

First-Mover Decline and Latecomer Ascent: Corporate Governance, Absorptive Capacity, and Inertia in Japan And Korea

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ABSTRACT: Japan's postwar first movers have ceded advantage to latecomer rivals, most notably Korea, despite enduring strengths in quality, precision, and long-term capability development. This paper offers a conceptual, comparative explanation of that reversal by arguing that national corporate governance architectures condition firm-level competitive dynamics through two core mechanisms: absorptive capacity and organizational inertia. The analysis deploys Moon's ABCD framework as a process-based lens to explain how advantage is built, renewed, or eroded. Synthesizing work on Japan's coordinated, bank-centered governance and Korea's owner-centered, centralized governance suggests a clear contrast: mature coordination tends to depress realized absorptive capacity, build structural and routine inertia, and bias learning toward domestic reference points, constraining timely adaptation, whereas under intense external pressure, concentrated ownership and centralized authority can enable rapid strategic commitment, outward benchmarking, and cross-affiliate recombination that convert potential into realized absorptive capacity and selectively overcome inertia while sustaining goal-oriented effort. The paper examines the dynamics of governance, absorptive capacity, organizational inertia, and ABCD processes in relation to competitiveness. It outlines an empirically tractable comparative design for Japan and Korea using firm-level indicators of governance and performance. Contributions include reframing first-mover decline and latecomer ascent as governance-conditioned learning and resistance-to-change dynamics, integrating absorptive capacity and organizational inertia as mediators between governance and ABCD, and deriving implications for strategy, governance reform, and policy in the Asia-Pacific.

KEYWORDS: first-mover decline; latecomer ascent; corporate governance; absorptive capacity; organizational inertia; ABCD; Japan; Korea.

I. INTRODUCTION

Over the past three decades, Japan has lost many first-mover advantages in sectors such as electronics, automobiles, precision machinery, steel, and shipbuilding, despite retaining world-class production capabilities and sophisticated quality systems (Katz, 1998; Porter, 1990). This trajectory is theoretically puzzling: established frameworks would predict durability for early leaders endowed with substantial resources, coordinated institutions, and proven production routines (Lieberman & Montgomery, 1988; Christensen, 1997; Sull, 1999). Yet latecomer economies in the Asia-Pacific, most notably Korea, have not only caught up but, in several cases, overtaken Japanese firms in global market share and technological influence, including in industries undergoing rapid digital and architectural shifts (Porter & Heppelmann, 2014).

Classic accounts explain important pieces but leave the reversal only partially understood. The resource-based view and dynamic capabilities perspective emphasize valuable, rare, inimitable, and non-substitutable assets and reconfiguration routines (Barney, 1991; Teece, Pisano, & Shuen, 1997), while national-competitiveness and business-systems analyses highlight factor and demand conditions, related and supporting industries, rivalry, and institutional coordination (Porter, 1990; Aoki, 2001; Whitley & Morgan, 2001; Peters, 2005).

These logics help explain Japan's post-war ascent but address less directly why first movers with sophisticated capabilities sometimes fail to adapt when industry architectures and technological trajectories shift. Conversely, latecomer studies document export orientation, technology licensing, and accelerated learning in Korea and other emerging economies (Chang, 2003; Kim, 2023; Moon, Rugman, & Verbeke, 1998; Moon, Lee, & Yin, 2015), yet often attribute success to cheap labor, state promotion, or Confucian diligence (Hofstede, 1983, 1991; Robbins, 1991; Pheysey, 1993). As Moon (2016) and Moon, Lee, and Yin (2015) note, such conditions are neither unique to a small set of winners nor sufficient to explain why proximate first movers lose their lead.

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A process-based perspective better fits the puzzle. Japan's bank-centered keiretsu—main-bank monitoring, cross-shareholding, and consensus-oriented decision making—long supported patient capital and coordinated upgrading (Miyashita & Russell, 1994; Whitley & Morgan, 2001). Korean chaebol, by contrast, concentrated ownership and centralized strategic authority, enabling rapid top-down commitments but also introducing governance risks (Ouchi, 1981; Lemmon & Lins, 2003). These institutional architectures plausibly shape how firms mobilize and adjust capabilities under heightened global competition and trade liberalization (Hoekman & Kosteci, 2001): not only what resources firms possess, but how they search, learn, recombine, and persist—or resist change—when environments shift.

To connect competitive processes with governance, two mechanism constructs are central. Absorptive capacity captures recognition, assimilation, transformation, and exploitation of external knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002; Todorova & Durisin, 2007). Organizational inertia denotes structural, routine, and cultural resistance to change (Hannan & Freeman, 1984; Tripsas & Gavetti, 2000). The working expectation is that Japan's mature, consensus-oriented coordination can depress realized absorptive capacity and heighten inertia over time, tilting competitive routines toward inward-looking precision and procedural compliance; by contrast, Korea's centralized authority—despite agency risks—can, under intense external pressure, facilitate faster strategic commitment, resource reallocation, and outward-facing learning (Chang, 2003; Lemmon & Lins, 2003).

This paper develops a conceptual, comparative model that explains first-mover decline in Japan and latecomer ascent in Korea by linking national governance architectures to firms' learning and adaptation processes. The analysis is organized around three research questions:

RQ1. How are ABCD strategies related to corporate governance in Japanese and Korean firms?

RQ2. In what ways do absorptive capacity and organizational inertia mediate the relationship between governance and those competitive routines?

RQ3. How do different governance–mechanism configurations shape trajectories of global competitive advantage over time?

Three contributions follow from this agenda. First, the study reframes a latecomer-oriented process perspective (Moon, 2016; Moon, Lee, & Yin, 2015) to illuminate first-mover erosion in the Asia-Pacific. Second, it highlights the dynamic limits of coordinated, bank-based governance by specifying how mature coordination can gradually depress realized absorptive capacity and increase inertia, undermining adaptation. Third, it integrates absorptive capacity and organizational inertia as mediators between governance and competitive processes, offering a tractable basis for empirical evaluation in Japanese and Korean settings.

Section 2 reviews literatures on competitiveness, first movers and latecomers, and Asian business systems; Section 3 introduces the process-based analytical lens and embeds it in Japanese and Korean governance; Section 4 develops absorptive capacity and organizational inertia as mediating mechanisms; Section 5 presents the integrative model and analytical claims; Section 6 outlines an empirically tractable comparative design; Sections 7 and 8 discuss contributions, implications, and avenues for future research.

