products were especially poor, the association would confiscate them to keep them from going to market. This strategy for quality control was uniformly

imposed across all farmers; part-time farmers were not discriminated against. As a result of this strategy, Mikkabi ensured high quality through screening products, rather than eliminating inferior farmers.<sup>7</sup>

Furthermore, thorough communication facilitated a common understanding among farmers about expectations for their products. Although many orange-producing areas communicated strategies and expectations to farmers through general meetings or the association's public relations magazine, Mikkabi held multiple small, round-table discussions in each hamlet. Through this strategy, the association was able to increase attendance rates and generate lively discussion among attendees (Ishibashi, 1977). These discussions were held no less than thrice a year, as Mikkabi strived to inform farmers of its goals and expectations.

It was also important for the association to adjust the trainings of the farmers by considering each farmer's production conditions to ensure that all of them meet the strict standards for shipping. The association was particularly adept at dealing with part-time farmers. In addition, the associations shifted the targets of their training strategies away from men and towards wives. This strategy was employed because wives of part-time farmers played a critical role in producing Japanese oranges. This shift prevented a decline in Mikkabi's competitiveness despite the increase of part-time farmers in the association (Ishibashi, 1977). Additionally, as farmers sometimes produced the oranges on a large scale which exceeded their management skills, Mikkabi attributed poor product quality to heavy burdens (Naitou et al., 1975). As a result, the association provided guidance to each part-time farmer to enable them to produce high-quality products.

Although Mikkabi sought to retain many part-time farmers as a part of the shipping association, they were able to strike a balance between quality and volume. By doing so, the Mikkabi association was able to transform the "burden" of part-time farmers into a competitive advantage to develop successful strategies for responding to the needs of volume retailers. In essence, the critical determinant of Mikkabi's success was the association's effort to control variations in production quality by actively working with both superior and inferior farmers. If the association had not provided strong leadership, each individual farmer may have preceded the association in actions.<sup>8</sup>

### **5.3. Implications of Mikkabi's success**

In light of the information provided above, it is possible to glean several

---

<sup>7</sup> Source: Interview with Sunao Shimizu in December 22, 2012. Mr. Shimizu has been engaged with the shipping associations.

<sup>8</sup> Source: Interview with Sunao Shimizu on December 22, 2012.

lessons from the Mikkabi case. First, Mikkabi displayed strong leadership in managing and resolving the conflicts between superior and inferior farmers. Second, part-time farmers were essential for striking a balance between quality and volume and developing successful responses to volume retailers. As a result, many of the problems faced by orange-producing organizations in integrated areas were transformed into competitive advantages.

Clearly, the advantages enjoyed by Mikkabi were the result of a balance between quality and volume, as it would have been difficult for orange-producing areas that had eliminated part-time farmers to ensure transaction volumes. Similarly, it would be difficult for shipping associations that only incorporate part-time farmers to produce high-quality products. Given difficulties of imitating Mikkabi's efforts, Mikkabi established significant competitive advantage in the Japanese orange market.

## **6. Conclusion**

To conclude, we summarize the discussion provided above and consider its implications. In this paper, we showed that the Japanese orange industry crisis created a situation in which (a) many orange-production sectors suffered, despite improving the quality of their products, and (b) other orange-producing areas experienced a period of success, despite the inclusion of inferior farmers in their shipping associations. Mikkabi served as an exemplar for the latter, as it was able to develop long-term competitive advantages through strong leadership of the shipping associations.

Finally, the results of this analysis identify several differences between those organizations that succeed and those that fail during times of economic crisis. Although many organizations that face crises attempt to overcome their difficulties by eliminating the obstacles that they perceive as disadvantageous to them, those very obstacles may facilitate long-term adaptations to market changes. However, organizational leadership is a necessity for transforming "obstacles" into essential factors for success.

## References

Aaker, David A., 1996, *BUILDING STRONG BRANDS*. New York: The Free Press.

Christopher, M., 1992. *Logistics and Supply Chain Management*. London: Pitman Publishing.

