

**CULTURAL FACTORS IN JAPANESE
BUSINESS PRACTICES**

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MASTER OF PHILOSOPHY*

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DECLARATION

This dissertation entitled "CULTURAL FACTORS IN JAPANESE BUSINESS PRACTICES" submitted by Ms. Louise Lyngdoh-Mawlong in partial fulfilment for the degree of Master of Philosophy, has not been previously submitted for any degree of this or any other University. We recommend that this dissertation should be placed before the examiners for their consideration for the award of the M.Phil degree.

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PREFACE

Japan must export in order to pay for its imports. Thus trading internationally becomes a major area in which Japan exposes its own business and cultural strengths and weaknesses.

A beginning in this direction should always be to understand and explain the concepts that relate to both cultural and business practices. As far as the Japanese business world is concerned, one can notice a number of cultural factors creating an influence in many ways.

The business patterns and practices regarding the rest of the countries also in turn get exposed to different cultural set-ups and in the days of increased internationalization the only negotiated business settlements that get priority are those that succeed in reducing trade barriers and meeting the other requirements in the levels of carrying out business.

Trade competitiveness is the ability of nations to play economic games better than others. This is why there is always a degree of anxiety involved in observing Japanese business practices.

Corporate White Papers dealing with international business consistently report the lack of cultural

understanding on the part of personnel from nations participating in reciprocal commerce.

This situation exists especially where Japan's external economic relations are concerned. Thus in order to be able to bridge, the cultural gap in a very small way and to help in clearing up a few notions as to why the Japanese carry out their business practices in the manner that they do, efforts have been made to deal with certain concepts.

There have been some limitations to the findings as Japanese business methods cannot be rationalized into technical terms very easily. However, an attempt has been made to define some concepts in order to create a link between the cause and result of the behavioural patterns of Japanese business practices, and through this, it is hoped that one would be able to get a clearer picture of the nuances and behavioural patterns of the Japanese.

I would like to acknowledge my profound indebtedness to my supervisor Mr.H.S.Prabhakar, without whose help and guidance I would not have been able to complete this dissertation. His sincerity and dedication to this work prompted me to put in that extra bit of effort that was needed. I remain, a student who has been profoundly enriched by his patience with me and sincerely hope that his constructive influence will be there to guide other students as well for many years to come.

I would also like to acknowledge my parents, my sister Jill, her husband and all my friends, especially Manish, who stood by me through all the trials and tribulations that are often accompanied by work of this sort.

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Any errors that are inadvertently discovered are my sole responsibility.

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INTRODUCTION

This thesis entitled "Cultural Factors in Japanese Business Practices" begins with the approach that attempts to explain how Japanese business practices are a reflection of Japan's historical experience, and therefore manifests a cultural tradition that is different from that of the West.

Since the second half of the 19th century, Japan has continually imported aspects of the Western civilization. Despite this, Japan has evolved some special features in its economic society that is not found in the West. While aspects of Western civilization had universal value, aspects of Japanese culture were termed different and therefore "unique". This has given rise to a cultural gap which is faced when people from the corporate sectors in Europe and the United States visit Japan, or when the Japanese visit the West. This thesis is therefore an attempt to analyse the cultural factors that influence the business practices in Japan, how they evolved, and how an attempt should be made to understand these factors so as to reach a situation of greater understanding.

Next, I would briefly like to discuss the contents of this dissertation by chapter.

This chapter delves into Japan's history, focussing on those cultural aspects that were predominant in the lives of the Japanese right from the time when the rice culture evolved in that country, and how it played a role in forming the basis for the group consciousness factor that plays such an important role in the way in which business is carried out by the Japanese today.

Confucian ethics, a philosophy that was first introduced to Japan by China has also played an important part in shaping not only the business world of Japan, but also in the domestic life of the Japanese. The family institution, the codes of behaviour, the father as a role model, filial piety, honour, loyalty and groupism all these bear the markings of this philosophy which has even been extended into the corporate behaviour of the Japanese. Basic concepts of *Giri*, *Ninjo*, *Tatemae* and *Honne* have also been mentioned in an attempt to bring about a deeper understanding into the minds and ways of the Japanese.

The first chapter therefore, proceeds from a cultural approach that explains how some business practices of the Japanese are outgrowths of Japanese historical experience, which modelled a cultural tradition different from that of the West.

Chapter two deals with the theory of *Nihonjinron* that is the theory that attempts to explain the "uniqueness" of

the Japanese. From a cultural point of view, *Nihonjinron* has dominated the lives of the Japanese to such an extent that they have felt that they are a race different from the rest of the world. Xenophobia or a phobia against foreigners is one of the outcomes of this theory where the Japanese have been reluctant to have much to do with foreigners beyond a certain point. This aspect has also entered corporate life as well when in innumerable cases the "foreigner" is deemed to be an outsider. It demonstrates also that Japanese corporations have a structure and behavioural pattern that are different from those of corporations that exist in a situation of orthodox capitalism. Mentioned in chapter two are various theories that have attempted to explain how *Nihonjinron* evolved. Also explained is how *Nihonjinron* has been readily used to replace the feelings and symbols of Nationalism that the Japanese once had, and which are no longer felt because of the devastating effects of the Second World War.