II. LITERATURE REVIEW: COMPETITIVENESS, FIRST MOVERS, AND LATECOMERS

Research on competitiveness has traditionally emphasized factor endowments, proprietary resources, and technological capabilities as the main determinants of firm and national advantage. The resource-based view (RBV) and dynamic capability perspective stress valuable, rare, inimitable, and non-substitutable (VRIN) resources, as well as reconfiguration routines, as the foundation of sustained superior performance (Barney, 1991; Teece, Pisano, & Shuen, 1997). At the macro level, Porter's (1990) diamond model highlights factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry, alongside government and chance, as key sources of national competitiveness. While these approaches illuminate important aspects of firm and country performance, they struggle to fully explain why some latecomer economies in the Asia-Pacific, particularly Korea, have overtaken Japanese first movers in sectors where Japan once held clear technological and market leadership.

i) Competitiveness and national advantage

The RBV and related strategy literature have been highly influential in explaining why some firms outperform others by virtue of idiosyncratic resources and capabilities (Barney, 1991; Eisenhardt & Martin, 2000). Dynamic capability scholars further argue that in fast-changing environments, the ability to integrate, build, and reconfigure internal and external competences becomes the central source of advantage (Teece et al., 1997). Applied to Japan, these perspectives help to account for the accumulation of sophisticated manufacturing capabilities, quality routines, and incremental innovation that underpinned its export success.

However, these theories often offer a static or firm-centric view of competitiveness. They focus more on *what* firms possess than on *how* they build and renew competitiveness over time, especially when initially resource-poor latecomers catch up and surpass

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incumbents. National-level analyses, such as Porter's (1990) work on the competitive advantage of nations, similarly shed light on how country-level environments support firm-level capabilities, but they are less explicit on why early national leaders may subsequently lose their position in the face of new challengers within the same region.

For the Asia-Pacific, Moon, Rugman, and Verbeke (1998) extend the diamond model in their generalized double diamond framework to explain the competitiveness of Korea and Singapore by incorporating both domestic and international factors. While such models better capture small open economies, they continue to rely heavily on factor conditions and structural determinants, and less on the micro-processes of learning, adaptation, and strategic change that drive long-run trajectories of rise and decline (Moon, 2016; Moon, Lee, & Yin, 2015).

ii) First-mover advantage and latecomer strategies

The first-mover advantage literature suggests that early entrants can secure durable rents by pre-empting key assets, shaping consumer preferences, and building switching costs (Lieberman & Montgomery, 1988). Under certain conditions, such as scale economies, network effects, and stable technological trajectories, first movers can remain dominant for extended periods. From this perspective, Japan's early leadership in semiconductors, displays, and heavy industries would appear to confer persistent advantages.

Empirical studies also show that first-mover positions are fragile, particularly in industries subject to rapid technological change or shifts in industry architecture (Christensen, 1997; Tripsas & Gavetti, 2000). Latecomers may benefit from "second-mover advantages" by avoiding sunk costs, learning from pioneers' mistakes, or adopting superior technologies once a trajectory becomes clearer. East Asian latecomer firms, notably in Korea and Taiwan, have often pursued aggressive catch-up strategies based on technology licensing, OEM/ODM relationships, and export-oriented industrialization, moving from imitation to innovation over time.

Adding a Schumpeterian lens, latecomer ascent is further illuminated by windows of opportunity created by techno-paradigm shifts and market dislocations, which allow followers to leapfrog incumbents by coupling capability accumulation with path-creating strategies (Lee, 2013; Lee & Lim, 2001; Lee & Malerba, 2017). In this view, industrial leadership changes occur in "catch-up cycles" when new knowledge regimes weaken incumbents' appropriability and architectural advantages, rewarding latecomers who quickly reconfigure complementary assets and target emerging niches (Lee & Malerba, 2017).

Much of this latecomer literature, however, explains success in terms of cheap labor, export promotion, state-led industrial policy, and cultural traits (e.g., hard work, Confucian ethics). As Moon (2016) and Moon et al. (2015) point out, these factors are not unique to the small set of successful latecomers. Many countries in Asia, Latin America, and Africa share similar factor endowments, export-oriented policies, and cultural backgrounds, yet have not achieved comparable firm-level competitiveness. Likewise, such accounts do not systematically address why first movers like Japan, which possessed advanced technology and significant state support, were ultimately overtaken by regional followers. A Schumpeterian catch-up perspective complements these accounts by specifying the contingent mechanisms of windows of opportunity, leapfrogging, and staged capability building through which latecomers can overtake entrenched leaders when technological and market regimes shift (Lee, 2013; Lee & Lim, 2001).

iii) Asian business systems and corporate governance

A second stream of literature focuses on national business systems and corporate governance in Asia. Japan's post-war economy has been characterized as a coordinated market economy with bank-centered finance, long-term employment, enterprise unions, and dense inter-firm networks (Aoki, 2001; Kim, 2024; Whitley & Morgan, 2001). Historically, large family-controlled zaibatsu dominated banking and industry until their formal dissolution after World War II, after which many re-emerged as horizontally organized keiretsu groups organized around central banks (Hidemasa, 1992; Morikawa, 1992; Miyashita & Russell, 1994).

In this system, central banks provided long-term finance, monitored managerial performance, and acted as quasi-insiders; cross-shareholding among group members reduced the risk of hostile takeovers and reinforced stable relationships (Miyashita & Russell, 1994). General trading companies (*sōgō shōsha*) coordinated imports, exports, and technology acquisition across multiple sectors, playing a pivotal role in Japan's integration into world markets (Shao & Herbig, 1993). These features have been widely credited with supporting patient capital, incremental upgrading, and coordinated export expansion during the high-growth period.

Korea, by contrast, is associated with family-controlled chaebol, which are large, diversified business groups with concentrated ownership and centralized decision-making authority (Chang, 2003; Kim, 2023; Pitelis & Sugden, 1986). While chaebol also benefited from close state-business ties and bank support, ownership and control remained more tightly held by founding families, and strategic decisions tended to be more top-down. This governance structure has been criticized for agency problems, related-party transactions, and crisis vulnerability, especially during the Asian financial crisis (Lemmon & Lins, 2003). At the same time, it

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has arguably enabled rapid, high-stakes strategic moves, including bold export drives, large-scale restructuring, and aggressive technology investments (Ouchi, 1981; Martinsons & Davison, 2007).

