

JAPANESE MANAGEMENT AND ITS VALUE SYSTEM

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The aim of this paper is to elucidate from a sociological point of view the Japanese way of management or its managerial style in reference especially to Japan's value system. Much has been written on Japanese management, but there have been only a few considerations about the cultural characteristics of organizations, or about the culture climate surrounding the business world. In general, it may be taken for granted that business is concerned only with the enlargement of profit and returns, but nowadays, it becomes more and more necessary to consider also the cultural issues, the worthwhileness of leading a business man's life as well as the question how to develop the power of business. Certainly, in order to understand Japanese management, it is necessary to discover its cultural environment. Japanese management, we think, differs from other ways of management in that it has more focused on human relationships than that of other countries, in particular, Western countries where, relatively speaking, more importance seems to have been attached to machinery and equipment rather than to the human factor. As the phrase "Soshiki wa hito nari", meaning "organization is man", shows proverbially, Japanese management stresses rather the social factors. For those words do not mean that an organization consists of people or that people are its components, they mean that man is the most important factor or its center. Therefore, to elucidate the characteristics of the

Japanese way of management, we must study the human factors present in the situation. These factors, in turn, are basic to a sociological study.

Although there are, of course, in sociological research, many approaches to the study of management, for example, the study of institutions, of the entrepreneur and of leadership, trade unions, techniques of management etc., we would like to concentrate on the value system as one of the most useful approaches, because it is values, we feel, that dominate human relationships, also in organizations. The latter cannot be fully understood without referring to them.¹⁾

To begin with, we can and should ask the question why the Japanese system of management has become a much discussed subject matter. Three reasons seem to be in evidence. First, there is the interest in the question of Japan's quick industrialization and economic growth. Second, there is the necessity of solving the problem of friction and conflict between Japanese business overseas and foreign employers, inhabitants and groups in those countries. Third, we have the problem of adaptation and change in the economic situation at present. Let us look briefly at these questions.

First, the rapid economic growth in Japan seemed to conceal some kind of secret especially as to its success after the war catastro-

1) OECD, Economic Outlook, 1979.

phe. Roughly speaking, the national income per capita was \$252 in 1956, \$395 in 1960, \$740 in 1965, \$1,590 in 1970 and \$7,200 in 1978. The Japanese gross national product (GNP) was only \$10 billion in 1950, but after two decades it exceeded \$200 billion. Japan's GNP became the third highest in the world in 1968. In 1971 Japan's economy had an annual growth rate which averaged an exceedingly high 12.5%. Her rate of substantial economic growth was 7.8% on the average during 1966-'77, and 5.6% in 1978, while that of the U.S.A. was 2.8% during 1966-'77, and 4.4% in 1978. The U.K. recorded 2.1% and 3.3% on the average, while West Germany showed up with 3.6% and 3.5% respectively during the same period. (OECD, Economic Outlook, 1979). Although Japan experienced a recession as the result of the oil shock in 1973, she overcame it quickly and continued her high level of growth. Foreign managers and businessmen have wondered what the secret of the Japanese management might have been, that got them over the critical situation in spite of being a country with a huge population and having almost no natural resources. In the same vein, in order to explain the Japanese "economic miracle" many researchers have been interested in the Japanese way of management and its history, and several factors have been pointed out. Some have pointed to the close relationship between government and business in Japan, reminiscent of the phrase "Japan, Incorporated". Others have mentioned, except management itself, the establishment of an expanded educational system and the development of R and D. Evidently, the management system itself is the most important single factor, which nevertheless has to be seen in close connection with other factors.

The second reason which generated interest

in Japanese management was the expansion of business overseas, especially the difficulties and friction that arose between the Japanese way of management and that of the foreign countries. Considering the causes of those frictions, we can mention the "overpresence" or concentrations of Japanese business agencies and businessmen, differences in trade customs, ways of advertising and so on. These are some examples from the economic sphere. In the socio-cultural one we can mention lack of communication with local businessmen, indifference to native culture, unfamiliarity with social customs and the persistence of the closed-society ways of the Japanese cooperative group behavior, which shows even in the sameness of tastes and recreational activities, the latter being a source of amazement among foreigners.