Croom, S., Batchelor, J., 1997. "The development of strategic capabilities - an interaction view". *Integrated Manufacturing Systems* 8 (5): 299-312.

Ishibashi Kenji, 1977, "Kengyouka kumiaiinn no sosikika to noukyou no taiou", *Nougyou kyoudou kumiai keiei jitumu* 32(4): 110-116.

Ishikawa Kouji, 1965, "Kajyu titai ni okeru senkajyou no kibokakudai to syukka kouzou no henka", *Ehime daigaku sougou nougaku kenkyuu ihou* 9: 1-16.

Ishikawa Kouji, 1970, "Sijyou kyousouryoku youin". In Ehime ken, *Ehime Mikan no sijyou kyousouryoku oyobi natumikan no jyuyoudoukou ni kansuru tyousa*. Ehime.

Ishikawa Kouji, 1973, *Mikan no sijyou kakaku to hanbai seisaku*. Tokyo: Meibun syobou.

Kajyu nougyou kennkyuukai ed., 1992, *Fruits data book : Kajyu nougyou no kiso siryou*. Tokyo: Tikyua sya.

Kanagawa ken kankitsu nougyou kyoudou kumiai rengoukai, 1974, *Kanagawa ken kankitsu shi*. Odawara: Kankitsu nougyou kyoudou kumiai rengoukai.

Katsuuratyo kajyu kenkyuukai ed., 1993, *Katsuura Mikan no rekishi to kaken no ayumi*. Katsuura tyo: Katsuuratyo kajyu kenkyuukai.

Ketchen, DJ; Giunipero, LC, 2004, "The intersection of strategic management and supply chain management", *INDUSTRIAL MARKETING MANAGEMENT* 33(1): 51-56.

Matoba Tokuzou, 1951, *Wa ga kuni mikan no keizai kennkyuu: Seisan kouzou to torihiki sijyou*. Tokyo: Nourinsyou nougyou sougou kennkyuujo



Mikkabi tyo kankitsu syukka kumiai ed., 2009, *Mikkabi tyo kankitsu syukka kumiai 50 syuunen kinenshi*. Hamamatsu: Mikkabi tyo kankitsu syukka kumiai.

Mikkabi tyo nougyou kyoudou kumiai, various months, *Kumiaidayori*. Hamamatsu: Mikkabi tyo kankitsu syukka kumiai.

Nihon kudamono syougyou kyoudoukumiai rengoukai, various months, *Fruit Monthly*. Tokyo: Nihon kudamono syougyou kyoudoukumiai rengoukai.

Nihon toukei kyokai, 1988, *Nihon tyoki toukei souran Dai 2 kan*. Tokyo: Nihon toukei kyokai.

Nourin suisan syou ed., 1982, *Kajyu seisan syukka ruinen toukei*, Tokyo: Nourin toukei kyokai.

Nourin suisan syou ed., various years, *Kajitsu seisanhi*. Tokyo: Nourin toukei kyokai.

Nourin suisan syou ed., various years, *Kajyu seisan syukka toukei*. Tokyo: Nourin toukei kyokai.

Nourin suisan syou ed., various years, *Syokuryou jyukyuu hyou*. Tokyo: Nourin suisan syou.

Ohara junichi, 1979, *Noukyou kyouhan no riron to genjitu*. Tokyo: Meibun syobou.

Oroshiuri sijyou seido 50 nenshi hensan iinkai ed., 1979, *Oroshiuri sijyou seido 50 nensi*. Tokyo: Syokuhin jyukyu kenkyu senta.

Sakazume Hiroshi, 1999, *Gendai no seikabutsu ryutu : Daikibo kourigyo ni yoru ryutu saihen no kouzou to ronri*. Tokyo: Tsukuba syobo.