<Table 1> Comparative Governance Indicators of Japan and Korea

Governance Feature	Japan's Typical Indicators	Korea's Typical Indicators	Variable Construction
Ownership structure	More dispersed; stable cross-holdings among group firms/banks	Family/insider concentrated; voting rights > cash-flow via pyramids	Ultimate owner %; wedge (votes – cash-flow); free float %
Bank ties / finance	Main-bank monitoring; relational lending; bank equity stakes	Lower main-bank dependence; internal funds via affiliates	Bank shareholding %; loan HHI; top-1 bank loan share; RPT loan flags
Cross-shareholding	High reciprocal holdings within keiretsu	Lower reciprocity; control via pyramids/cross-holdings	Cross-held shares ratio; reciprocity count; pyramid depth
Group affiliation	Horizontal keiretsu; trading ties; bank-centered networks	Vertical hierarchy; apex family control; tight affiliate links	Affiliation dummy; network centrality; hierarchy depth index
Board structure	Historically fewer outsiders; increases post-2015 code	Outsiders rising; some insider-dominant boards persist	% independent directors; split chair/CEO; audit committee dummy
Interlocking directorates	Dense interlocks with banks and group firms	Interlocks concentrated within chaebol networks	Director interlock count; network degree/betweenness
Internal capital markets	Bank-coordinated flows plus group transfers	Strong intra-group reallocation by affiliates	Investment–cash flow sensitivity; RPT scale
Succession	Professional managers more common; bank influence; some family firms	Family succession prevalent; dynastic control patterns	Founder/family CEO dummy; generation count; succession event flags
Regulatory environment shocks	Corporate Governance Code 2015/2018; Companies Act reforms	Stewardship Code 2016; chaebol reform episodes	Reform event dummies; pre/post windows for DiD
Governance rigidity index	High bank ties & cross-holdings; lower outsider presence	High family control & pyramid depth; lower outsider presence	PCA on z-scored indicators; normalized composite index

Abbrev.: HHI=Herfindahl–Hirschman Index; RPT=related-party transactions; DiD=difference-in-differences; PCA=principal components.

Comparative work on Japanese and Korean business systems has documented differences in decision-making, authority, and culture. Japanese firms are often described as collectivist and consensus-oriented, relying on bottom-up information sharing (*ringi*) and extensive consultation before formal decisions are made (Debroux, 2003; Whitley & Morgan, 2001). Korean firms are more frequently characterized by high power distance and individualized decision-making at upper levels, even if lower-level employees operate in collectivist team structures (Hofstede, 1983; Song & Meek, 1988). These differences suggest that Japanese and Korean firms may differ not only in how they govern ownership and control, but also in how they scan, interpret, and respond to environmental changes.

iv) Gaps in explaining the first-mover decline in Japan

Taken together, the literatures on competitiveness, first- and late-mover strategies, and Asian business systems provide important insights into the rise of Japanese and Korean firms, but it leaves several gaps with respect to first-mover decline in Japan.

First, RBV, dynamic capability, and national competitiveness frameworks tend to emphasize static or initial conditions, such as resources, capabilities, factor endowments, or institutional environments, rather than the ongoing processes by which competitive advantage is renewed or eroded. They are less well equipped to explain why first movers with strong capabilities fail to adapt when the technological and competitive landscape shifts.

Second, latecomer studies often attribute Korean success to generic factors, including labor cost advantages, export promotion, or Confucian diligence, that are insufficiently discriminating. They rarely address why similar conditions in other countries have not produced comparable outcomes, nor why first movers in the same region have lost their lead despite continued investments in technology and production.

Third, comparative corporate governance research documents the structures of keiretsu and chaebol. However, it often stops short of specifying the micro-level mechanisms through which governance shapes learning, adaptation, and strategic change. Japanese and Korean firms differ in ownership concentration, bank relations, and decision-making style. However, less is known about how these differences translate into distinct patterns of agility, external benchmarking, cross-unit convergence, and the orientation of effort on the process dimensions that determine whether firms sustain or lose their competitive edge.

These gaps indicate the need for a framework that (a) foregrounds the process dimensions of competitiveness, (b) explicitly links those processes to national corporate governance architectures in the Asia-Pacific, and (c) incorporates learning and resistance-to-change mechanisms capable of explaining both latecomer ascent and first-mover decline. The following section introduces

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Moon's ABCD model as a process-based framework for analyzing competitiveness and embeds it within the contrasting corporate governance configurations of Japan and Korea.

III. ANALYTICAL FRAMEWORK: ABCD AND CORPORATE GOVERNANCE IN JAPAN AND KOREA

To address these limitations, Moon's (2016) ABCD model is adopted as a process-based framework for analyzing how firms and economies construct and erode competitive advantage. Originally developed to explain the upgrading of Korean latecomer firms, the model emphasizes how speed with precision, external learning, cross-domain recombination, and goal-oriented diligence generate competitiveness under conditions of resource parity (Moon, Lee, & Yin, 2015). The framework is extended by embedding it in the contrasting corporate governance architectures of Japan and Korea—Japan's bank-centered keiretsu system with consensus-oriented decision-making, and Korea's family-controlled chaebol system with centralized strategic authority (Chang, 2003; Kim, 2023; Miyashita & Russell, 1994; Whitley & Morgan, 2001). Together, ABCD and governance provide the core analytical lens for this study.

i) The ABCD model as a process-based view of competitiveness

Moon (2016) developed the ABCD model to address the limitations of factor-based and resource-based explanations of competitiveness, particularly for latecomer firms in developing and newly industrialized economies. Whereas traditional theories emphasize technological sophistication, capital intensity, or institutional quality, Moon argues that such accounts cannot explain why only a small subset of countries with similar endowments, such as Korea, managed to upgrade successfully, while other economies with comparable labor costs, export policies, or cultural traits did not (Moon et al., 2015). The ABCD model, therefore, focuses on process factors that enable firms to move from imitation to innovation and from low-cost to differentiated competition, even when they lack proprietary resources at the outset.

In this framework, agility refers to the ability to execute quickly and precisely. It captures the capacity to make decisions quickly and implement them accurately, thereby creating "economies of speed" without sacrificing quality. Moon (2016) illustrates this with Korean construction firms in the 1970s and 1980s, which combined cheap labor with high productivity and acceptable precision to win contracts in the Middle East. Agility is thus not a simple function of cost; it is an organizational capability reflecting the design of processes and routines.

Benchmarking denotes systematic learning from external best practices and standards. For latecomer firms, this typically involves export-oriented strategies that expose them to demanding foreign markets and international norms. By carefully studying and adopting the practices of global leaders, latecomers compress their learning cycles and build scale more quickly than would be possible through isolated, domestic experimentation (Moon, 2016). Benchmarking in this sense is inherently outward-looking and global, rather than confined to local competitors.

Convergence, in Moon's model, refers to the mixing and recombination of different capabilities, routines, and institutional practices in ways that create synergy. Successful latecomers do not simply copy foreign models; they blend imported techniques from advanced economies with their own strengths and constraints, thereby evolving from low-cost producers into differentiated global players (Moon et al., 2015). Convergence may occur across technologies, business units, or industries, and is central to moving beyond straightforward catch-up.

Dedication captures diligence that is explicitly oriented toward developmental goals. Rather than treating "hard work" or Confucian ethics as sufficient explanations, Moon (2016) emphasizes that effort becomes a competitive asset only when it is tied to specific objectives, such as export targets, technological upgrading, or strategic market share. Dedication in the ABCD sense, therefore, combines commitment with direction: it frames long hours and persistence around concrete aims rather than generic industriousness.