The third point of the interest toward management is found in the necessity of adaptation because of the changing environment. The circumstances of business organization have been changing constantly and rapidly in many respects. For example, there was a rather drastic change from the rapid economic growth period to a slow down after the oil shock. There also is increasing awareness of social responsibilities concerning industrial pollution, and the coming of an aging society. In connection with the latter, we can say that Japan's population constituted a stable pyramid during a long period, but we can anticipate that it will gradually shift to one in which the middle and advanced ages (45-64 years of age) will occupy a much larger proportion than it was the case until recently. That stratum occupied 27% of the total male labor force in 1970. It is estimated to increase up to 34% in 1980. With a visible tilt toward an aging society, the government must provide

for more social security payments, business will have to cope with a decrease in efficiency as well as an increase in wage costs, and the individuals will be obliged to think of their living after retirement. With the rapid increase of students in higher education, the value consciousness of employees has already shifted in various ways causing change in the existing manners and customs. Higher education, higher standards of living and greater expectations toward leisure are influencing the younger employees' attitudes towards work. The companies, on the other hand, up to now were able to treat the employees of the same age and position in the same way, but with increasing middle and higher strata, many will have to be passed by when the usual time for promotion has come. Such a change might result in shrinking motivation and loyalty towards the firms.

Summarizing here we can say that the first point that encouraged interest towards the ways of Japanese management was mainly concerned with the past, with merits and demerits of the traditional system, which, however, will have to be adapted to new situations. That we will look at in the following sections. The second point was related to the international or intercultural situations, touching on very sensitive problems, while the last point was concerned with intra-organizational issues, arising from present situations and trends, which also seems decisive for the future.²⁾

Next, we will consider Japanese management itself, beginning with a look at the difficulties involved in the prevailing discussions, which are varied and conflicting. Some see Japanese management as a unique system,

while others treat it as nothing special. It is said that the system is most efficient in improving the relationships between employer and employees. In this connection the personnel management and quality control (QC) are mentioned. It has also been pointed out that Japanese management is not conducive to rationalization but rather its opposite. In sum, because of the differing dimensions and levels of the prevailing discussions, it is not easy to locate the essential characteristics of Japanese management. In order to grasp its essence better, we must first decide precisely what level of management we are going to take into consideration and from what standpoint.

By way of experimentation, then, we will try three different approaches and classifications, firstly, by distinguishing between traditional and modern ways of management, secondly, we will look at the adaptation to the changing business situation within the organization, and thirdly, we will think of the contacts between Japanese management and foreign types of management.

First, a classification can be attempted from a historical point of view, i.e., using the dichotomy of traditional and modern characteristics in both organizational system and in the ways of management. By cross tabulation we get four types. Type 1 is the type in which both the structural elements and the way of managing are traditional. Type 2 is the type in which the organizational system is traditional but has new personnel practices and management procedures. Type 3 will be the type with a modernized structure but with group-oriented, traditionally vertical, interpersonal relationships based on a paternalistic ideology. Type 4 is the type having both new structures and a new way of management.

2) Sakamoto Y., *Kaigai Kigyo Keiei to Genchijin* (The Management of Overseas Enterprises and Inhabitants) Chap. 2, 1976.

Second, from the standpoint of adaptation we can think of a positive and a negative evaluation of existing companies, in other words, we can distinguish adaptive types from non-adaptive types. The latter are those that, in spite of a changing environment, endeavor to maintain the old ways of managing. The former are ones that adapt their managerial procedures to the new demands arising from the changing environment in order to maintain or develop their effectiveness. This classification, however, would differ according to the speed of the occurring change and the degree of adaptation, as for example can be seen in the cases of companies that remain in the traditional way in spite of drastic changes and others who change their way of management in spite of relative stability in the social and economic situation.

The third point of view is that of acculturation, i.e., the relationship between the Japanese way of management and Western types. Here we can have coexistence of the Japanese traditional ways with foreign ones, replacement of the first by the second or a combination of both.