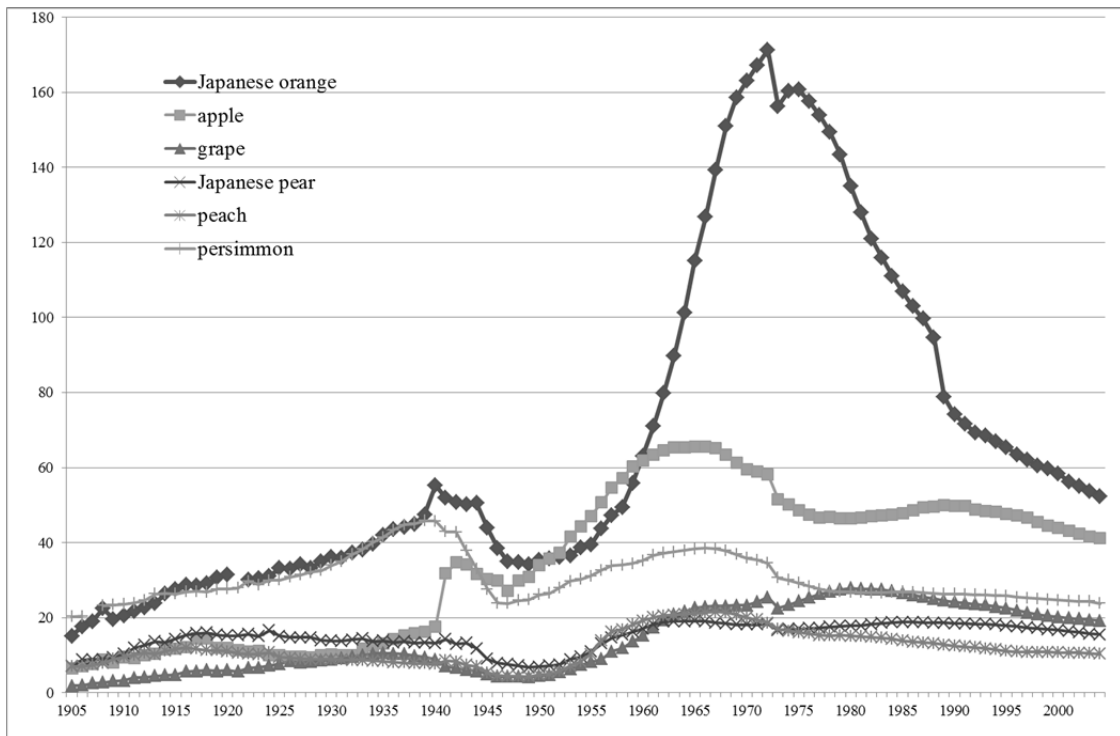
Samiee, Saeed, 1994, "Customer Evaluation of Products in a Global Market", *Journal of International Business Studies* 25(3): 579-604.

Shizuoka ken kankitsu nougyo kyoudou kumiai rengoukai ed., 1994, *Zoku shizuoka ken kankitsu shi Shiryo hen*. Shimizu: Shizuoka ken kankitsu nougyo kyoudou kumiai rengoukai.

Wakabayashi Hideyasu, 1969, “Kajitu no kouri dankai ni okeru hanbai jittai”. In Wakabayashi Hideyasu, Shouda Yasushi, and Ohara Junichi, *Seikabutu ryutu no keizai bunseki*. Tokyo: Ieno hikari kyokai.