Finally, an example of how a unique business practice which is still predominant in Japanese corporate life today created a chasm between the West and Japan on account of the failure of a country to make an attempt to understand Japan and the way in which business practices are carried out.

Chapter three deals with the *Kazoker Shugi* and *Shudan Shugi* concepts as Japanese ways of functional groups for

economic cooperation. These concepts have also played a role in establishing Japan's success on the economic front.

Kazoku Shugi is the framework of the total setting in the Japanese society, because the elements that constitute the frame of a *Kazoku* unit consist of the family structure known as *Ie*, that has played a role in the Japanese corporate world preconditioned by political, economic and socio-cultural constraints.

Shudan Shugi is the basic value premise that is motivated by group consciousness, and represents the core of the Japanese character. *Shudan Shugi* in Japan has been developed and taught because it is the most effective means to pacify the individual's dissatisfaction. Harmony is the keyword. The Japanese people are fearful of being independent from a group. The psychological tendency is to lean towards groupism and this in itself has been proved useful for organizations initiating collective behaviour.

The next chapter deals with the *Kyosei* debate and changing aspects of Japanese business practices. The *Kyosei* debate consists of a wide ranging national debate that could change the way Japan does business at home and abroad. The discussion first started among business leaders and has now embraced politicians, academicians and even ministers. The changes in Japanese business practices, if brought about will greatly enhance Japan's position in the international

scale. For reasons of convenience, a particular topic on working hours has been dealt with in detail, in an attempt to explain why the changes that are so heavily debated upon should be brought about.

The concluding chapter deals with the role that Japan would be expected to play on a global scale if it goes in for internationalization in such a way that sacrifices are imminent, where the very social and cultural practices are revolutionalized in order to help Japan gain acceptance internationally. These changes taking place are slow but sure and if implemented fully would ensure Japan's success in the future.

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CHAPTER I

THE CULTURAL ASPECTS OF JAPAN'S ECONOMIC SUCCESS

The success of Japanese development may have resorted to different methods though the ultimate aim is that of success. Language and cultural differences have always created a gap whereby it has been a trifle difficult to explain the cultural aspect of Japanese success. My attempt in writing this dissertation is therefore, to understand the Japanese from a cultural point of view in order to find a basis on which these organizations function.

Many Westerners who have been impressed by the dynamism of Japanese corporations have often wondered at the secret of their managerial system. The Japanese are said to be a hardworking people, and foreigners have frequently noted the diligence and perseverance of Japanese workers, and the sense of dedication they seem to impart to their jobs.

But these casual impressions aside, there is reason enough to believe that the Japanese are a hardworking race, and this itself is evident in the fruits of Japan's economic growth. After all, economic development is a human phenomenon. It is important therefore, in order to have a better understanding of the Japanese, to go back and trace the origins of their work ethic which may lie in its cultural history and important postwar reform policies.

The features of Japanese management can also be explained using theories that relate to Japan's culture, such as the rice culture, the feudal system or traditional

ethics, Confucianism and even the Samurai Code. These points are further elaborated upon below.

Rice cultivation in Japan was first introduced during the Yayoi period (third century) and until recently had been the central point of Japan's economy and culture. The art of rice cultivation came to Japan either directly from China or through the Korean peninsula. As this was an important food for the Japanese, its cultivation was regarded as a religious act i.e., an invoking of the spirit of the rice plant. Each stage of rice cultivation was marked by a religious rite performed either by the family or the village as a unit. As the rites were held every year, they became the basis of annual observances.

It is thus generally believed that the Japanese extended family known as *Ie* evolved within the context of this rice culture which required intensive farming, a sophisticated system of water control and communal cooperation known as *Yui*.¹ *Yui* is a mutual exchange of labour in which, for example, one repays a day of labour from someone by working one day for that person. Thus in rice cultivation, a number of farm households form a *Yui* association pledging to help each other when additional labour is needed.

1. Chie Nakane, Japanese Society (Berkeley: University of California, 1970), pp.7-8, 11, 13, 127, 130.

With World War I coming to an end, the rice prices underwent enormous fluctuations in the rice market. As a result of this, the rice law known as *Beikoku Ho*² was enacted. This enabled the government to intervene in the rice market, and this continued government protection of Japan's rice cultivation is a result of a number of factors that relate to Japan's cultural and economic identity. As rice is the main component of the national diet, a large part of the Japanese lifestyle has developed in connection with rice and its related products. Thus it is because the Japanese are a rice growing people, they are accustomed to the close communal labour necessary for producing a rice crop, and this has in turn led to the emergence of group oriented management in contemporary Japan.

Others say that the Japanese corporate system is a carry-over from the feudal *Han* (clan) system of the Edo era. The *Han* system was evolved during the Edo period (1600-1868). *Han* refers not only to the particular area of land entrusted to a *Daimyo* by the Tokugawa Shogunate, but also its military, administrative and fiscal structure.

