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A Comparative Study of the Management Structures of Japanese and American Corporations

Terry Melson
Ouachita Baptist University

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Introduction

A COMPARATIVE STUDY OF THE MANAGEMENT STRUCTURES OF
JAPANESE AND AMERICAN CORPORATIONS

BY: TERRY MELSON
APRIL 27, 1987

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE HONORS
PROGRAM, APPROVED BY THE HONORS COUNCIL AND SENIOR
INDEPENDENT STUDY COMMITTEE

HONORS DIRECTOR

DIRECTOR

FIRST READER

SECOND READER

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A COMPARATIVE STUDY OF THE MANAGEMENT STRUCTURES OF JAPANESE AND AMERICAN CORPORATIONS

I. Introduction

The purposes of this paper are to

1) research the cultures of Japan and the United States.

2) describe five salient management characteristics which differ between the two countries.

3) use these five characteristics to compare corporate management systems.

4) determine which characteristics are bound by Japanese culture and which are transportable to the U.S.

5) draw conclusions from the information regarding which, if any, of the Japanese characteristics should be emulated by the U.S.

This paper will (1) briefly describe the cultures of Japan and America in relation to their management practices, (2) describe five selected characteristics salient in the two countries' management practices, (3) compare these countries' corporate management systems using these five characteristics, (4) determine which, if any, characteristics are bound by culture only, and (5) draw conclusions from these findings regarding which, if any, of the Japanese characteristics America can or should emulate.

The research design for this paper is one which presents antecedent conditions for both countries which cause certain

distinctive management practices and which eventually affect organizational performance or, in other words, the possibility of emulating them. (See Figure 1 - next page)

The firms presented in this paper were chosen because they possess all or some of the five characteristics previously mentioned. The firms chosen for comparison in part III were selected because they are direct competitors of one another and are of comparable size by sales.

In order to gain a clearer understanding of the management practices of specific firms, vice presidents of both a U.S. manufacturing/service firm in America and a Japanese-owned American manufacturing firm located in the States were interviewed. A questionnaire containing the same questions which were covered in the interviews was sent to a vice president of a comparable Japanese firm in Japan. (See Appendix 1- after bibliography)

II. Identification of Management Characteristics

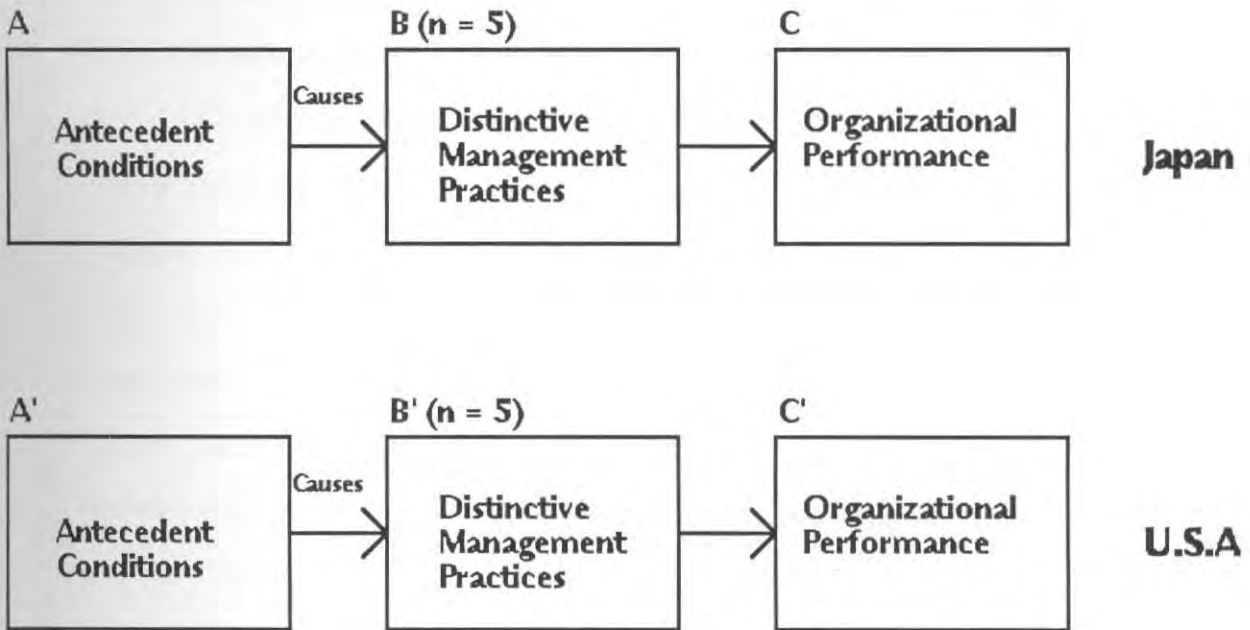
The five characteristics which this paper identifies as differences between the management structures of Japanese and American corporations are

- 1) lifetime employment in Japan versus limited job security in the United States.

- 2) group decision-making of Japanese versus management-dominated decision-making in the States.

- 3) group and long-term goals of Japanese versus individual and short-term goals of Americans.

Figure 1



Japan

1. Traditional lifetime employment
2. Group decision-making
3. Group/long-term goals
4. Low functional specialization of jobs
5. Promotion by seniority

U.S.A.

1. Limited job security
2. Management-dominated decision-making
3. Individual/short-term goals
4. High functional specialization of jobs
5. Promotion by merit

4) low-functional specialization of jobs in Japan versus high-functional specialization of jobs in the States.