By foregrounding these four process dimensions, the ABCD model complements resource-based and dynamic capability perspectives. It does not deny the importance of resources and capabilities, but it asks how firms with broadly similar or even inferior resources manage to upgrade over time. In this article, ABCD explains latecomer success and also analyzes how first movers may lose their advantage when agility, global benchmarking, convergence, and goal-oriented dedication are progressively constrained or distorted by governance and institutional factors.

ii) Corporate governance in Japan: Zaibatsu, keiretsu, and consensus

The second pillar of our analytical framework is corporate governance, particularly as it has developed in Japan. Modern Japanese corporate governance has its roots in the zaibatsu, the large family-controlled banking and industrial combines that emerged in the Meiji era. Supported by state policies, subsidies, and favorable taxation, these diversified groups came to dominate banking,

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foreign trade, shipbuilding, and heavy industry by the 1930s, while maintaining close ties with political elites (Hidemasa, 1992; Morikawa, 1992). Following Japan's defeat in World War II, occupation authorities formally dissolved the zaibatsu, yet many core firms later re-coalesced into horizontally organized keiretsu during the 1950s and 1960s.

These post-war keiretsu were typically centered on a central bank, which provided long-term finance, monitored managerial performance, and acted as a lender of last resort. Firms within the group held cross-shareholdings among themselves. They maintained dense trading relationships, often coordinated by general trading companies (*sōgō shōsha*) that managed imports, exports, and technology acquisition (Miyashita & Russell, 1994; Shao & Herbig, 1993). This architecture reduced the risk of hostile takeovers, stabilized ownership, and facilitated coordinated investment and upgrading across sectors. For much of the high-growth period, it underpinned Japan's export-oriented industrialization and was widely viewed as a source of competitive advantage.

Decision-making within Japanese firms has frequently been described as consensus-oriented, bottom-up, and group-based. The *ringi* system allows proposals to circulate from lower levels to higher levels for discussion, revision, and approval, thereby promoting extensive information sharing and strong organizational buy-in once decisions are made (Debroux, 2003; Whitley & Morgan, 2001). Corporate cultures tend to emphasize collectivism, harmony, and long-term employment relationships, and ownership and management are often separated, with professional managers accountable to a network of stakeholders rather than to a dominant family owner (Hofstede, 1983; Ouchi, 1981).

These features have often been credited with supporting patient capital, incremental innovation, and high-quality production. However, they also create multiple veto points, raise the costs of radical restructuring, and encourage the preservation of established relationships and routines. Such characteristics can dampen agility by delaying decisions, bias benchmarking toward domestic peers and internal standards, and complicate political and organizational convergence across group boundaries. Over time, this may erode the ABCD configuration that initially supported Japan's rise.

iii) Corporate governance in Korea: Chaebol and centralized authority

Korea's corporate governance system evolved under different historical conditions. Large business groups known as chaebol emerged during the post-war period, often supported by directed credit, protection, and export promotion policies (Chang, 2003). Unlike the more dispersed ownership and bank-centered monitoring in Japanese keiretsu, chaebol typically exhibit highly concentrated ownership and control in the hands of founding families, with pyramidal ownership structures and complex internal cross-holdings (Pitelis & Sugden, 1986).

In many Korean firms, top executives and controlling families retain substantial decision-making authority, and boards of directors have historically played a weaker monitoring role, although their influence has increased in the aftermath of the Asian financial crisis (Lemmon & Lins, 2003). Strategic decisions are often made in a centralized, top-down fashion, particularly for significant investments and restructuring initiatives, even if lower-level employees operate within collectivist teams and hierarchical organizations (Song & Meek, 1998; Hofstede, 1983).

This governance configuration has been criticized for agency problems, self-dealing, and vulnerability to systemic crises. At the same time, it also permits relatively rapid strategic action and radical restructuring when external threats or opportunities arise. Chaebol have demonstrated a capacity to commit aggressively to new industries and technologies, reallocate resources across affiliates in pursuit of global growth, and implement large-scale restructuring within relatively short time frames (Ouchi, 1981; Martinsons & Davison, 2007). Under appropriate conditions, such arrangements can support agility by enabling swift, decisive moves; facilitate global benchmarking when controlling families and top teams prioritize external comparisons; and foster convergence by making it easier to recombine activities across affiliates within a group (Yoon & Chae, 2012).

From an ABCD perspective, Korean governance does not automatically guarantee these outcomes. However, under intense competitive pressure, it can align decision rights and incentives in ways that favor rapid adaptation, outward-looking learning, and cross-unit recombination. This stands in marked contrast to Japan's more dispersed, consensus-based, and bank-centered governance.

iv) Linking ABCD and corporate governance

Taken together, the ABCD model and national corporate governance systems form a joint analytical framework for understanding first-mover decline and latecomer ascent in the Asia-Pacific. The ABCD model identifies the process dimensions through which firms build and renew competitiveness. Corporate governance explains how authority is allocated, how decisions are made, whose interests are prioritized, and which external reference points are taken seriously.

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In Japan, the bank-centered keiretsu system and consensus-oriented decision-making initially supported ABCD-based upgrading by providing stable finance, coordinated investment, and strong implementation capabilities. Over time, however, the same features appear to have fostered rigidity and closure, undermining agility, global benchmarking, and cross-group convergence as technological, competitive, and institutional conditions changed. In Korea, concentrated ownership and centralized strategic authority introduced substantial governance risks but also enabled bold restructuring, rapid strategic commitment, and more aggressive global learning when firms were exposed to intense international competition and financial crises.

In the next section, this analysis will be deepened by introducing absorptive capacity and organizational inertia as the key mechanisms through which governance structures influence the ABCD configuration, and by developing a set of propositions on how these interactions contribute to first-mover decline and latecomer success.