One more complicating factor is the variety of business and related jobs. For example, construction companies and client-oriented production firms are the types in which traditional management ways prevail. Industrial, mass-production companies, on the other hand, tend to utilize a more modern way of management. We could try another classification in this connection, but this would bring us too far.³⁾ Let us simply add

3) Further we must think that many discussions about this point are apt to concentrate on big business. In order to understand Japanese management as a whole, we must direct our attention to the many small and medium sized companies that employ 80% of all workers (1975).

some reflections on the above classifications.

Certainly enough, our classifications are theoretical and no such pure types exist in reality. There are cases in which we find modern, scientific management combined with traditional features and there are also very traditional ways of management in modern institutions, that is, there is new wine in old skins or vice versa. Further, a totally traditional way of management will seldom be found, i.e., our Type 1, or the unchanging type in a changing society. In the same way, a totally modernized way will be extremely rare except in companies built with foreign capital and employing foreign managers. The majority of companies in Japan belong to the intermediate Types 2 and 3: modern management in a traditional organization and traditional management in a modern company. In the process of modernization and internationalization the general trend is that of introducing new ways, especially new management techniques. There is also a tendency of shifting from *laissez-faire* and drift management to planning, from the experimental, conventional and unsystematic way to the scientific, rational and systematic manner. Therefore, one will not be surprised to find many common features of management in the advanced countries including Japan, which constitutes one more reason why it is difficult to locate the unique aspects of the Japanese way.

Concluding from the above, we can say that Japanese management does not show itself as a single phenomenon but one of varying forms and content, a system of management that has changed over time in response to situational changes, and as the result of the introduction of new techniques and some

In these smaller firms we can find the traditional features of management, and at the same time, some kind of rationalization.

change in the value system as touched upon in the above. An important feature that seems to arise out of the difficulties of the earlier classification attempts is that of flexibility. In other words, because of the importation of Western methods and because of the many adaptations to the changing situation, Japanese management itself seems to have evolved as a flexible way of running a company. Least affected by change seems to be the human factor or the so called "shûdanshugi" (group spirit) in which we think we can find the more stable core or the very nature of Japanese management, to which we now turn our attention.

"Shûdanshugi" has been discussed by many researchers. This term is usually translated as "collectivism", which, we feel, is not a suitable translation because its collectivistic, political overtones. Therefore, we would like to use the term of "Japanese groupism", implying group-oriented thinking and ways of behavior. The individual submerges in, and is being absorbed by the group. This makes, however, that management in Japan is not to be characterized as impersonal, as is usually the case in the West, but rather as inter-personal. In terms of interests, of course, it is those of the group that are central and that are thought of as most desirable. The individual, then, identifies with the group and its collective goal. It is for this reason that cooperation, solidarity, the sentimental feeling of oneness and togetherness, intensive interaction and gregariousness are deemed important or will be the result from the interaction.⁴⁾

Much has been said about the origin of Japanese groupism. Its prototype is found in the "Ie" (the family) and the "Mura"

4) Lebra T.S., Japanese Patterns of Behavior pp. 26-27, 1976.

(the rural community). This is because the manager plays either a father role or that of the chief of a rural community, while the employees accept the role of children or that of the members of a rural community. Therefore, the principle of group control is found in such groups as it was in rural life, where solidarity was seen as the most important element of ethics. The same value system has been built into business organizations and has been explicitly and constantly taught to the employees and workers.⁵⁾

In this connection we can further note that the prewar family could include subordinate branch families and possibly other people who were no relatives at all, under the absolute authority of the head-family. The new Constitution after the war changed the system legally. But it must be readily added that the situation had been changing little by little since a long time ago when the growing industrialization, urbanization, and city life stimulated a development toward nuclear families. Similarly community life in Japan has changed greatly after World War II. Until then the majority of the population had been living in premodern rural communities, cooperating with one another in their work in the paddy fields sharing water resources etc. This pattern was changed especially by the farmland reform in 1946 and by the above mentioned industrialization.