5) promotion by seniority only in Japan versus promotion by merit in the U.S.

A. Job Security

1. Japanese Firms

Lifetime employment in Japan is limited to those corporations which are large enough to support it. Usually these are the older, larger and more prestigious ones, not smaller enterprises which are not stable enough for such a system. About 35 percent of Japan's work force is under this type of employment.¹ It takes a high degree of monopoly power to be able to guarantee lifetime employment. The most monopolistic firms in the U.S. provided a similar degree of job security until the advent of domestic de-regulation (airline or rail industries) and international competition (auto or electronics).

Under the Japanese lifetime employment system, the major firm or government agency hires workers only once a year--in the spring after graduation. These firms take on a large supply of "rookies," although they may not have enough openings to place all of them immediately.

Once hired, the new employee is retained until mandatory retirement at age 55. An employee will not be terminated for anything less than a major criminal offense.² Upon reaching age 55, all employees (except the top few who are managing directors of the firm) must retire. The company

pays each retiree a lump sum amounting to about five or six year's salary. However, unlike the American system, there is no pension or social security. There is a greater burden on the business community to provide security in the worker's retirement years because the cost has not been socialized as it has in the United States through Social Security.

By the year 2000, Japan will have one of the oldest populations of any major nation, with 16 percent of its people over 65, compared with 13 percent of Americans. Because of this rapidly aging Japanese population, the importance of secure retirement benefits is increasing. "At present, the cost of health and retirement benefits for one elderly person is spread among six working Japanese. In 2000 there will be only four workers to share that load." ³ In the States, the ratio is 2.5 to 1.

The lifetime employment system is possible only as a consequence of a unique social and economic structure not replicated in the United States. Three reasons for this are: 1) **bonuses** - the risk of the business is given to employees, not stockholders, 2) **temporary employees** - women serve as "buffers" for the Japanese corporations, because they will work part-time, and 3) **the satellite firms** - which are very closely tied to the large Japanese corporations that buy their supplies.

These bonuses are given once every six months, (June and December) and are based on how well the corporation is performing, not on an individual basis. During a profitable

year employees will receive generous bonuses (as much as five or six month's salary) and during a less profitable year, they will receive a small bonus or none at all. In this way, Japanese workers assume the role of stakeholders in the firm. Workers are willing to take this risk because of the potential return. Employees also tend to work harder because they know it will directly affect their paycheck.

The women who serve as temporary employees typically begin work in production and clerical jobs immediately after graduating from high school. According to Japanese culture, they are expected to work five or six years, get married, and then quit work to raise their family. When their children begin school full-time, they often return to their original employer. Although they may work for the next twenty years, during slack times for their corporation they are the first ones to be laid off, and thus serve as "buffers" to protect the job stability of men.

Satellite firms are small companies which supply parts for large manufacturing corporations, and are dependent upon those corporations for their stability.⁴ Because the large buyer group is so powerful for these satellite firms, these corporations practically set their own prices. However these satellite firms are represented on the board of the large manufacturing corporation.

Because Japanese workers know that they will probably be working with the same people throughout their careers, they are encouraged to build good relationships with their

colleagues. Thus it is inhibitive for employees to get involved in destructive power struggles. These people are "married" to their corporations because they believe their fortune will rise or fall according to how well their firms do.⁵

The social contract between the employer and worker is stronger in Japan than in the U.S. "The worker is supposed to be loyal to the company, and the company, in return, is supposed to offer job security to its full-time permanent workers."⁶ Job-hopping is not common in Japan because of the bad label attached to it and because highly ordered career paths make changing jobs difficult. "The steep wage-tenure profiles at Japanese companies make quitting unprofitable for male workers who intend to spend a long time in the labor force. Workers accept low entry-level wages because of the promise of higher wages later on."⁷

Japanese corporations are generally loyal to their workers. Unlike many U.S. firms, they have for decades shielded their labor force from layoffs. One way this is accomplished is to transfer workers to other jobs, although they are sometimes far different from the corporation's main operation.⁸ An example would be shifting employees to subsidiaries or finding them jobs among small suppliers (their satellite firms).

The incredibly swift rise in the value of the yen in the last one and a half years may be beginning to take its toll on the traditional job security of large Japanese

corporations. The reason for this is that Japan is so reliant upon exporting their goods, and with the price of the yen rising, their products are becoming increasingly expensive and they no longer have a cost advantage over the goods of other countries. Employers will not only lay off workers as they try to hold costs down, but will change some of their ideology as well. Nobuyuki Nakahara, president of a Japanese oil refinery, said that the paternal attitude of Japanese companies is disappearing and soon Japan will be more like the U.S.⁹

American Firms

Americans tend to change jobs quite frequently and less stigma is attached to changing jobs or companies. Most American corporations do not offer lifetime employment and therefore cannot provide the job stability of their Japanese counterparts. When American companies need to cut back on expenditures, one of the first options is laying off or firing employees.

Contrary to the Japanese system, American corporations do offer pensions to their retired workers; although some unscrupulous companies conveniently fire their older workers just before they are scheduled to retire, and thus avoid paying this pension, which is typically one-fourth of their working pay. This pension usually consists of a monthly payment program of some sort and it is not generally given as a lump sum, as opposed to the Japanese practice.

American corporations hire as they need workers to fill specific positions. This can occur at any time of the year, although most employee hirings occur in January or May after college or high school graduations. Unlike the Japanese way, employees in American firms may be terminated for a variety of reasons including: poor performance, poor attendance records, personality conflicts, corporation cut-backs, etc. The "Employment at will" doctrine or system is, however, giving way in state courts and statutes to "just cause" doctrine, i.e., an employee cannot be fired without just cause.