The existence of these domains was acknowledged way back in the 17th century and each was expected to produce an

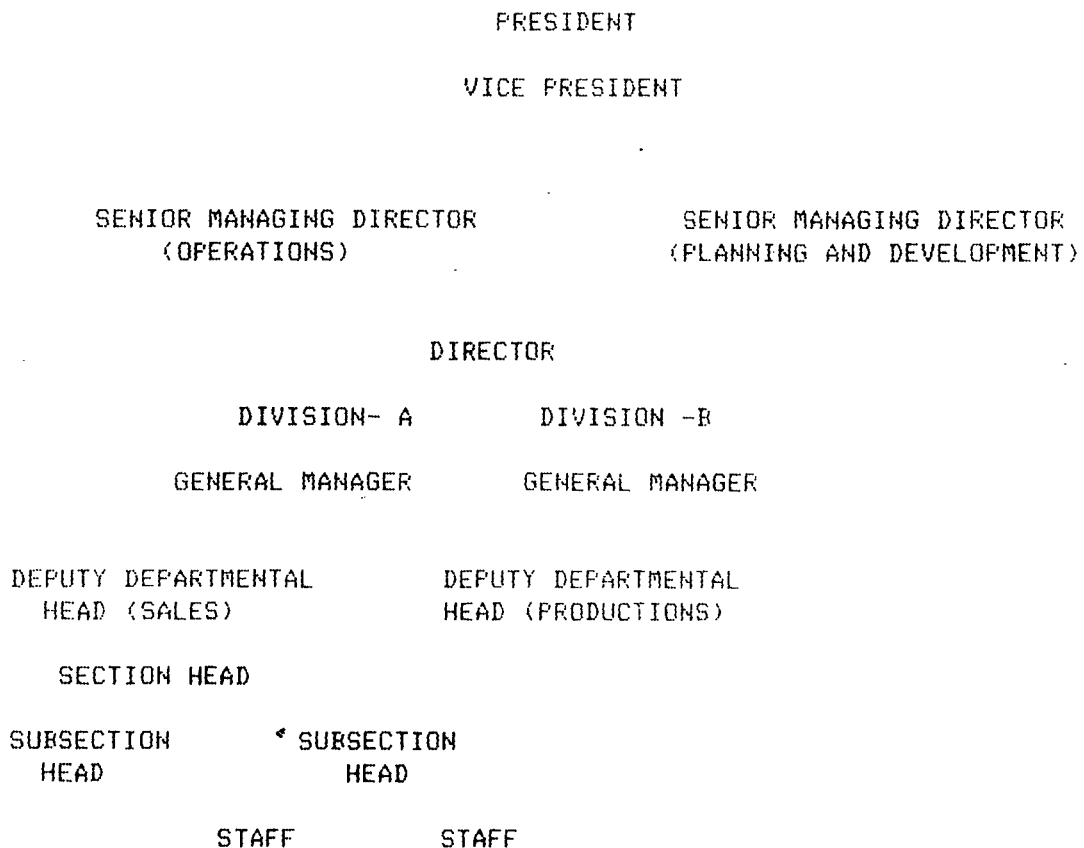
2. Umesao T., H.Befu and J.Kreiner, "Civilization and Culture: Japan in Search of Identity," No.16 (Special Issue: Japanese Civilization in the Modern World: Life and Society), pp.59-75

annual amount of at least 10,000 koku of rice. Each *Daimyo* who was in charge of a particular *Han* was expected to meet the expenses of local administration and be of service to the head of the ruling Tokugawa family of that time. Thus national unification was brought about through this system of *Han* which also laid the foundations for the establishment of Japan's corporate system.

Confucianism, a philosophy, is a tradition of Chinese origin and came to Japan way back in the 5th century A.D. In Japan, this philosophy exercised a formative influence not only in areas of education, political thought and conduct, but also imparted ideals to Japanese ideals of paternalism and integrity. Emphasis on loyalty, within the family and ultimately in corporate groups, hierarchy where in families, the father was considered the family head and filial piety was practiced in households which also carried over to hierarchy in the corporate sector including an inbuilt sense of equality within the system of hierarchy³. An example can be seen in the organizational structure of a typical Japanese corporation. Each division is an independent power centre. In this sense, the General Manager or *Bucho* is often given the same respect as the

3. *Ideogooi To Shite No Kazoku Seido* (The Family System as an Ideology) (Tokyo: Iwanami Shoten, 1970), p.357.

President of a smaller firm. However, in most companies, the groundwork is done at the level of the Assistant General Manager and Manager. The *Kaisha* organization is typically characterized by a strong "father-son" relationship between managers and their employees. After entering into a particular division or subsidiary, an employee may often serve under one General Manager, thereby developing a strong dependent relationship.



Confucian ethics of harmony also contributed to the discipline and solidarity with which Japanese people confront their problems not only at home but also at work. Thus it is conceivable to say that the roots of Japanese style management can be to a certain extent attributed to Confucianism which has imparted to the Japanese a sense of equality along with a positive approach to work.

The *Samurai* class were the warrior elite of pre-modern Japan and emerged in the provinces in the early 10th century and became the real ruling class of the country from the late 12th century until Japan's entry into the modern world with the onset of the Meiji Restoration of 1868.