Notwithstanding these changes, the family and the rural community in Japan have

5) Thus we still have the typical Japanese training for all newcomers in a company. It usually begins in April or May and is continued for a few months. Almost all companies teach, together with practical things, a positive liking for, and loyalty to the organization. And since the initial training is followed up by regular repeating of the same ideas and inculcation of the same attitudes, the newcomers grow gradually into organization-people, serious and like-minded.

remained the prototype of groupism as ever, because the ethos that they cultivated has been alive until today. It is this ethos or value system that is important for the understanding of Japanese groupism, of course in combination with other socio-cultural dimensions such as "tate-shakai" (the vertical society described in C. Nakane's "Japanese Society", 1970) and "shame culture" (R. Benedict, "The Chrysanthemum and the Sword", 1946), and "amaeru" and "amae-kasu" relationship of dependency and indulgence, (T. Doi, "Amae: a Key Concept for Understanding Japanese Personality Structure," 1962); and so on.

Very valuable for our discussion here are some of M. Weber's insights from his sociology of religion. Weber compared Puritanism with its "innerliche Würde" and Confucianism characterized by its ethic of "äusserliche Würde", ie., "die Würde der äusseren Gesten und Manneren, das <Gesicht>".⁶⁾ The ethical optimism of Confucianism, in which no guilt is found as in the case of Christianity, has been the result of the thought concerning self-fulfillment, arrived at through literary and philosophical speculation. Money making is virtuous according to this philosophy, and has been given an ethical value, on which a kind of economic rationalism has been built. The very same ethos is found in Japan. The main purpose of business, then, is money making, to which many of today's "salarymen" lend their help as the supreme purpose of the group they belong to.

Regarding Japan's value system we have a well known study by R. Bellah. Bellah pointed out that Japan was characterized by the primacy of political values. The polity took precedence over the economy.⁷⁾ Economic

values, according to Bellah, are those values which characterize the process of the realization of means. And political values are defined by the combination of the pattern variables of performance and particularism. It may be said that the particularistic performance, combined with the Japanese strong group attitudes or groupism, constituted the motive power of Japan's industrialization.

China, on the other hand, was characterized by the primacy of integrative values. Such a society, then, is more concerned with the maintenance of the system than with goal attainment or adaptation, the more so because human relations in China are based on kinship. The pattern variables, seen in the Chinese society, are particularism and ascription, which imply respect for human relations that are more concerned with particularistic ties than with universalistic attributes. It also implies that one is more concerned with qualities than with performance.

Bellah's view, however, is limited to the prewar value system. He rightly believed that the emphasis was on the sacrifice value and loyalty to the group. Loyalty was important both in Japan and China. In case of the latter, it was primarily related to individualism and ascriptive attributes or the person of the chief. In case of Japan, on the contrary, loyalty was more related to the authority principle or to the chief as its symbol, which shows an impersonal characteristic. But the influence of religion is not so strong in modern Japan, though it may play some minor role in groupism.

Resultants from Japanese groupism in management are lifetime employment, the system of seniority, the "ringi system" and labor unions limited to the enterprise. Lifetime employment means that an employee or worker will remain in the same company

6) Weber M., Konfuzianismus und Taoismus (Gesammelte Aufsätze zur Religionssoziologie) S. 532.

7) Bellah R.N., Tokugawa Religion, p. 5, 1957.

until retirement almost regardless of performance. The employer, much like a parent toward his children, takes care of several needs of his subordinates, who, in turn, have to respond with continuing loyalty. "Nenkô joretsu" or seniority system is a way of payment and promotion according to length of service. "Nenkô" means "merit of years in service" and "joretsu" means "ranking". Seniority, accordingly, is the key factor in the "Nenkô-promotion" system. Age in general is highly valued in Japan.

The "Ringi" system is a system of decision making based on cooperation, harmony and group consciousness. It is a group-oriented, or family-style management. Communication is bottom-up instead of top-down.

Labor unions limited to the enterprise are thought of as favorable for labor-management relations. The unions are not separate entities. They are part of the enterprise. Therefore, there is little management-union opposition that is typical for those relationships in Western countries.