Power struggles are frequent among employees of American corporations. Workers try to move up the corporate ladder as quickly as possible, even if it is at the expense of their co-workers. Thus there is less of a "team" atmosphere. To these workers, individual success is more important than company success. Because their success is not dependent upon the company's success, because they are not tied to their companies, and because their company does not offer them complete job security, these American workers are less loyal to their corporations than their Japanese equivalents.¹⁰

3. Transportability to America

Antecedent conditions for the Japanese system of lifetime employment include: 1) in the form of semi-annual bonuses, employees being willing to accept the risk of their place of employment rather than stockholders assuming that

risk, 2) women wanting to be temporary employees, in order to serve as buffers so that when economic conditions are bad for their firm, they can easily be laid off, and 3) the availability of satellite firms which supply to large corporations and which are controlled by these corporations because they buy most of their goods or own a large financial interest in them.

Of the antecedent conditions, numbers one and three are not closely tied to the Japanese culture specifically and thus might be transported to the U.S. Number two, however, is culture-bound and is tied to the Japanese idea that women should not work after they are married because they need to be at home to care for their children, cook, and serve their husbands. Because of women's rights victories in America and the strong will of many American women, the second antecedent condition would be impossible to implement in an American company without a barrage of discrimination suits and other such repercussions.

Lifetime employment is a desirable system because it causes employees to work harder and possibly longer hours. However, Americans would not be willing to make the concessions needed to have such a system.

B. DECISION MAKING

1. Japanese Firms

Although the participative approach to decision-making is being used in both American and Japanese corporations, the

extent of employee participation is vastly different in the two countries. In some Japanese corporations, a process called *nemawashi* (literally "root-binding") is utilized and often involves 60 to 80 workers in making decisions. A team of three or four will usually be assigned the duty of talking to each of these 60 to 80 employees when a significant modification in the corporation arises. The team will keep discussion open with these people until a true consensus (one in which captures the general support of group's members) has been achieved.¹¹

This process is not really a bottom-up decision-making process as it appears. The power of the typical Japanese chief executive officer is so great that no important decision can be made without first considering his wishes. While proposals are likely to start from lower-level executives, these managers generally propose what they believe to be the wishes of their superiors. "The less important the proposal, the less clearly the superior makes his intention known to subordinates so that they can derive more satisfaction from taking the initiative."¹² Actually it is a "political process by which an unofficial understanding is reached before any final decision is made on a matter."¹³ *Nemawashi* does allow for free exchange of ideas, but the actual decisions have already been made. This process has subtle objectives and significance that are not easily detected by foreign observers.

"In practice, the time-consuming process to build consensus is used less to make better decisions than to appease factions in an organization." ¹⁴ Making a decision in this manner is a lengthy process, but once a decision is reached, everyone affected by it will be likely to support it, and thus it can be quickly carried out. What is important to these Japanese employees is not the decision itself, but rather, how committed and informed they perceive themselves to be.

Because of this delay in decision-making, American businessmen conducting corporate affairs in Japan frequently go away frustrated and feeling like nothing was accomplished. A favorite saying of American businessmen who are familiar with the Japanese way of doing business is, "If you are going to Japan to make a deal and you think it will take two days, allow two weeks and if you are lucky you'll get a 'maybe.' It takes the Japanese forever to make a decision." ¹⁵

2. American Firms

American-style participative decision-making typically consists of a small representative management group of not more than eight or ten people. They will usually get together, discuss the problem and suggest alternative solutions. The group can be said to have achieved a consensus when it agrees upon a single alternative and each member of the group can honestly say that he understands it. Even though they may not prefer the decision, they will try

to support the decision because it was arrived at in a fair way. One definition of participation is "mental and emotional involvement of a person in a group situation which encourages him to contribute to group goals and to share responsibility in them." 16

Although this process may be less time-consuming than the Japanese way, these decisions may not be carried out for quite some time. The Japanese business people who are familiar with American management say, "Americans make decisions quickly, but it takes them forever to carry them out." 17 Effective participation must include sufficient time for implementing the process and adequate knowledge, ability and interest on the part of both employees and managers. "There must be a feeling of security on the part of those involved and participants must possess satisfactory communication skills." 18

The positive characteristics of participation in decision making are: (1) greater knowledge and information, (2) the generation of more alternative solutions/strategies, (3) increased acceptance of the decision, and (4) better understanding of the decision by participants. The negative elements include: (1) social pressure for conformity, (2) the tendency to ignore some possible solutions if the participants agree to a solution presented early in the decision process, (3) domination by individual members, and (4) preference of some participants for winning arguments over making the best decision.

3. Transportability to America

The antecedent cultural condition for Japanese-style decision-making is its group mentality, or working for the good of the group instead of for selfish reasons.

A Japanese person is taught, practically from birth, that self-satisfaction should always be subordinated in favor of the well-being of his group. He has this instilled in him from the time he is taught to talk.

In the Japanese school system, from kindergarten, Japanese children are trained about the value of denying their own desires in favor of their class as a whole. These students are taught conformity by such means as learning a specific way to place their pencil, pencil case, bookbag, and other materials at their desks or being required by public schools to dress identically in school uniforms. Individuality or varying from the norm are strictly reprimanded. When students are asked questions by their teachers they are supposed to converse with the other students in order to come up with a consensus answer.