Leadership of the *Samurai* class as it evolved in ancient Japan came to be assumed chiefly by men who had descended from the imperial family. This was a class of society having a great fighting reputation, ultimately forming the elite society of Japan. It was this class that helped overthrow the Tokugawa shogunate and bring about the Meiji Restoration of 1868. However, they found it very difficult to relate to the entry into the modern era from a past of constant loyalty and allegiance to the Emperor of Japan. Yet the new leaders of the Meiji era were mostly *Samurai* who realized with increasing conviction that there was no place for a privileged *Samurai* status in a new Japan. Thus the *Samurai* dissolution was brought about which gave

rise to a class of elites that dominated the emerging society. Most of the bureaucracy, the police, school teachers and even the business world had a contingent of ex-*Samurai* class warriors. Those who could not adjust to the changing era renounced the world and wandered freely through Japan as *Ronin* or masterless *Samurai*. Thus on one hand there was a group of *Samurai* who resisted Japan's modernization and the other group who helped in a large way to creating the modern Japan of today.

Paternalism or *Onjo Shugi* is yet another factor that is understood to have played a major role in Japan and upon its corporate culture.

This is an unequal relationship that exists between two people, or even between a person and a relatively small group in which the subordinate patterns his behaviour on or invokes the authority of his father according to the rules in a particular society.

Feudal societies throughout the world were characterized by such relationships and it is generally believed that Japan still retains this characteristic because of its comparatively recent emergence from feudalism.

Analysts find evidence of paternalism in contemporary Japan in the hierarchical organization of groups, in the cliques of the political world, in the application of the

concept of household to various social organizations and in the benefits extended to employees under the company welfare system, all the above which renders Japan and its business practices unique.

Next I would like to deal with the post Second World War era and its influence on Japan's corporate world of today. With the ending of Second World War, it was the occupation authorities that created the reform policies that were responsible for the making of what modern Japanese capitalism represent today. These policies included land reform, educational reform, protection of the labour unions, demilitarization and the dissolution of the *Zaibatsu*. This researcher would like to deal with each of the above points in an attempt to get a clearer insight into what it is that has made Japan who she is today.

One of the reforms undertaken by the Occupation forces after Second World War was the land reform undertaking that consisted of redistributing all the land holdings which proved to be among one of the most successful measures taken in 1946 as regards Japan.

Before the war the Japanese had been constantly besieged by problems involving tenant-farmer relationships, and so when the system of redistribution was carried out, it

was met with a lot of relief⁴. Valuable land was taken from the landlords at nominal prices and this was redistributed again forcing the previously powerful landlords to now grant their tenants substantial contractual rights, to limit their rents to money payments alone and to limit the total size of the cultivated and rented land. This brought about a greater sense of satisfaction in the villages, which later became a source of support for private enterprise and market capitalism. Besides this, the method in which the land reforms were carried out whereby other than evicting the families from the land, the legislation merely transferred the land titles; proved to construct a strong base for the conservative governments who played a major role in the industrial policy that later became so essential for legislation of the land reform system.

Thus agrarian land reform promoted a sense of equality by eliminating absentee landlords and creating a large class of farmers who owned the land they tilled. An important aspect of this review is how starvation in the country was considerably reduced during this period, because of the policies implemented by this reform.

Labour reforms were implemented between the years 1945-1947, and it was one of the steps undertaken by the

4. R.P.Dore, Land Reform in Japan (London: Athlone Press, 1984), pp.257-300.

occupation forces in the post Second World War era to stamp out militarism.⁵ The first steps towards this was to encourage the formation of labour unions. Following this, evolved a system of resolution disputes and a setting up of labour standards. Strict regulations were to be implemented on labour unions that turned militant with the labour rights also restricted to a minimum. There were essentially three major laws whereby for the first time in history, Japanese workers were given the legal right to organize unions, to bargain with their employers and to strike.

This newly formed movement became politically active in the early post-war years, fighting on issues like poverty and food storage. The protests were conducted in large demonstrations and strikes were very common.

It was in order to combat the loopholes in the first two rules that the labour relations adjustment law was implemented whereby a system of mediation, conciliation and a method of solving labour disputes emerged.

It was the Labour Standards Law of 1947 that set the maximum working day hours and regulated the working condition of women and children, establishing the policy of equal pay for equal work. This also brought about a greater

5. Okuchi Kazuo, Bernard Karsch, and Solomon B. Levine, eds., Workers and Employers in Japan: The Japanese Employment Relations System (Tokyo: Tokyo Press, 1973), pp.218-23.

sense of equality and the unions that emerged were organized on a company-by-company basis rather than on trade. Although these unions were not especially powerful, they played a very important role in the evolution of Japan's post-war economic system. Union participation which consisted of all the non-management employees in a company broke down the barriers of company hierarchy and created a framework for Japan's corporate success.

Educational reforms of the Japanese school system were implemented also during the post World War era. The reforms included revising history and geography text books in order to teach democracy and peace as well as putting a stop to the teaching of moral education, otherwise known in Japanese as *Shushin*. The value system of *Shushin* was basically Confucian and consisted of elements of modern civic morality as well as nationalistic tenets whereby filial piety and absolute loyalty to the emperor were considered the two greatest principles of moral conduct.