IV. MECHANISMS: ABSORPTIVE CAPACITY, ORGANIZATIONAL INERTIA, AND ABCD

To unpack the link between corporate governance and ABCD, the analysis draws on two well-established concepts in strategic management and organizational theory: absorptive capacity (AC) and organizational inertia (OI). Absorptive capacity captures a firm's ability to recognize, assimilate, transform, and exploit external knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002; Todorova & Durisin, 2007), whereas organizational inertia denotes structural, routine, and cultural resistance to change (Hannan & Freeman, 1984; Tripsas & Gavetti, 2000). This section advances the claim that governance configurations in Japan and Korea differentially shape absorptive capacity and organizational inertia, and that these mechanisms, in turn, condition the configuration of ABCD. In particular, distinguishing potential from realized absorptive capacity clarifies how external knowledge acquisition and assimilation may fail to translate into transformation and exploitation under specific governance arrangements (Zahra & George, 2002; Todorova & Durisin, 2007).

i) Absorptive capacity and competitive adaptation

Cohen and Levinthal (1990) famously define absorptive capacity as a firm's ability to recognize the value of new external knowledge, assimilate it, and apply it for commercial ends. Crucially, they argue that absorptive capacity is a function of the firm's prior related knowledge: organizations that have already built up relevant skills, a shared language, and experience in a domain are better able to interpret and use new information in that domain. Subsequent work has refined this concept. Zahra and George (2002) reconceptualize absorptive capacity as comprising potential and realized dimensions. Potential absorptive capacity refers to the firm's capability to acquire and assimilate knowledge, while realized absorptive capacity refers to its capability to transform and exploit that knowledge. Todorova and Durisin (2007) further emphasize that recognition, assimilation, transformation, and exploitation constitute distinct but interrelated processes, and that the move from potential to realized absorptive capacity is neither automatic nor guaranteed.

Empirically, absorptive capacity is central to innovation, strategic renewal, and alliance value creation (Jansen, Van den Bosch, & Volberda, 2005; Lane, Koka, & Pathak, 2006; Volberda, Foss, & Lyles, 2010). Firms with high potential absorptive capacity are better able to scan their environment, identify valuable external ideas, and understand their relevance. Firms with high realized absorptive capacity are better able to integrate new knowledge into existing routines, recombine it with internal capabilities, and translate it into new products, processes, or business models. In rapidly changing environments, both dimensions are necessary for sustained competitiveness.

In the context of Moon's ABCD model, absorptive capacity is closely connected to all four components. Agility depends on the ability to interpret environmental changes quickly and implement appropriate responses with sufficient precision; this requires not only fast decision-making but also a robust stock of prior knowledge and routines for integrating new information. Benchmarking presupposes that firms can identify global best practices, understand their underlying logic, and assess their applicability to local conditions. Convergence requires the capacity to recombine heterogeneous knowledge elements across units, technologies, and institutional contexts. Dedication is most effective when it is informed by an accurate understanding of external opportunities and constraints rather than by inward-looking assumptions.

At the same time, absorptive capacity is not costless, and organizational choices can undermine it. Firms that become highly specialized in narrow technological domains may experience cognitive lock-in, making it difficult for them to recognize the value of knowledge outside established trajectories (Gilbert, 2005; Lewin, Massini, & Peeters, 2011). Similarly, firms that focus predominantly on local customers, domestic standards, or internal benchmarks risk constraining their exposure to diverse external knowledge, thereby limiting potential absorptive capacity (Björkman, Barner-Rasmussen, & Li, 2004). Governance structures that restrict international linkages, concentrate information flows in a few domestic institutions, or prioritize stability over experimentation are therefore likely to depress both potential and realized absorptive capacity.

ii) Organizational inertia and resistance to change

Organizational inertia has long been identified as a central barrier to adaptation. Hannan and Freeman (1984) argue that organizations develop structural inertia as they formalize roles, routines, and resource commitments, making them less able to change, even when their environments shift. Inertia can arise from multiple sources: deeply embedded routines, long-standing patterns of resource allocation, contractual obligations, sunk investments, cultural norms, and political coalitions. Tripsas and Gavetti (2000) highlight how cognition and mental models also contribute to inertia, as managers interpret new developments through the lens of prior success, leading them to underreact to disruptive changes.

Inertia has ambivalent implications for competitiveness. On one hand, it can provide stability, consistency, and reliability, allowing firms to exploit existing strategies and achieve efficiencies (Nelson & Winter, 1982; Barnett & Sorenson, 2002). On the other hand, excessive inertia reduces responsiveness to environmental change, impedes innovation, and traps firms in declining trajectories. Leonard-Barton (1992) describes how “core capabilities” can turn into “core rigidities” when the very strengths that once underpinned success become obstacles to renewal. Schein (1985) likewise notes that organizational culture can both support and constrain change, depending on whether shared assumptions encourage learning or defend the status quo.

From an ABCD perspective, inertia directly affects the dynamics of each factor. Agility is undermined when decision processes are slow, heavily layered, or constrained by the need for extensive consensus. Benchmarking becomes problematic when firms systematically privilege familiar, domestic reference points and discount disconfirming information from foreign competitors or non-traditional partners. Convergence is inhibited when structural boundaries, political interests, or cultural norms make cross-unit integration difficult, even when synergies are evident. Dedication can become channeled into maintaining existing routines and processes, rather than pursuing new strategic goals, producing what might be called “inertial dedication”: high effort aimed at preserving an increasingly obsolete configuration.

The broader institutional environment also shapes organizational inertia. In the public sector, research has shown that bureaucratic routines, fragmented responsibilities, and resistance to policy feedback can lead to sluggish and maladaptive responses (Howlett, 2009; Peters, 2005; Dunlop & Radaelli, 2013; O’Toole & Meier, 2015). When firms operate within such institutional settings, organizational and policy-level inertia can reinforce one another, further constraining adaptation. In the Asia-Pacific context, differences in corporate governance and state–business relations between Japan and Korea are likely to generate distinct patterns of inertia, both within firms and across their networks.

iii) Governance, Absorptive capacity, Inertia, and the balance of ABCD

Corporate governance systems influence absorptive capacity and organizational inertia by shaping information flows, authority structures, and incentives. In Japan’s keiretsu-based, bank-centered system, long-term relationships, cross-shareholding, and consensus-oriented decision-making initially supported investment in learning and the diffusion of knowledge within groups. Over time, however, these same arrangements often restricted exposure to non-group partners, favored incremental rather than radical change, and created multiple veto points that slowed decision-making (Hidemasa, 1992; Miyashita & Russell, 1994; Whitley & Morgan, 2001). The result is a tendency for potential absorptive capacity to remain underutilized—knowledge may be acquired and understood, but transformation and exploitation are delayed or blocked—while structural and routine inertia increase.

In terms of ABCD, such governance-induced patterns of absorptive capacity and inertia are likely to manifest as declining agility, domestically biased benchmarking, limited convergence, and process-oriented dedication. Japanese firms may continue to invest in precision and quality, but become slower to commit to new technologies or architectures. Benchmarking efforts may focus heavily on domestic competitors, long-standing partners, or internal standards, rather than on emerging global leaders. Convergence across business units, corporate groups, or industries may be inhibited by political and cultural barriers. Dedication may be directed toward preserving established processes and relational obligations, rather than toward new strategic objectives. In Korea, the configuration is different. Concentrated ownership and centralized strategic authority within chaebol can certainly generate their own forms of inertia—for example, when controlling families resist governance reforms or protect underperforming affiliates (Lemmon & Lins, 2003). Yet under conditions of strong external pressure, such as crisis or intense global competition, these structures can also enable swift reallocation of resources, rapid restructuring, and decisive commitments to new technologies or markets (Chang, 2003; Martinsons & Davison, 2007). When top managers and owners are willing to prioritize external learning and strategic renewal, potential absorptive capacity can more readily be converted into realized absorptive capacity, and inertia can be overcome rather than reinforced.