American culture, on the other hand, teaches individuality from childhood. Students are taught to think for themselves and if they ask others for answers, they are chided for cheating. For this reason, group decision-making would be nearly impossible for Americans to emulate.

C. Corporate Goals

1. Japanese Firms

Japan is an island nation with a relatively homogeneous population and has a tradition of belonging to groups. Of Japan's 120 million people, a mere 850,000 are non-Japanese.¹⁹ "The tendency is to work together rather than show individual superiority," said Joji Arai, director of the Japan Productivity Center. The result, he said, is a group allegiance centered on the company, which seems to fill a deep need in the Japanese psyche.²⁰

Typically, Japanese employees work together to reach goals for the company or group, not short-term, selfish ones. Rather than emphasizing individual values and goals, the Japanese prize the success of companies and groups. Instead of seeking short-term profits, Japanese workers are more interested in finding out what long-term interests they share. Working in harmony is the key to the Japanese work ethic.

To the Japanese workers, the idea that any one of them can be more productive than another is not accepted. They believe that in final assembly none of them could make a product unless all of the others in the plant have done their jobs right first. "To single one person out as being more productive is wrong and is also personally humiliating to us."²¹ This is why personal work incentives (such as wages tied to piece work) generally fail in Japanese corporations.

Because the Japanese workers subordinate their personal goals, they cooperate more easily. They tend to pitch in to

do what is needed. Company loyalty gives **workers** a "stake" in the company fortunes, a sort of "shared fate" that produces in workers the attitudes normally associated only with **owners** in the United States. The rate of company absenteeism is about half that in America, according to Japan's Labor Ministry.²² Group loyalty makes it more difficult for employees to call in and say, "I'm not coming to work," unless they have an exceptional reason. On average, Japanese workers are allowed less vacation time than their American counterparts, but corporations in Japan report having trouble getting employees to take all of their time off. One survey found that more than 60 percent of vacation time is unused in Japan. Japanese workers typically arrive early and work overtime. The Japanese Labor Ministry reports that as of 1984, the average Japanese employee worked 2,116 hours a year. This is about two months more than the 1,836 annual hours of a U.S. worker.²³

The hard work ethic in Japan may be changing. Lee Smith, a Fortune magazine reporter, pointed out that Japanese young people, born in the thriving Japan of the 1960's and 1970's, "work an honest day, but they are less inclined than their parents to show up early to get a headstart and they're resentful when they have to work overtime." ²⁴

This Japanese system of group and long-term goals works on the basis of trust. Often the corporation's overall profitability will be maximized if a certain section takes a loss (which will be more than made up for in another section)

so that the company benefits overall. There must be a willingness of individual sections and employees to make these sacrifices. That willingness exists because the Japanese corporation uses managerial practices that foster trust through the knowledge that such sacrifices will always be repaid in the future. Also, the worker has a reasonable certainty of being around in the corporation's future.

To the Japanese employee, working relationships are most important. A foreman who knows his workers well can pinpoint personalities, decide who works well with whom, and thus put together work teams with maximal effectiveness. However, if the Japanese foreman is forced, either by a bureaucratic management or by an inflexible union contract, to assign work teams strictly on the basis of seniority, then that effectiveness will be lost and productivity will decline.²⁵

These relationships are the source of a certain intimacy among the workers in a Japanese corporation. Through caring, support and disciplined unselfishness, they form these close social relations. The idea that productivity may be dependent upon trust and intimate relationships may seem strange to a lot of Americans, but to the Japanese, it is just an accepted part of their culture.

This closely knit Japanese workplace does have problems, though. It does not encourage leadership or creativity. Typically everyone waits for the group to form a consensus before acting on any problem. Thus, individuals are not eager to voice their personal opinions or try to give original

suggestions for fear of being "wrong" by not conforming to the norm.

2. American Firms

America is a country which is spread out both geographically and demographically and thus is very diverse in culture and beliefs. It is a place where individuality flourishes. "Americans pay much more attention to individual work and merit," said Professor Hrach Bedrosian of New York University's School of Business.²⁶ American upbringing, in contrast to the Japanese group harmony which discourages heroes and super-performers, lays a much heavier emphasis on individualism. In the States, people are taught to state their views and defend their individual rights uncompromisingly. This often leads to "a distressing lack of concern for the well-being of the organization."²⁷ A key problem for American firms is overcoming individual goals and personal loyalties and replacing them with organizational goals and organizational loyalties. "Individual goals promote laziness, shirking, and selfishness at work, whereas company goals promote just the opposite."²⁸

Unlike the Japanese, many Americans have the idea that intimacy should be supplied from only certain sources. They think that the church, family and other traditional institutions--not the people at your workplace--are where intimacy is found.²⁹ This leads to a group of workers who are less concerned with the relationships at their place of

employment than are Japanese workers. Because supervisors do not know their workers well enough to determine which personality types to put together for maximal efficiency in completing projects or jobs, American work teams are less productive than their Japanese counterparts.³⁰

U.S. managers tend to emphasize short-term goals such as quarterly earnings in order to make them look good to their stockholders or their managing directors and to avoid hostile takeovers.³¹ "The Japanese are in business for the year 2010, and Western companies are in business for next quarter's profit report."³² Contrary to many American managers, Japanese executives set long-term goals for their corporations and make daily decisions based on those goals. For example, they may most want to make their corporation the global leader in an industry, not just a corporation that can have good profit reports each year or quarter. U.S. managers place industrial leadership fourth on their list of corporate objectives after shareholder wealth, technological innovation, and sales/earnings growth.³³

3. Transportability to America

Antecedent conditions for Japanese corporate goals include: 1) having a group of people with basically the same values and goals, 2) believing that individually, one is only as good as the group to which he belongs and thus being willing to subordinate personal goals and 3) having trust among workers.