The educational administration was decentralized and co-education along with a three level system of education i.e., the elementary-middle-high school system based on the American lines of education were implemented. Compulsory education was implemented from six to nine years and was known as *Gimukyoiku* providing for 100 per cent literacy in the later years.

Private enterprises took over the publishing of the textbooks which had previously been published by the government. The new texts emphasized democracy, international co-operation and also a critical perspective of Japanese history. Thus on the whole even today, the Japanese education system remains strongly democratic and relatively free from government intervention.

Thus anyone with an aptitude for academics was able to pay the tuition fees for a university education. This ensured the equality of opportunity, and also served as a decisive guarantee for social mobility since anyone with a sufficient educational background was eligible for posts as a senior government official or the president of a major corporation.

Demilitarization: The Potsdam declaration of 1945, paragraph 6 stated that "There must be eliminated for all time the authority and influence of those who have deceived and misled the people of Japan into embarking on world conquest, for we insist that a new order of peace, security and justice will be impossible until irresponsible militarism is driven from the world."⁶ This declaration led to the subsequent removal of about 200,000 Japanese

6. James B. Crowley, Japan's Quest for Autonomy, (Berkeley: University of California Press, 1966), pp.18-21.

military, government and business leaders from their wartime positions and their exclusion from public office by the Occupation forces in Japan following the post Second World War era. The objective the occupational authorities had in mind was to rid the nation of all militarists and ultranationalists and to convert Japan into a pacifist and non-expansionist country both politically and economically.

Despite its limitations, the process of demilitarization did accomplish bringing an end to Japan's military career. A large number of political party leaders never regained power, thus altering the composition of Japan's political elite. A new generation of business and political leaders were seen to emerge, paving the way for altering in a big way the different ranks of Japan's traditional leadership groups.

Before and during the war, Japan's heavy industries strove to meet mainly the military demand. The military proved to be the perfect customer, accepting the price of the product without argument as long as the quality of that product was good. It was because of this that producers did not have the worry of cutting costs and facing competition, since all its were manufactured to order. Thus demilitarization brought about a complete change in this comfortable structure where the producer began to face competition as well as provide a favourable price structure.

Zaibatsu Dissolution

During the war years the "Big four industrial conglomerates known as *Zaibatsu* comprising of the Mitsui, Mitsubishi, Sumitomo and Yasuda controlled almost one-fourth of the capital in Japan's economy. It was this high level of economic concentration that convinced the Occupation forces that in order to bring about economic democratization in Japan, a dissolution programme for the *Zaibatsu* was to be carried out.

The steps taken to bring about the dissolution involved the selling of the securities of the four top companies to public bodies, the resignation of all the offices held by prominent *Zaibatsu* families and the drafting of an Anti trust statute for the purpose of ensuring the deconcentration of the Japanese economy.

However, the economic deconcentration programme did not move as smoothly as intended, and indeed led to the realization of unforeseen circumstances as in the case of the year 1948, with the communist victory in China imminent and a heightening of the cold war, the United States had other worries in mind besides concentrating on reforming post-war Japan. It thus needed Japan as an ally and so required

7. G.C.Allen, "The Concentration of Economic Control" in E.B.Schumpeter, ed., Japan and Manchukuo (Tokyo: University of Tokyo Press, 1940), pp.382-5.

Japan at maximum strength. This then enabled Japan to concentrate towards a high post war economic growth due to market competition and establishing of an effective market strategy. Companies were able to make decisions on the basis of what was to their own advantage rather than what was on the basis of an overall combine strategy. Thus the *Zaibatsu* dissolution is considered to have been a major factor responsible for Japan's major post-war growth even today.

The *Zaibatsu* dissolution further promoted competition by splitting up the industrial giants into smaller companies that vied fiercely with each other for sales. In the early post-war years there were a lot of shortages of material and so factories had little choice but to compete on the basis of price and quality. This pressure of cutting costs caused a revolution in the managerial processes.

It was also the dissolution of the *Zaibatsu* that led to the formation of the corporation groups that are otherwise known as *Keiretsu*.⁸ Fearing that the liberalization of capital transactions would be followed by an influx of foreign investors ready to buy up every business in sight,

8. Richard E. Caves and Masu Uekasa, "Industrial Organization", in Hugh Patrick and Henry Rosovsky, eds., Asia's New Giant (New York: McGraw Hill Book Co., 1970), p. 25.

companies turned to a system of cross-share holding, acquiring equity positions in each other and acting as friendly, long-term investors to ward off acquisition threats. These corporate groups consisted of a bank that formed the core of each group and served as the main bank for the group's members. As funds were readily available during this period of high growth, government financial support was channelized for use in priority areas.

As *Keiretsu*, Sumitomo, Mitsui and Mitsubishi are substantially different from their *Zaibatsu* predecessors. The holding companies that previously served as command centres for the *Zaibatsu* were outlawed during the *Zaibatsu* dissolution. Thus *Keiretsu* activities are coordinated by the presidents of the most important companies of each group and a hierarchical relationship is totally absent.

Ownership ties in *Keiretsu* companies are also weaker than that of the *Zaibatsu*. Intercompany shareholdings are on the order of 3-5 per cent. only. Furthermore, bank lending and bank borrowing is carried out across *Keiretsu* lines in contrast to the prewar period.