In this context, Korean firms are more likely, on average, to maintain or restore agility, to benchmark aggressively against global leaders, and to pursue convergence across affiliates when strategic advantages are perceived. Dedication tends to be tied to ambitious growth and export goals, particularly in periods of national development and post-crisis recovery. The same governance

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features that create risks of overreach and power concentration can, under certain conditions, support the ABCD configuration required for latecomer ascent (Kim, 2024).

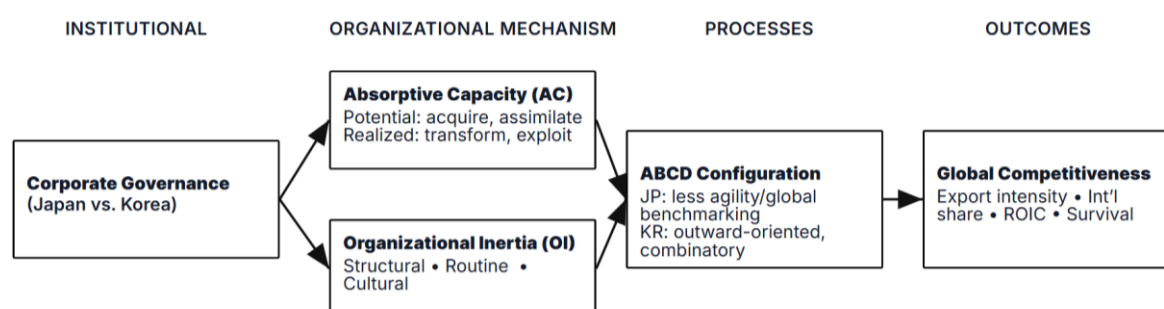
In sum, absorptive capacity and organizational inertia provide the mechanism layer that connects corporate governance with the ABCD process configuration. Governance systems shape the development and deployment of absorptive capacity and inertia, which in turn influence whether each dimension reinforces or undermines competitiveness. In the next section, this integrative perspective will be translated into a formal conceptual model and a set of research propositions on first-mover decline and latecomer success.

V. MODEL DEVELOPMENT AND ANALYTICAL CLAIMS

Building on the preceding sections, this part develops an integrative model in which corporate governance shapes the configuration of ABCD processes by influencing absorptive capacity and organizational inertia. In coordinated, bank-based systems such as Japan's, main-bank relations, cross-shareholding, and consensus-oriented decision making initially support learning and coordination by providing stable finance, encouraging information sharing, and reducing short-term market pressures (Miyashita & Russell, 1994; Whitley & Morgan, 2001; Morikawa, 1992).

Over time, however, the same features can depress realized absorptive capacity, increase structural and routine inertia, and bias benchmarking toward domestic standards and internal peers rather than global competitors (Cohen & Levinthal, 1990; Zahra & George, 2002; Hannan & Freeman, 1984). In contrast, in more owner-centered systems such as Korea's, concentrated control and centralized decision authority entail clear agency risks but can, under intense competitive pressure, sustain or restore agility, encourage aggressive global benchmarking, and enable cross-unit convergence by facilitating rapid strategic commitment and large-scale resource reallocation (Chang, 2003; Lemmon & Lins, 2003; Martinsons & Davison, 2007).

<Figure 1> Integrative Model



Note: Corporate governance shapes AC and OI, which, in turn, configure ABCD processes and influence competitiveness.

The model links three levels of analysis. At the institutional level, national corporate governance architectures in Japan and Korea differ in ownership concentration, bank–firm relations, and decision-making styles. At the organizational level, these architectures influence the development and deployment of absorptive capacity and organizational inertia, determining whether external knowledge is recognized, assimilated, transformed, and exploited, and whether existing routines and structures are reinforced or reconfigured (Todorova & Durisin, 2007; Volberda, Foss, & Lyles, 2010). At the process level, these mechanisms shape the ABCD configuration—agility in responding to environmental change, the scope and direction of benchmarking, the extent and quality of convergence across activities, and the orientation of dedication toward either adaptive goals or the defense of the status quo (Moon, 2016; Moon, Lee, & Yin, 2015).

Japan's declining first-mover advantages and the rise of Korean latecomers can be understood as distinct consequences of governance-conditioned mechanisms and processes. In Japan, the mature form of coordinated governance is associated with lower realized absorptive capacity, greater organizational inertia, and a shift in the ABCD pattern away from agility, global benchmarking, and convergence toward localized and process-centered dedication. In Korea, under external pressures and

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periodic crises, owner-centered governance tends to maintain or restore realized absorptive capacity, selectively overcome inertia, and support an outward-oriented, combinatory use of the ABCD pattern.

Translating this integrative argument into the language of scientific inquiry, the analysis delineates a set of substantive relationships suitable for empirical evaluation: rigid and closed governance correlates with under-realized absorptive capacity and elevated inertia; these mechanisms are associated with weaker manifestations of agility, global benchmarking, and convergence, and with dedication oriented toward procedural maintenance rather than adaptive goals; and the resulting process configuration relates to lower innovation performance and deteriorating competitive advantage. Conversely, concentrated but outward-looking governance under strong external discipline is associated with the conversion of potential into realized absorptive capacity, episodic reductions in inertia, and a more adaptive ABCD configuration, with corresponding improvements in innovation outcomes and competitiveness.

VI. EMPIRICAL OPERATIONALIZATION AND COMPARATIVE CONTEXT

Although the article is conceptual, it is important to indicate how the model can be examined empirically. A comparative design focused on Japanese and Korean firms provides a suitable context for evaluating the relationships among governance, absorptive capacity, organizational inertia, ABCD processes, and competitiveness in the Asia-Pacific.

A natural empirical setting is a firm-level panel of major listed companies from Japan and Korea observed over a sufficiently long period to capture changes in governance, strategy, and performance. A sampling frame that spans technology-intensive and capital-intensive sectors and includes firms exposed to international competition avoids over-reliance on any single industry while preserving the central condition of global competitive pressure under which agility, global benchmarking, convergence across activities, and goal-oriented dedication become strategically salient (Whitley & Morgan, 2001; Moon, 2016).