Because America is such a heterogeneous population, culturally it is composed of many different ideas, goals, and values. For this reason, plus the American cultural belief in strong individualism, the lack of trust among American workers and the fact that this type of system does not encourage leadership or creativity, this practice can probably not be copied by Americans, nor would it be very appealing to them.

The rewards of such a system are increased worker loyalty and less individual motivations (as pointed out before) so although Americans would probably reject such practices, they would have their benefits.

D. Functional Specialization

1. Japanese Firms

New employees in these Japanese corporations move around to all of the branches or sections of their firm in order to learn all areas of the business. By the time these new employees reach the peaks of their careers, they will be experts in most functions, specialties and offices of their firm. This job rotation usually continues until retirement.³⁴ Japanese workers have superior work skills, a broader work experience, and a better understanding of the total production process because of this job rotation system.³⁵

Job rotation does not apply to only lower-level factory or manufacturing workers. In Japan, even the highest-

ranking graduates of the best universities and graduate schools start their careers as beginners, not experts. This emphasis on actual experience provides the basis for the long-term orientation of Japanese executives with their corporations.

This broader experience of employees helps Japanese managers to coordinate departments and makes them work together. For instance, a person in the accounting department can understand the problems an engineer is having because he has worked in the engineering department and understands at least the basics of engineering. In Japan, no one individual has responsibility for a certain turf; intentional ambiguity in who is responsible for what decisions is common. Teams of employees assume joint responsibility for a set of tasks. They understand clearly that each of them is completely responsible for all tasks and thus work together to accomplish them.

Job rotation also helps keep workers more excited about and content with their jobs. Management scholars at M.I.T. and Columbia University who have done studies on job rotation suggest that workers at all levels who continually face new jobs will be more vital, more productive, and more satisfied with their work than those who stay in one job, even though the changes in jobs do not include a promotion, but are entirely lateral.³⁶

The Japanese usually do not have specific job descriptions for determining who makes what decision and

where decision authority ends. Teams of employees assume joint responsibility for a set of tasks. They understand clearly that each of them is completely responsible for all tasks, and that they share that responsibility.³⁷

Generally the work space of these companies is one huge room with no internal walls or partitions. Section chiefs head each table and the division general manager has a desk at the head of the room, much like a school teacher. Secretaries sit side by side around each staff member. Telephones and order books are piled in the center of each table. Everyone notices what others are doing at all times.³⁸ This atmosphere supports the open attitude that the Japanese have toward each other, their loyalty to the group, conformity, and their generalized jobs.

2. American Firms

American-style management tries to fit the worker to the job by the means of a job description. Americans have these descriptions for setting clear boundaries for who makes what decision and where decision authority ends. Americans also specialize in one or more skills and are hired for these specific skills. Japanese, on the other hand, look for the company, not the job.

Employment is typically short-term in American corporations. Studies by Professor Robert Cole of the University of Michigan have shown that turnover rates of employees in American corporations are four to eight times as

high as Japanese corporations.³⁹ Because of these large turnover rates in American corporations, jobs are divided into small sections which can be learned in a short amount of time. Employees soon become bored by these jobs and want promotions or decide to change jobs. As a result of this, American companies promote employees much faster than Japanese ones do, and many times workers who have been promoted have less understanding of how things are working around them, or the problems of their co-workers. For example, a warehouse manager does not understand the nature of the work performed by the computer programmers, and thus cannot coordinate with them, except in a distant, formal way.⁴⁰

While most American managers rely heavily on an organization chart to determine which workers are responsible for which duties, most Japanese corporations lack even a reasonable approximation of an organization chart. From the American manager's viewpoint, such an arrangement would be confusing and unworkable. Yet most Japanese corporations can react to a changing environment much more readily than their American counterparts.⁴¹

3. Transportability to America

Antecedent conditions for Japanese functional specialization include: 1) willingness of employees to be generalists rather than specialists in order to learn most aspects of their business and 2) the ability to function in

an environment where everyone knows what everyone else is doing.

Although it is not a cultural aspect of Americans, currently they go to universities and specialize in certain areas--even if they attend a liberal arts institution. This could be an advantage if they are very good at one thing; however, it limits their scope of the entire organization for which they are working. These workers feel that specialization is a way of increasing their job security. Seniority is tied to occupation and occupational borders are sharply defined and stoutly defended. They think if others learn their jobs, they become more dispensable, hence they have less job security.

In order to emulate the Japanese way, Americans would have to either change their form of education, and/or be willing to rotate at the various jobs in their corporation so that they can get the "big picture" of how it operates and they would probably not be willing to do that because of job security tied to their specialization. The unemployment rate in the U.S. as of 1984 was 7.5 percent. Japan, on the other hand, had only a 2.8 percent unemployment rate as of 1986.

Americans are culturally private people, and would probably not function effectively in an environment where they are constantly observed and monitored. Consequently, this aspect of the Japanese structure could not be

successfully copied by U.S. corporations, although it has its merits, such as promoting openness and honesty.

E. PROMOTIONS

1. Japanese Firms

In a Japanese corporation it may be ten years before a new employee (whether lower or upper level) is allowed a larger promotion than another. This encourages long-term thinking and actions. Because of lifetime employment, it is not wise for Japanese workers to treat anyone unfairly--he will still be at the corporation and must be dealt with.