It was because of the above factors and more, that the post-war era gave birth to a society that was more egalitarian than any communist country and more competitive than any capitalist country. This motivation of succeeding despite the odds was the main driving point behind the

nations post-war economic development.

Today Japan has the largest number of automobile manufactures, steel companies and especially in the field of electrical appliances. This is very different from the situation in Europe and America where each of these industries are generally dominated by just a single giant or at the most, two or three major companies. It is because of this that Japanese manufacturers have to compete so fiercely within their own domestic market that price cuts and overall quality are so low and superior respectively.

What has been observed from the above points is that the cultural aspect of the Japanese character cannot be ignored, and in fact forms the basis of the business practices that are so predominantly a part of the Japanese way of conducting business and which also renders them a race that is unique.

The culture specific aspects include the history of Rice cultivation, Confucian ethics, the Feudal system and even the Samurai code. All these have played an important role in shaping the economy and business practices of Japan. How they have actually done so has already been explained.

Aspects relatively free from cultural influence or to put in another way, culture-free aspects are the post-war economic reforms conducted under the supervision of the Allied Occupation and include land, labour, education,

demilitarization and Zaibatsu dissolution reforms. Both these culture-specific and culture-free aspects have coordinated towards the making of Japan's system of business management today and the manner in which the business practices have and are being carried out.

Some interesting business practices of the Japanese are given below, which are not otherwise practiced in other parts of the world.

Tatemae and Honne

These two terms particularly refer to the superficial or outward self the Japanese have been trained since their childhood to display and the real inner self which is displayed in private to one's family members or friends who are held very close for a variety of reasons. *Tatemae* describes public behaviour while *Honne* emphasises on informality practiced at home.

Japanese relationships have always stressed on a harmonial relationship on an interpersonal basis as well as solidarity within a group. The idea is not to be self assertive as the belief is that "the nail that sticks out will be hammered down" as goes a famous Japanese proverb. Personal needs and emotions are not considered first priority and must be held in check in order to avoid confrontation and disagreement. An implication of *Tatemae*

is that in social situations it becomes very difficult to discern one's real intentions. This is why businessmen from Europe and America have a difficult time trying to understand what the Japanese businessman might be actually trying to say, as in order to avoid saying "NO" or disagreeing with a particular topic, he might become very evasive.

Haji when translated means "shame". Culture can be categorized into two aspects of "guilt culture" and "shame culture". A guilt culture is one whereby absolute standard of mortality are inculcated in order to encourage the development of a personal conscience, a culture which is generally attributed to the West. A shame culture on the other hand is a culture that experiences shame only when the person is caught in the act of having done something wrong, as in the case of the Japanese. In other words, as long as the individual acts are not exposed to the public, he need not be ashamed. Thus members of a shame culture act only to avoid criticism, ridicule or rejection.

The implications of this is that people who are from this "shame" culture can do anything as long as their acts go unnoticed and unabated. In situations when Japanese travellers go abroad it is considered the norm to do away with this culture and act less scrupulously than their counterparts at home. The Western societies also carry the

same notion.

The Japanese have always presented an image and done their utmost to live up to it. It is only when they fail to maintain this image that they feel ashamed of themselves and fall in the eyes of the public, and this is why they also present the outward self of *Tatemae*.

Another point is that when Japanese people are sent to another country on foreign postings, they not only tend to do away with the concept of *Haji* but also with *Tatemae* and *Honne*. A Japanese lady whom this researcher interviewed in a bid to probe these cultural peculiarities claimed that once away from Japan for a period of three years or more they disregard *Tatemae* and *Haji* and practice *Honne* at all times which is their real selves. This leads to problems when they have to return to their own country after the stipulated time of staying overseas is over and they have to learn all over again the delicate nuances and intricacies that play such an important role in the daily social and business lines of every Japanese.

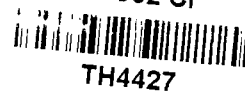
Amae: Is yet another cultural phenomenon that enters all aspects of Japanese society and even into the business practices of contemporary Japan. *Amae* is very difficult to translate with clarity, but the closest meaning one can describe it to be is "dependency wishes". This refers to the feelings of tolerance one can obtain from another, and

is used to obtain favours. Although etiquette normally requires reficence and self-effacement there are occasions when one can impose oneself on another and unabashedly accept a favour.

Japanese society encourages these feelings of dependency while the West prefers to look upon rugged individualism with respect. Again it is these differences in culture where one can come to misunderstandings in the corporate world resulting in confusion. The Japanese believe that this concept of give and take in *Amae* enhances human interaction, paving the way to social harmony, hence its practice. This is how *Amae* also explains why the Japanese are opposed to cut-and-dried business like relationships and prefer a relationship that is built on concepts such as this in order to have a tension free society based on the key word, *Wa*, in Japanese, meaning harmony.

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CHAPTER II

CHANGING IMPORTANCE OF *NIHONJINRON* THEORY

It is difficult to fully understand Japanese business practices without first understanding the society that spawned it. The birth of modern Japan has deep seated cultural origins. Dating back some two thousand years, the ways of the Japanese provide a foundation of continuity that is the reason for their resiliency in modern times. Many of the traditions and business values have changed only slightly since the days of the Tokugawa shogunate.