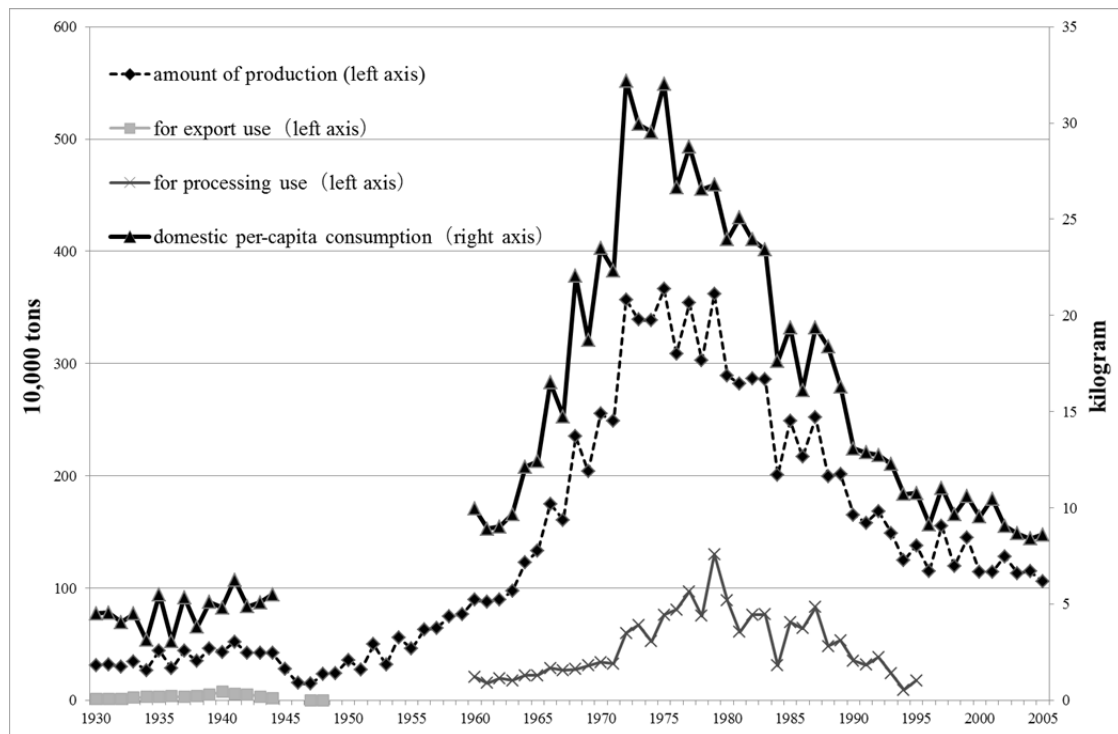
**Figure 1: Trends in area under cultivation**

Unit: 1,000 hectares



Source: Created based on data from Nihon toukei kyokai(1988).