Corporate governance can be operationalized with indicators reflecting the distinctive institutional architectures of Japan and Korea. For Japan, measures of main-bank dependence (for example, bank shareholdings or lending concentration), cross-shareholding intensity, and group affiliation capture the monitoring and relational finance typical of keiretsu structures (Miyashita & Russell, 1994; Morikawa, 1992). In Korea, indicators of ownership concentration and insider control, such as ultimate family ownership and pyramidal stakes, reflect the centralized authority of chaebol groups (Lemmon & Lins, 2003; Pitelis & Sugden, 1986). In both settings, board composition (for example, the presence of outside directors) and interlocking directorships proxy the distribution of decision rights and networked control. Together, these variables index the degree of governance rigidity or closure, posited to shape absorptive capacity and inertia.

Absorptive capacity should be distinguished into potential and realized dimensions (Zahra & George, 2002). Potential absorptive capacity may be proxied by international exposure in R&D alliances and knowledge inflows, such as counts of cross-border technological collaborations and foreign patent citations to a firm's patents, indicating the breadth and depth of external scanning and assimilation (Lane, Koka, & Pathak, 2006; Volberda et al., 2010). Realized absorptive capacity can be approximated by the speed and success of commercialization—for example, revenue shares from new products or recombination measures in patent portfolios that indicate transformation and exploitation of external knowledge (Jansen, Van den Bosch, & Volberda, 2005; Lewin, Massini, & Peeters, 2011). These operationalizations align with the literature's emphasis on the non-automatic transition from acquisition and assimilation to transformation and exploitation (Todorova & Durisin, 2007).

Organizational inertia can be proxied by indicators of structural, routine, and cultural resistance to change. Plausible measures include decision and investment latency (elapsed time from proposal to approval and implementation), persistence in resource-allocation patterns (for example, high autocorrelation in capital expenditures by segment), supplier-tenure concentration, and the prevalence of process-oriented metrics relative to outcome-oriented ones. These proxies reflect the mechanisms by which routines, sunk commitments, and shared assumptions slow adaptation (Hannan & Freeman, 1984; Leonard-Barton, 1992; Tripsas & Gavetti, 2000; Schein, 1985; Barnett & Sorenson, 2002).

The ABCD components can be translated into measurable constructs consistent with theory. Agility may be captured through decision and implementation speed and precision (for example, variance around project delivery targets), consistent with the emphasis on speed-with-quality. Benchmarking can be indexed by the balance between domestic and global reference points, such as the share of international certifications, adoption of global standards, and the intensity of learning relationships with foreign partners (Moon, Lee, & Yin, 2015). Convergence can be observed across cross-unit initiatives, alliances, and platform efforts that integrate previously separate activities, indicating the recombination logic central to competitive upgrading. Dedication can be proxied by aligning incentives and effort with adaptive goals, such as the weight of export and innovation targets in managerial scorecards relative to purely procedural metrics.

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<Figure 2> Research Design: Empirical Framework



Notes: AC = Absorptive Capacity; OI = Organizational Inertia; ABCD = Agility, Benchmarking, Convergence, Dedication; FE = Fixed Effects; AR(1) = first-order autocorrelation; DiD = Difference-in-Differences; IV = Instrumental Variables; GMM = Generalized Method of Moments.

Global competitiveness outcomes provide the terminal link in this chain of relationships. Appropriate indicators include export intensity, international market share, return on invested capital, and survival or restructuring at major environmental or technological inflection points. These outcomes correspond to constructs emphasized in national-competitiveness and firm-strategy literatures (Porter, 1990; Volberda et al., 2010). With these variables assembled, panel estimators with firm and time effects can assess direct and mediated relations; event-history models can evaluate adaptation or exit around shocks; and mediation or moderation analyses can examine the pathways connecting governance, absorptive capacity, organizational inertia, ABCD processes, and performance (Hannan & Freeman, 1984; Jansen et al., 2005; Zahra & George, 2002).

The aim of outlining these measures and designs is to demonstrate empirical tractability. By distinguishing potential from realized absorptive capacity, operationalizing multiple dimensions of inertia, and treating ABCD as process constructs rather than static attributes, the design enables a systematic assessment of how governance configurations condition competitive renewal and decline in the Asia-Pacific.

VII. CONTRIBUTIONS AND IMPLICATIONS

The framework developed in this paper yields implications for several strands of research in international business, corporate governance, and strategic management, as well as for managers and policymakers in the Asia-Pacific region. This section summarizes the main theoretical contributions and practical implications, with particular emphasis on how the interaction between governance, absorptive capacity, organizational inertia, and ABCD helps explain both first-mover decline and latecomer ascent.

A first contribution concerns the literature on competitiveness and latecomer strategies. Existing work on national and firm-level competitiveness has traditionally emphasized factor endowments, proprietary resources, and dynamic capabilities (Barney, 1991; Porter, 1990; Teece, Pisano, & Shuen, 1997). Studies of latecomer catching-up in East Asia have highlighted export promotion, state intervention, and broader cultural traits, yet often fail to fully explain why only a subset of countries with similar conditions have successfully upgraded (Kim, & Yu, 2024; Moon, Rugman, & Verbeke, 1998; Moon, Lee, & Yin, 2015).

By extending Moon's (2016) ABCD model from a framework for explaining latecomer success to a lens on first-mover decline, this paper foregrounds the processual nature of competitiveness. Rather than treating Japan's loss of leadership as a simple consequence of eroding factor advantages or exogenous technological shocks, the analysis suggests that competitive decline is associated with a progressive distortion of the ABCD configuration under changing governance and environmental conditions. Agility, global benchmarking, convergence, and goal-oriented dedication supported Japan's earlier rise but became constrained by mounting inertia and declining absorptive capacity in later periods. This process-oriented view enriches the understanding of how first movers can lose their edge even when many of their traditional strengths, such as quality, precision, and stable relationships, remain intact.

A second contribution is to the comparative corporate governance literature, particularly debates on coordinated market economies and Asian business systems. Much research on Japanese governance has emphasized the benefits of main-bank monitoring, cross-shareholding, and consensus-based decision-making for long-term investment and coordinated upgrading (Hidemasa, 1992; Miyashita & Russell, 1994; Whitley & Morgan, 2001). Similarly, studies of Korean chaebol have focused on the risks of concentrated ownership, related-party transactions, and systemic vulnerability (Chang, 2003; Lemmon & Lins, 2003).

The framework developed here moves beyond static assessments of "good" and "bad" governance by highlighting the dynamic limits and conditional advantages of each configuration. In Japan, the same keiretsu-based features that supported post-war growth are shown to be potentially detrimental when they depress realized absorptive capacity, reinforce structural and routine

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inertia, and bias benchmarking toward domestic rather than global standards. In Korea, owner-centered governance is recognized as a source of agency problems but also as a potential enabler of radical restructuring, rapid strategic commitment, and cross-unit convergence under intense external pressure (Martinsons & Davison, 2007). This perspective invites scholars to evaluate governance not only in terms of static alignment with shareholder or stakeholder ideals, but also in terms of its capacity to support or hinder process capabilities.