Next, we will turn to the relationship of groupism and its inherent value orientation. This orientation is as follows. (1) In Japanese groupism there is much esteem for human factors or human values, because personal, and sometimes sentimental relationships are part of the system. (2) Stressed are the values of performance and contribution to the group, which together with (1) create a sense of belonging. (3) Harmony, cooperation and solidarity are thought of as very important. (4) Characteristic for Japanese organizations also is implicit functioning and quasi telepathic communication, which leaves some leeway between rights and duties, and therefore may appear as ambiguity in responsibility and authority lines. This value system corresponds to the psychology of the

Japanese, whose identity relates strongly to group belonging.

We can further explicate that the value of performance is related to the concept of "On", which may be translated as "reciprocity" or gratitude. In other words, one is expected to return favors and kindness, which, in the company, must be expressed by working dutifully. Further, the value of harmony is related to cooperativeness, reasonableness and understanding of others. As E. Reischauer mentioned, "the Japanese seek to achieve this harmony by a subtle process of mutual understanding, almost by intuition ...".⁸⁾ Being so, this is again related to the value that can be paraphrased as silent communication, which is based on similarity of identity and the feelings of oneness.

As mentioned above, group behavior, not only working together but also communal recreation and shared leisure time, is considered to enhance loyalty towards the company. On the other hand, belonging to a group or company has important consequences for the individual person. Being "inside" means, except security, also personal peace and being at home.⁹⁾ Not belonging or being "outside", means next to social instability also personal uneasiness and anxiety. (One reason for this may be the greater difficulty in Japan than in Western countries to establish new group relationships). Therefore, it is very important for the individual person to strengthen his connections and solidarity with his group. As an aftereffect, this may result in intensifying a sense of competition or antagonism with the outside or with other groups. Hostility towards other groups in Japan, however, usually stays within reasonable limits. In the

8) Reischauer E.O., *The Japanese*, p. 135, 1977.

9) Lebra T.S., *ibid.* pp. 112.

business world this may be due to the confrontation with the more remote "outside" of foreign countries. Apparently, Japan is able to identify as a homogeneous group or nation. This, of course, is facilitated by the wider cultural connection, i.e., by a unitary racial identity, a common language and customs and even by similar religious beliefs.

Here, then, we face some peculiar difficulties in our discussion of the relationship between Japanese management and the value system. Two approaches seem possible, one from the standpoint of Japanese culture as a whole, and the other from the viewpoint of the value orientations within the business world. The former is not sufficient in order to grasp the precise value system of business, especially since it is very difficult to point out what the implications of the broader cultural connections are for business. The latter approach is not sufficient either because of its relatedness to the former. It seems most appropriate to concentrate on the value system of business, trying to locate it within Japanese culture, without emphasis on causal links and without forgetting that the relationship is a dynamic one, since both management and the value system are in a situation of change.

A major shift seems to have occurred in the work ethic. Whereas in prewar Japan the evaluation of work was undisputed nowadays also leisure is strongly legitimated. Of course, this is a world wide tendency. Reduction of working hours and the increase of leisure time is partly a result of the economic situation after the oil shock. In Japan, at least until 1955, the small companies did not even enjoy one holiday a week. But with the labor shortage caused by the economic growth, workers were apt to keep their distance from the companies without a day off. Presently, most companies are intro-

ducing two holidays a week. And there is a new proposal to take longer summer holidays in order to save energy. (Trade Union of Kansai Electric Company, June 1980).

On the other hand, the Japanese apparently do not get used to leisure time, maybe, because there is not much tradition in this respect and because of the short supply of sport facilities and the like. Important for our subject is that the Japanese do not see recreation as a private activity which the individual decides upon for himself. With the increasing holidays, many people seem to be at a loss as to what to do with their leisure time. Many companies advise their people to use their leisure time together, playing golf or tennis, camping out in group or go fishing. So, there is a tendency to treat such recreation in group rather seriously, which means that the groupism-way of life also penetrates the employees' private time.¹⁰⁾

Further, a five-day working week is common in the U.S.A. and in Europe, but in Japan only 71% of the companies (1978) have this regulation, of which 61.4% put it into practice. This rate is one hundred percent in Europe. In Japan, hard work without much free time is still taken for granted or seen as a virtue. Therefore, most people are accustomed to that way of life, the more so because of the general awareness especially among the people of middle age, namely that Japan has limited resources necessitating diligent work. The Japanese ethos of industrious labor, then, together with the tendency towards thrift and hate of waste may come close to the old capitalistic ethic of Protestantism.