This method of promotion may seem slow to competitive young managers in Japanese firms; but it promotes openness toward cooperation, performance, and evaluation, since truly good performance will show up in the long run.⁴² Because of promotion by seniority, older employees are assured the security of title and higher wages despite the threat of young employees. In Japan, this causes the younger employees to be more willing to wait their turn.⁴³ Promotion based on age and seniority removes the bitterness and low self-esteem experienced when one is by-passed in favor of another.⁴⁴

Older workers do present a problem for employers today. They are highly paid under the Japanese seniority system, and because of the demographics of Japan's population, the number of older workers is rising. These corporations, finding themselves top-heavy with older, expensive employees, are grasping for ways to kick them out without firing them. They

have devised some ingenious, controversial methods of transferring these older workers out.⁴⁵

Strict adherence to promotions based only on seniority has often resulted in a "cumbersome organization with many titled executives, a slow and awkward decision-making process, and diffusion of accountability and responsibility."⁴⁶

2. American Firms

Although seniority plays a role in promotion in American companies, it is not the only criterion for promotion in these firms. Tenure and loyalty are qualities that have traditionally won promotions for Americans.⁴⁷ If an American employee shows outstanding qualities and ability, he may be promoted within a matter of months or, more likely, only a few years. This system prevents the frustration that younger workers in Japan feel when they think that they can do a higher-level job, but know that they will not be promoted until they have been with the company a specified number of years. However, this earlier promotion combined with frequent job changing in the U.S., causes the previously mentioned problem of employee turnover. For instance, if an American worker feels that he should be receiving promotions sooner than he is, he may change companies.⁴⁸

3. Transportability to America

Antecedent conditions for Japanese-type promotions include the following: 1) being willing to wait for an assured promotion and 2) being able to support a lifetime employment system which will ensure job stability and thus encourage workers that they will eventually be promoted.

Although the first condition is personal, not a culture-bound, it is one that Americans have not been accustomed to and thus would not trust. If this could be imitated by America, it could promote company loyalty.

The second condition can only come about if companies become committed to such a lifetime system. Economically, not culturally, Americans would probably not want to use this system because of babyboomers, who are now in their middle ages and would be a large burden in a few years in terms of retirement benefits. The Japanese policy of giving lump sum retirements, is beginning to meet with adversity in their own system, and Americans, accustomed to better monthly benefits would not be willing to accept such.

III. COMPANY COMPARISONS

A. Toyota versus General Motors

Toyota is Japan's largest and most successful company and is out to become number one in the world. General Motors currently holds the number one spot, so it is obvious that a major clash between these two corporations is apparent in the future.⁴⁹

Recently Toyota decided to locate a plant in the U.S. It did so, partly because it wanted to lay the groundwork for an assault on GM in its own backyard.⁵⁰ General Motors, conversely, wanted to compete in the industry using its opponent's methods. Toyota is also encouraging its parts suppliers to come to the U.S. in order to try to have the same system as they have in Toyota City in Japan. By 1988, Toyota will manufacture at least 300,000 cars in North America for total sales of about \$900 mill. which is about three-fourths of Chrysler's annual output. As of 1985, GM manufactured no vehicles in Japan and sold fewer than 1,000 cars there each year.

"U.S. auto executives give Toyota high marks for its mix of management philosophy, organization, and sense of purpose." ⁵¹ Toyota's management philosophy is a very conservative one which includes cost control, taking good care of their employees in order to promote company loyalty, and using the just-in-time inventory control system. The just-in-time inventory control system that Toyota uses cuts back on excess inventory to the extent that a company can keep just one or two day's inventory on hand and not worry about having their necessary parts. The basic idea of this inventory management system is that parts and raw materials should arrive at the factory just as they are needed in the manufacturing process. For just-in-time to work, its suppliers must be given plenty of advance notice of what and how much to make, and the customers must stick to their

schedules. More importantly, however, the lack of slack forces internal operating efficiencies and collaboration with supplier. It is causing auto manufacturers to commit to or merge with suppliers as in Japan.

Cost control is a part of their long-term strategy. Each of their groups, or teams is responsible for monitoring costs and coming up with improvements within their section. The Toyota employees have a single-minded concentration on the tiniest manufacturing details. This has allowed Toyota to whittle down costs to the point where it is the only Japanese auto maker earning a profit in the brutally competitive Japanese market.⁵²

Toyota takes good care of its employees by taking extraordinary lengths to encourage loyalty. One slogan of the company says that every employee is a brother. In order to further promote group loyalty and company long-term goals, Toyota offers extensive recreation programs for their employees, and sponsors clubs to keep workers together on weekends.

General Motors has had trouble with all three of the things that Toyota emphasizes most. "GM has suffered tremendous losses in the past due to strikes, cost overruns, layerism and worker frustration in general, and it continues to experience some of these problems." ⁵³

B. Matsushita versus Motorola

Motorola, a 58-year-old conglomerate, is number one in the semiconductor industry in the world and competes with Matsushita in manufacturing electronic components, two-way cellular radio gear, data communications equipment and computers.

Chief executive of Motorola, Robert W. Galvin, said that by using a strategy of "practicing the basics" Motorola successfully competes with Matsushita and its other Japanese rivals.⁵⁴ By this he means focusing on short-term goals such as boosting productivity and improving quality of products. Motorola is increasingly challenging the Japanese around the world, including their home market. It is one of the few U.S. companies that supplies a lot of equipment to Nippon Telegraph & Telephone Public Co.