Japan is a culture where human relations and preservation of harmony are the most important elements of society. Japanese life represents an accretion of thousands of years of history and customs which define how one treats peers, inferiors, superiors, children and elders, people in the business arena, customers, suppliers and co-workers.

Among the Japanese there exists an inherent respect for institutions and government, for the rules of etiquette and service, for social function and their rituals of business. The Japanese genuinely believe they are different. It is a frequency that springs from their unique history and culture and also their need for harmony and balance in a crowded world.

The Japanese way as a set of cultural touchstones has long eluded foreigners. There are several reasons for this. The Japanese are very protective of their culture and very conservative with respect to outside encroachment. Thus in

an attempt to make themselves understood they offer a set of theories on their national origin. This theory is called *Nahonjinron*, which is an attempt by the Japanese to explain why they are different from other people.

The Japanese as a race are a homogenous lot. This could be one of the reasons as to why the corporate management of the country runs so well. It is because they are a homogeneous race that the Japanese function together in unison to strive towards goals based on mutual trust and a good spirit of teamwork. The communication gaps which people in a racially diverse country experience are reduced to a minimum in such a country as Japan and besides, having a common language to communicate in further reduces the chances of being misunderstood and misinterpreted.

In Japan, whenever business deals and negotiations are carried out, there is the underlying element of trust between the representative employees of different companies, as the life-long system of employment also works as a kind of guarantee that the employees concerned are genuinely acting in accordance with the wishes of the company that they represent and are unlikely to think in terms of benefiting individually from any deals that are negotiated. That is why in Japan there is almost no concept at all as regards the "right of representation" as the person who actually deals with the business concerned is the one who

has sufficient know-how and information to carry out the task allotted. Seniority in this case does not play a role.

Thus it is because the Japanese are a homogenous race that they experience the elements of equality, closeness and a supportive team spirit.¹

Diligence is another theory that has been put forward in an attempt to explain the "uniqueness" of being Japanese.

The Japanese are by nature an extremely hard working race, bordering to the point of being workaholics even. Ever since they strove to regain all they had lost after Second World War, the Japanese spared no effort to put in all they could to raise their shattered economy like a phoenix from the ashes. A fact like working a six day week unlike most European and American companies is further proof of their sense of diligence. Even in the case of vacations, the average number of days taken by a Japanese is comparatively much less than the vacation time taken by those employees in the States and Europe. Besides this, the number of working hours, put in by a Japanese employee is certainly much higher than those put in by employees of the West. Even after working hours Japanese employees can be seen taking off to bars with their seniors so that they

1. Harumi Befu, The Group Model of Japanese Society: A Critique (Kwansei Gakuin University and Kodansha International), pp.232-236.

can utilize the opportunity to discuss work further and come up with productive ideas and solutions to as yet unsolved problems. Thus the Japanese tend not to make a distinction between non working and working hours.

Groupism is another factor that further contributes to the *Nihonjinron* theory. This will be dealt with in greater detail in the third chapter, however a few points that are relevant to this chapter are mentioned below. In the Japanese society, group consciousness is learned right from an early age where the family is considered to be one of the most important groups for each individual. It is the family that lays down the groundwork for the absorption of patterns of living or rather the context for which socialization takes place, be it in school, the neighbourhood or even in one's place of employment as one grows older.

Rank consciousness is one of the elements present within Japanese groups whereby the Japanese have a clear-cut ranking system in their own groups and expect their subordinates to respect and obey.²

Whatever is provided by a senior to a subordinate is taken to be a favour and is considered to be a debt known as 'On' in Japanese. The obligation that is brought about in

2. Chie Nakane, Japanese Society, (Berkeley: University of California Press, 1970), pp.25-40.

order to repay one's debt is known as *Giri* whereas the relationship shared between the group members is dealt with in such a way that it tends to invade all areas of one's life. Total involvement is the key.

The Japanese genuinely believe that the companies' futures depend upon the workers output and so draw together to realize the aspiration of this common goal i.e., they strive to work together in order to achieve the greatest output possible and thus ensure a successful corporate management. Self sacrifice and hardwork are some of the aspects of putting in so much dedication for the sake of the upliftment of one's company.

Japanese groups also tend to be a little parochial in the sense that intimate relationships are usually maintained only among the members of that particular group and outsiders find it very difficult to enter and ensure a place for themselves in what they feel is like an invisible barrier. Furthermore, the efficiency of a group is all the more enhanced whenever one group identifies a rival group and competes with it in obtaining certain resources. For example branches of a bank pit against each other in order to earn the highest number of deposits.

All this has paved the way for the concept of the *Nihonjinron* theory and the uniqueness of being Japanese. Added to the fact that the Japanese tend towards groupism,

they also tend to lean away from being individualistic. This trait would be very difficult to implement in the West where workers do not experience the same sense of belonging that workers in a Japanese company exhibit, and neither is there the additional benefit of a career employment system where one is ensured a steady rise in one's career over a given period of time. Another point is that in the West, job hopping is a common trait because there is no guarantee of a steady promotion rate in one's career within the same company. This accounts for a lack of company loyalty and a feeling of "being in it all together" in Japanese companies. Thus there is an obvious gap between relations as regards the management and the labour as the power of authority lies solely with the top management and is not distributed over the company employees, depending upon how much knowledge they have over a particular field of work.