The third theoretical contribution lies in integrating absorptive capacity and organizational inertia as mediating mechanisms between governance and ABCD. Prior research on absorptive capacity has established its importance for recognizing, assimilating, transforming, and exploiting external knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002; Volberda, Foss, & Lyles, 2010), while work on organizational inertia and core rigidities has highlighted how structural and cultural features can impede adaptation (Hannan & Freeman, 1984; Leonard-Barton, 1992; Tripsas & Gavetti, 2000).

This paper brings these strands together by showing how different governance architectures in Japan and Korea condition both potential and realized absorptive capacity and shape the emergence or mitigation of inertia. In turn, these mechanisms determine whether each dime reinforces competitiveness or contributes to decline. Conceptualizing absorptive capacity and inertia as the mechanism layer between governance and ABCD offers a more fine-grained explanation of why similar institutional arrangements can support upgrading in one period and hinder it in another, and provides a structured basis for empirical tests of mediation and moderation effects in future research (Jansen, Van den Bosch, & Volberda, 2005; Todorova & Durisin, 2007).

Beyond these theoretical contributions, the framework has several managerial and policy implications. For managers in Japan, the analysis underscores that preserving traditional strengths in precision, quality, and relational stability is insufficient without mechanisms to safeguard agility, global benchmarking, and convergence. Firms embedded in keiretsu-like structures may need to reconfigure information flows, decision rights, and evaluation criteria to enhance realized absorptive capacity and reduce inertial tendencies, for example, by strengthening external knowledge linkages, accelerating investment approval processes, and incentivizing cross-unit collaboration. For Korean firms, the findings suggest that the governance features that historically supported bold, outward-looking strategies can also generate vulnerabilities if they entrench family control, suppress dissenting information, or overextend group resources. Balancing the benefits of centralized authority with more robust board oversight and professionalized management may help sustain an ABCD configuration that remains adaptive in the face of new technological and institutional challenges (Kim, 2024).

For policymakers, the analysis points to the importance of considering how changes in regulation, competition policy, and financial systems affect not only firm-level governance but also the learning and inertia dynamics that underpin national competitiveness. Reforms that merely weaken traditional relational structures without providing alternative mechanisms for capability building and cross-border learning may inadvertently erode both absorptive capacity and the beneficial aspects of dedication. Conversely, policies that encourage greater transparency, contestability, and international engagement, while leaving room for long-term investment and coordinated upgrading with sustained competitiveness.

These contributions point to a broader rethinking of how the dynamics of competitiveness in mature and emerging economies are understood. In the concluding section, the central argument is briefly restated, key limitations are highlighted, and promising avenues for further research are outlined.

VIII. CONCLUSION

This paper has argued that the erosion of Japan's first-mover advantages in key sectors cannot be explained solely by changes in technology, factor endowments, or static conceptions of corporate governance. By integrating Moon's (2016) ABCD model with theories of absorptive capacity and organizational inertia (Cohen & Levinthal, 1990; Hannan & Freeman, 1984), and embedding this combination within a comparative analysis of Japanese and Korean governance systems, the study develops a process-oriented explanation of how first movers can lose their edge and how latecomers can rise to global leadership. The core claim is that competitive trajectories are shaped not only by what firms and nations possess, but by how governance structures enable or constrain agility, external benchmarking, convergence, and goal-oriented dedication over time.

The analysis suggests that Japan's post-war governance configuration, centered on central banks, keiretsu networks, and consensus-based decision-making, initially supported an ABCD constellation conducive to upgrading: stable finance, coordinated investment, and high-quality implementation underpinned strong export performance. Over time, however, the same structures appear to have depressed realized absorptive capacity, reinforced structural and routine inertia, and biased benchmarking toward domestic standards, thereby undermining the very processes required for adaptation in a more volatile, globalized environment (Miyashita & Russell, 1994; Whitley & Morgan, 2001). In contrast, Korea's owner-centered, chaebol-based governance system,

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despite its agency problems and crisis episodes, has, under intense external pressure facilitated rapid strategic commitment, radical restructuring, and more aggressive global learning, supporting a different ABCD configuration that has favored latecomer ascent (Chang, 2003; Lemmon & Lins, 2003; Moon, Lee, & Yin, 2015).

Conceptually, the paper contributes by extending the ABCD model from a framework for explaining latecomer success to a lens on first-mover decline, by highlighting the dynamic limits of coordinated governance systems in mature economies, and by positioning absorptive capacity and organizational inertia as mediating mechanisms between governance and competitive processes (Todorova & Durisin, 2007; Volberda, Foss, & Lyles, 2010). Rather than treating Japanese and Korean business systems as fixed institutional types, the framework emphasizes their evolving consequences for learning and adaptation. It thereby opens space for more nuanced assessments of when and how particular governance configurations support or undermine competitive renewal.

At the same time, this study has apparent limitations. It is explicitly conceptual and illustrative rather than empirical; the arguments rest on synthesizing existing literature and stylized observations rather than on original quantitative or qualitative evidence. The comparison between Japan and Korea, while analytically robust, abstracts from within-country heterogeneity in governance forms and industry structures, as well as from the influence of other regional actors such as China or Taiwan. Moreover, the operationalizations sketched for governance, absorptive capacity, inertia, ABCD, and competitiveness inevitably simplify complex organizational realities. These limitations point to the need for careful empirical work that tests, refines, and, where necessary, challenges the propositions advanced here.

Future research can build on this framework in several ways. Empirical studies could implement the proposed research design using panel data on Japanese and Korean firms to examine the mediating roles of absorptive capacity and inertia in the governance–ABCD–performance nexus. Comparative case studies could trace process dynamics within particular firms or groups, documenting how governance reforms, crises, or technological shifts translate into changes in agility, benchmarking, convergence, and dedication. Cross-country work could extend the analysis beyond Japan and Korea to other Asia-Pacific economies, exploring whether similar governance–mechanism–process configurations help explain success and failure in different institutional contexts. Finally, as digitalization, decarbonization, and geopolitical tensions reshape competitive conditions, there is scope to investigate how evolving governance arrangements in the region either facilitate or constrain the ABCD processes needed for strategic adaptation.

The decline of Japan's first-mover advantages and the rise of Korean latecomers should not be understood as simple stories of technological leapfrogging or factor cost convergence. They reflect deeper interactions between national governance systems, organizational learning capacities, inertial forces, and process-based strategies. By focusing on these interactions, the framework proposed here offers a foundation for rethinking the dynamics of competitiveness and for guiding future empirical and policy-oriented work on how firms and economies can sustain, rather than squander, their hard-won advantages.

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