Matsushita, which is the world's largest consumer electronics producer is taking initial steps to get into the highly competitive U.S. Market for other major appliances such as room air conditioners.

The management philosophy for Matsushita is one based on "what is right in terms of essential human qualities and nature," said its founder Konosuke Matsushita.⁵⁵ He believes that much of the Japanese philosophy of management is built into the Japanese culture; it represents a philosophy of living, and most of all, a philosophy of the individual's worth and of working and dealing with people.

Contrary to Motorola's short-term goals, Matsushita plans for the long-term in setting goals. It plans for the

long-term good of the company, its employees, its suppliers and its customers. Part of its management philosophy says, "Any enterprise which abandons its real mission and, instead, makes the pursuit of profit its sole objective is impossible to defend." It also says that profit in itself is not the ultimate goal of an enterprise. More basic is the effort to improve human life through enterprise management.⁵⁶

Matsushita also implements a program of employee participation in decision-making. "Realizing the importance of conducting management on the basis of the wisdom of many people, the manager usually should do his best to listen to as many employees as possible and create an environment in which they can express their opinions freely and frankly."⁵⁷

IV. Interviews/Questionnaires

This section is to contrast and compare, in actual practice, the management techniques addressed in this paper. It shows how top managers perceive themselves and their corporations, as derived from their interviews and questionnaires.

A. Systematics Inc.

Drew Kelso is executive vice president of Systematics Incorporated, an American data processing company with headquarters in Little Rock, Arkansas. Mr. Kelso was selected in 1985 as a participant in the Fourth Annual Business Study Program (sponsored by the Institute for

International Studies and Training) in which he spent three and a half weeks studying Japanese management in Japan.

Mr. Kelso said that Systematics Inc. has a management practice which is a combination of group and management decisions, but which is generally "situation by situation." The corporation does not offer lifetime employment Kelso said. He also said that his corporation's promotion policy is by merit only. "I do not have to use ambiguous terms when making agreements or decisions because I have the power to make decisions without consulting others," said Mr. Kelso.

As for employees learning all aspects of Systematics' business, Vice President Kelso said that they try to keep employees within their specialization, especially at the lower hierarchial levels. He said the amount of hours his employees work has remained consistent over the past few years.

"Our employees probably do not work as hard as the Japanese," said Mr. Kelso. "They do have a certain closeness and work as teams, but I would not call it an intimate relationship."

Systematics Inc. pays its workers slightly more than other such corporations and it is more concerned with short-term goals, such as quarterly profits, rather than longer term goals. However, Mr. Kelso stressed that they try to take long-term goals into account when making short-term decisions.

B. NEC

Vice president for marketing and sales in North America for Nippon Electric Corporation (NEC), located in Tokyo, is Ken Nakamura.

He said that NEC's management approach is a combination of management and group/employee decision-making. NEC uses the system of lifetime employment; however, seniority and merit are linked together to decide employee promotions.

In reference to consulting others before making decisions, Mr. Nakamura replied, "Consultation or conference is a means of preparatory work and is one of the factors of decision-making (for NEC)."

"NEC employees are expected to have a wide range of business knowledge," said Vice President Nakamura. "The company assigns individuals considering their educational backgrounds and current capabilities. However, the company keeps giving them on-the-job training and an additional education program, and thus brings them up by business knowledge and capacity as well."

Mr. Nakamura said that NEC employees are working less hours and taking more vacation time than they were five years ago. He said NEC's wages are competitive for the same type workers with about the same type of training and/or experience. He thinks his company is more concerned with long-term goals than short-term ones.

C. Sanyo

Charlie Green, vice president of administration at the Sanyo plant located in Forrest City, Arkansas, said Sanyo makes decisions by a combination of employee and management participation. "Normally decisions are made locally as a combination of the two, but really high-powered decisions are made by the top management at headquarters in Osaka, Japan - and at times without consulting us."

Sanyo does not have a lifetime employment system at the Forrest City plant. In fact, they lay off employees each year as their production orders decrease. The employees are, of course, informed about possible layoffs when they are hired and are willing to work for possibly only a few months at a time.

Merit is the number one criterion that Sanyo uses for deciding promotions, but seniority is also used. "If two are fairly equal on merit, then we look at seniority to make the final choice," said Vice President Green.

Although he does not use ambiguous terminology when making major decisions, Mr. Green said that he must consult with others first.

"In the higher echelon of Sanyo jobs are specialized but in the lower levels they are more generalized due to job rotations, especially with supervisors. The company union contract dictates what work its members can do," said Mr. Green.

He said Sanyo employees are definitely not harder workers than their Japanese equivalents. "They've been

spoiled over the years by management - we've allowed that to happen. I think we are much easier on the human element than the Japanese are. We do not tend to be as strict."

As a majority, Mr. Green thinks Sanyo employees view their fellow workers as family. "About 85 percent of them are hard-working and dedicated and those work together as a team. The other 15 percent could not care less about how well the corporation does or whether the other workers need their help or not."

He said short-term goals are his company management's focus, "but if the managers just show good planning, Sanyo is not concerned if they are meeting short-term goals."

IV. Conclusion

The conclusions drawn from this study basically show that few Japanese management techniques can be emulated by Americans, because of cultural reasons, personal preferences, or because the two systems are, in fact, quite similar.