10) Japan, in general, enjoys less summer holidays than do most Western countries, who get 3 or 4 weeks of paid holidays. Except for a few paid holidays in the New Year season and at Obon in mid-August (the Buddhist All Souls' Day), the Japanese on the average only take 3.9 days off.

Although groupism can be considered as the central characteristic of Japanese management, it should not be forgotten that the organizational climate and organization itself are changing gradually. Keizai Doyu Kai (Japanese Committee for Economic Development), in connection with personnel management, called for the basic preservation of lifetime employment and the system of labor unions within the enterprises, but suggested a limitation of wage promotion between 45 and 50 years of age. It further suggested reinforcement of the organization with the introduction of the retirement age at 60 instead of 55, also, more positive appreciation of professional standards and stricter selection of managers (Nov. 1978). Mistui Bussan, for example, relying on the same insights, has limited salary promotion to 48 (June 1978). Their employees between 48 and 52 years of age have been allowed to choose freely, within limits, their retirement age. This company has stressed achievement rather than seniority, indicating a change toward a system based on merit.

According to the White Paper of Labor of 1978, the retirement age in Japan may be officially elevated to 60 in the near future, because the number of workers in the middle and upper age brackets was predicted to grow from 3,400,000 at that time to 4,300,000 five years later.¹¹⁾ Presently, while the numbers of people in retirement increase, places where they can work, tend to decrease as well as the salary of retirement jobs. This means that the later years of life may become increasingly years to worry about. One problem that urgently must be resolved in this connection is that of the reformation of the wage system and that of the retirement allowance, both of which are important factors hindering

11) White Paper of Labor, p. 16, p. 193, 1978.

the elevation of the retirement age.

Summarizing, we can say that groupism represents the global characteristic of Japanese management, but we must repeat that, after having considered the historical development and the present changing situation, it is difficult to grasp the unchanging and basic aspects of this Japanese groupism, especially because of its connections with other aspects of the organizational environment.

As the spectacular development of Japan's economy is concerned, of course, not only the peculiar type of management is responsible for its success, but many other factors have to be taken into account. As pointed out by the U.S. Department of Commerce ("Japan, the Government-Business Relationship) a basic element undoubtedly has been the character of the Japanese people. They possess the very qualities associated with the Protestant ethic, a capacity for hard work and readiness to postpone consumption by saving and investing.¹²⁾ This traditional ethic has been the social heritage of the prewar period and its implementation certainly has largely contributed to the economic growth of the country. In other words, the values inherent in groupism and supported by the larger cultural environment, have been incorporated by the people in business. We stress once more that this complex of values has been changing constantly, and so has the cultural environment and the people's consciousness in this respect. Since it is values that dominate the various areas of society, the Japanese way of management will further have to adapt itself to the changing situation. Especially necessary will be the adjustment of lifetime employment, the system of promotion in salary and ranking, now based on

12) Kaplan E.J., Japan-the Government-Business relationship p. 7, 1972.

length of service, and the paternalistic ties between employer and employees. Even with more changes to come, it can be foreseen that Japanese management will continue to be different from other systems of management. Emphatically, we think that Japanese management and the supporting value system should be seen, not as a fixed or static reality, but as a dynamic and flexible one. Exactly here do we want to see its uniqueness.

Central to the value system are the emphasis on human relationships and the human factors in organizations, the workers' performances aimed at the attainment of the company's collective goal, as well as harmony among the personnel. The latter is illustrated by indirect communication. These values, notwithstand-

ing change, will allow further adjustment. Precisely, change is the condition of their preservation.

As changing factors we have mentioned the slow down of economic growth, the coming of an aging society and the expansion of higher education. The changes were effected, of course, not only through change of the value system as such, but also by the values inherent in Japanese groupism, which have been largely responsible for flexibility and adaptation, and therefore also for the success of the Japanese economy. We believe that Japanese management will keep its merits and will continue to exist as long as managers in Japan see it as an appropriate means to their social and economic objectives.