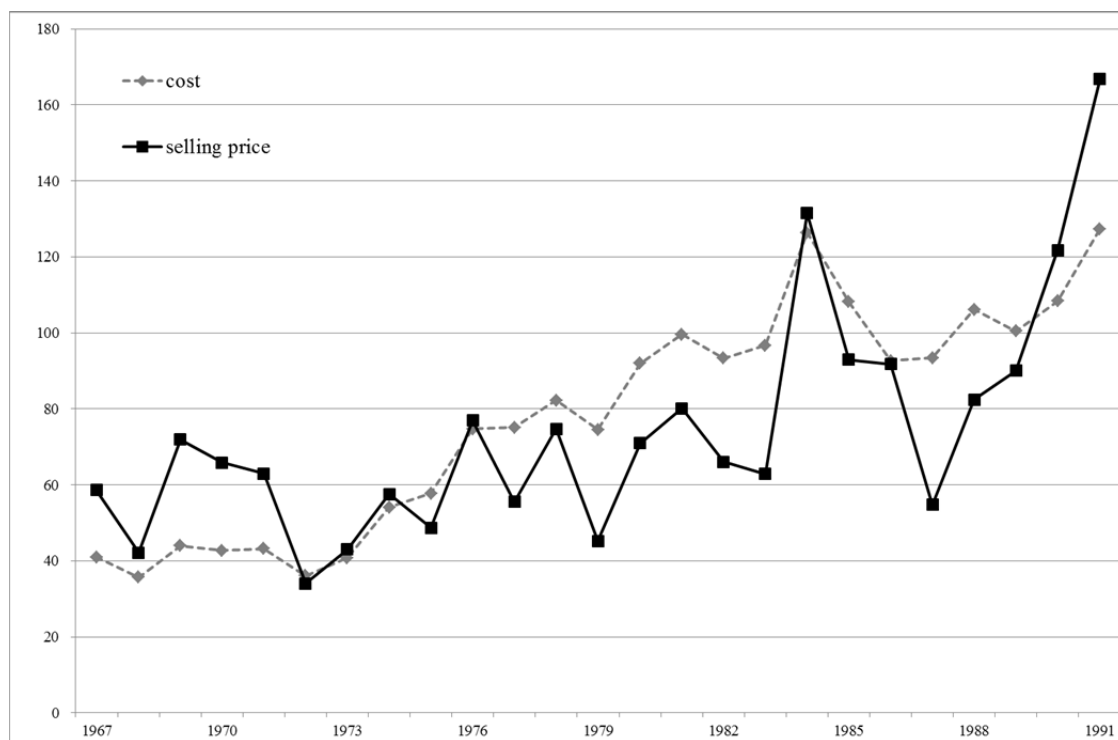
**Figure 2: Trends in the consumption**



Source: Created based on data from *Kajyu seisan syukka toukei*, various years, Matoba(1951), *Nihon toukei kyokai*(1988), *Shizuoka ken kankitsu nougyo kyoudou kumiai rengoukai ed.*(1994), and *Syokuryou jyukyuu hyou*, various years.

**Figure 3: Trends in the producers' average earnings and expenses**

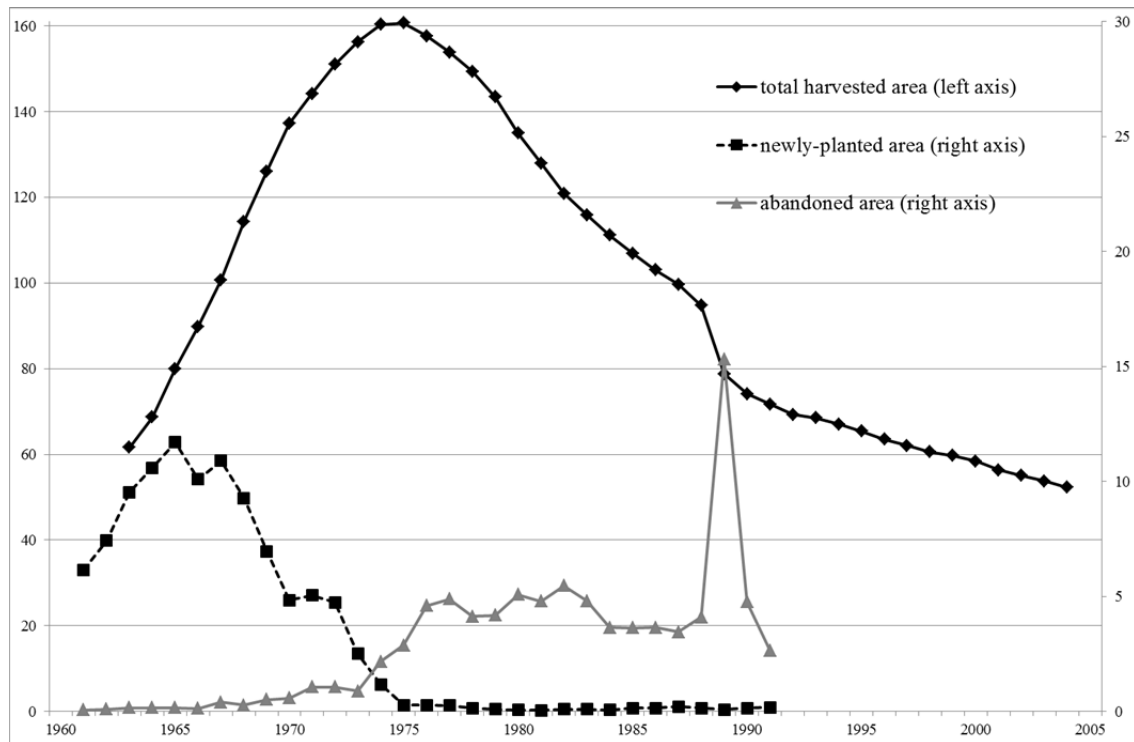
Unit: yen per kilogram



Source: Created based on data from *Kajitsu seisanhi*, various years.