An organization can be described in two ways: formal and informal. Four comparisons can be made between Japanese and U.S. organizations and they are: 1) formal U.S. organizations compared with formal Japanese organizations, 2) formal U.S. organizations compared with informal Japanese organizations, 3) formal Japanese organizations compared with informal U.S. organizations, and 4) informal U.S. organizations compared with informal Japanese organizations.

This paper has placed deliberate emphasis on the fourth type of comparison.

The first three methods of comparison are inappropriate and inaccurate because of the U.S. management system and the Japanese management system have more parallels than the majority of published literature suggests.

The purpose of this paper has been to examine antecedent conditions of Japanese and American corporations in order to go beyond the superficial and formal and to develop a better understanding of the "real" cultural differences of the systems. In reality, the differences separating the two countries' systems are not great.

Lifetime employment could be copied by American corporations, but this would require certain concessions on the part of workers. American women are not willing to become "buffers" in order to secure their male co-worker's jobs. This system often causes employees to produce more and have a greater interest in the well-being of the firm, and thus U.S. corporations might profit if they emulate it.

Group decision-making would be destined to fail in the U.S. because of our cultural aspect of individualism. We have our own system of group decision-making, and the Japanese way would be unacceptable culturally because Americans would not want to be deceived into thinking they were participating in decision-making because in actuality Japanese top management have the ultimate authority. Japanese group decision-making is merely psuedo-participation

in order to gain employee support for top management decisions. Lower-level Japanese employees seek to do what top management desires in order to gain favor and be assured future promotions.

Japanese corporate goals, as opposed to American individual goals, tend to make employees work better together. Many Americans, however, do not wish to put the corporation before their families (as the Japanese must often do) and thus these type of goals would most likely fail if implemented by U.S. firms.

Both generalization and specialization of job functions have benefits, and although the former works effectively in Japan, changing the whole American education and work situation to accomodate the Japanese-type system would not be feasible or desirable.

Americans are basically impatient people, especially the present generation, and they do not want to wait for promotions. American companies which do not have a lifetime employment system do not find it possible to have such a system, because of the expenses associated with starting one. If such a system is not in use, (thus guaranteeing future employment) employees will not be willing to wait for promotions.

Although on the surface Japanese and U.S. management structures are dissimilar, in practice they are quite alike.

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⁶Bernard Wysocki Jr., "Japanese are Suffering Unemployment Rise in a Shifting Economy," Wall Street Journal, November 6, 1986, p.1.

⁷Andrew Weiss, "Simple Truths of Japanese Manufacturing," Harvard Business Review, July-August 1984, p.98.

⁸Richard Alm, "Can U.S. Workers Compete?" U.S. News & World Report, September 2, 1985, pp.40-41.

⁹Smith, op.cit., p.28.

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¹¹Ouchi, op.cit., pp. 34-38.

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¹³Coy A. Jones, Thomas R. Miller, J. Bernard Keys, "Managerial Decision Making: Japan vs. the U.S.," IMDS, May-June 1985, p. 19.

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- 19 Smith, op.cit., p.24.
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- 22 Alm, op.cit., p.41.
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- 35 Alm, op.cit., p.43.
- 36 Ouchi, op.cit., pp.28-29.

³⁷Ibid., pp.38-39.

³⁸Ibid., p.45.

³⁹Ouchi, op.cit., p.49.

⁴⁰Ibid., p.52.

⁴¹Ohmae, op.cit., p.220.

⁴²Ouchi, op.cit., p.25.

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⁴⁴Ouchi, op.cit., pp.60-61.

⁴⁵Wysocki, op.cit., p.1.

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⁴⁷Carol Hymowitz, "The Disappearing Corporate Ladder," National Business Employment Weekly, March 22, 1987, p.25.

⁴⁸Ouchi, op.cit., p.49.

⁴⁹Larry Armstrong, "Toyota's Fast Lane," Business Week, November 4, 1985, p.42.

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⁵⁴Patricia Galagan, "Focus on Results at Motorola," Training & Development Journal, May 1986, p.44.

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Please fill this questionnaire as completely as possible. If you do not understand any of the questions please just answer the question as accurately as possible with an explanation of what you thought it was asking. Any additional information that you would like to add about your management style or about your company would be very helpful.

name _____ phone # _____

address _____

1) How many employees do you supervise ? _____

2) Would you say that your company's management policy is:

a) a group decision-making one

b) a management ONLY decision-making one

c) a combination of both

d) neither - _____ (explain)

3) Does your company have life-time employment? yes or no
_____ (explain)

4) Please comment on the recent problems in Japan in which steel companies which previously practiced life-time employment are now laying people off and firing them.

5) What is your company's promotion policy?

a) by merit only

b) by seniority only

c) by a mixture of seniority and merit

d) other _____

6) In making agreements or decisions, do you as a manager try to use ambiguous terms because you must consult others before making any decisions?
yes or no _____

7) Do your company's employees learn all aspects of the business, so that they are generalized in their skills or do they learn specialized skills without learning all areas of the business?

8) Are your company's employees beginning to work less hours than, for example, five years ago, and are they taking more time for vacations?

9) Do you think your company's employees work harder than their American counterparts, or do you think that they have better management, or a combination of both. (explain) _____

10) Do you think your company's employees view their fellow workers as "family"? In other words, is there a special intimate relationship?
yes or no _____

11) How do you think your company's employee's wages compare to the same type workers with about the same type of training and or experience?

12) Do you think that your company's management is more concerned with long-term or short-term goals?

13) How large is your company? In other terms, at what number is it ranked in Japan, in respect to sales or profit? _____

Thank you so much for your help in filling this out.