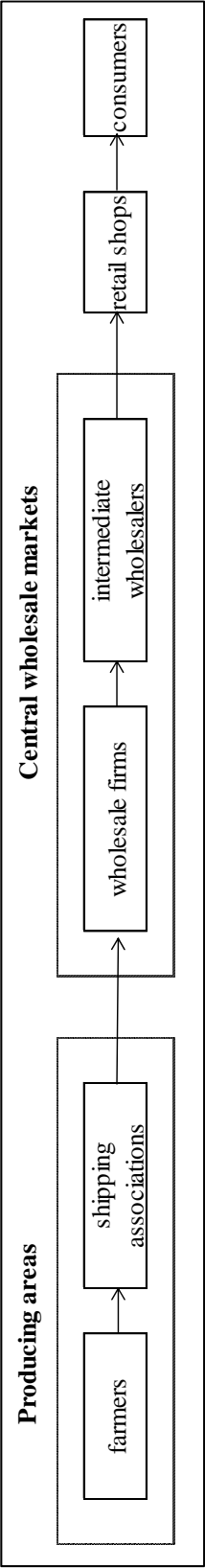
**Figure 4: Trend in harvested area**

Unit: 1,000 hectares



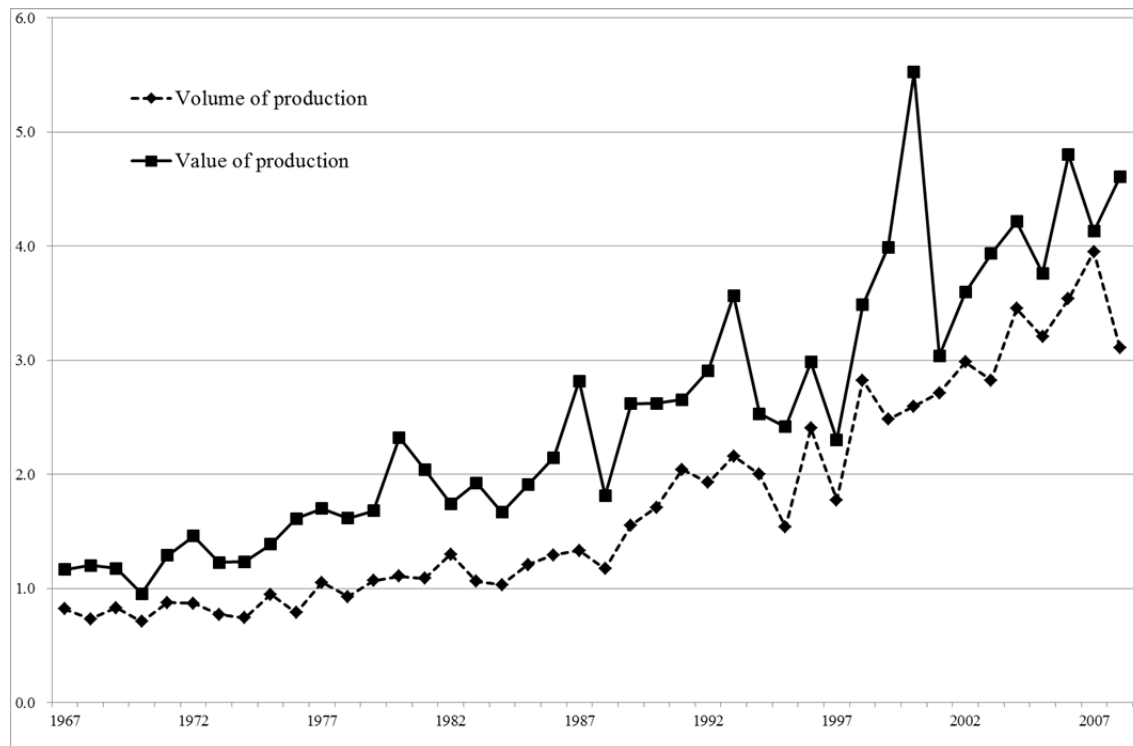
Source: Kajyu nougyou kennkyuukai ed. (1992) and Nourin suisan syou ed. (1982).

**Figure 5: Typical supply chain of Japanese orange industry**



**Figure 6: Trends in market share of Mikkabi's shipping associations in Japanese orange industry**

Unit: %



Source: Mikkabi tyo kankitsu syukka kumiai ed. (2009)