Also, one should never misinterpret the term 'lack of individualism' as comparing the Japanese workers to being mere robots in the company they work in, always obeying orders without question but rather, to view them as a workforce that works unitedly, harbouring characteristics of initiative, an active nature and even to a point aggressiveness. The employees in a Japanese company never have their work spelt out to them. Rather they approach their work according to what they feel is their best sense

of judgement with a positive approach.

Quality control and production processes are also examples of the initiative displayed by the Japanese. They keep a constant watch on the changing market trends and adapt their production processes to suit these trends in the market with a speed that is astonishing.³

Thus the Japanese are of the belief that enough freedom should be given to the workers in corporate management so that they can maximize on the efficiency and drive of initiative. Merely obeying rules blindly and without question would not be the answer towards producing good results.

The next point deals with the era when *Nihonjinron* moved into a 'symbolic vacuum' just prior to and during Second World War where the use of symbols expressing national identity came into play.

Every country expresses its sense of national identity and sense of pride by manifesting its nationality in a variety of forms as in the use of symbols like the national flag, the national anthem, national monuments and rituals and the national emblem among others.⁴ These symbols are

3. Umesao T., H.Befu and J.Kreiner, Civilization and Culture: Japan in Search of Identity (Tokyo: Tokyo University Press, 1946), pp.284-290.

4. Anzu Motohiko, Kokki No Rekishi (History of the National Flag) (Tokyo: Ofusha, 1972), pp.29-49.

used to instil a sense of patriotism in the heart of every citizen and create an aura of sacredness and inviolability. Japan has been no exception to this way of expressing a sense of national identity, however it is believed that one of the reasons for the popularity of *Nihonjinron* during the postwar era in Japan is because of Japan's inability to effectively exploit its most important symbols of nationalism. I would like to deal with a few symbols of national identity given below.

Imperial Institution

One of the most important symbols of Japan as a political entity is the Emperor and the imperial institution. However, the way in which royalty is looked upon in countries in Europe such as Denmark and the United Kingdom, is quite different from Japan. In the former countries the constitutional monarchies enjoy the position of being mere titular heads without any real power. They represent the pride of the nation and experience the prestige and honour inherent in a venerable institution.

Japan on the other hand, has since the time of Meiji era, put the Emperor in a position of prominence whereby he was made into a national symbol by becoming increasingly western in his way of dress and conduct, thereby also being represented as the ultimate source of authority. It is for

occupying this position of authority that the Showa Emperor has been subject to a lot of praise and blame as regards the role he played in the Second World War. The citizens are of the opinion, especially those hailing from the strife torn areas of Okinawa, Hiroshima and Nagasaki, that as the emperor, as it is loudly proclaimed was the one who took the initiative in putting an end to the war, should not he also have taken the responsibility for having initiated it in the first place as well? There are also enough war time records showing that the Emperor did not disapprove of the war. On the contrary he was often shown rejoicing over Japan's military victories.

During the 1980s even the system of education as regards looking upon the Emperor as a kind of demi-god changed. Texts were modified and students were taught to look upon him as a national symbol. The death of the late Emperor Hirohito was also received with mixed feelings by the Japanese. Those who actually suffered during the war and who consequently blamed the Emperor found it very difficult to forgive Hirohito, and there was also a lot of controversy regarding the lack of clear separation between the state and religion in the funeral.

Thus looking at the above points I would like to come to the conclusion that the role of the imperial institution in Japan is unique in the sense that it cannot be compared

to the other imperial institutions of countries such as Norway, England or Denmark, because the imperial institute of Japan is not a clear and unequivocal symbol of national unity.

Other Symbols of Nationalism

A peculiar aspect of these symbols of national unity i.e., the national flag and anthem is that in Japan, there is no law that specifies a legal basis on which to enforce their adoption.

Prior to Second World War, the Japanese flag of *Hinomaru* was displayed on every possible occasion of national celebration, and every house in Japan was required to tie the flag to a long bamboo post of about seven or eight feet.

After the Second World War, the display of the national flag was restricted to some extent by the occupation and otherwise also, because it became an anathema to display it even on major national occasions. In contemporary Japan as well, many Japanese hesitate to display it for fear of being labelled as ultra-right-wing conservatives. The media also still debates upon the appropriateness of displaying it as it is associated today with reactionary politics and right-wing hooliganism.

Thus in the absence of a national consensus on the use of the national symbols, it is generally felt that the

government is imposing nationalism through the demonstration of these symbols even though many Japanese are still not yet prepared to do so.

Kimigayo or the national anthem is also another national symbol which faces a lot of resistance to it being sung.⁵ This is because the national anthem begins with the phrase in praise of the eternal existence of the imperial line. In schools in Japan many students are often reluctant to sing the anthem as because of the war and its consequences, many students today seem willing only to be bystandees of nationalism such as watching the raising of the flag rather than to be active participants in it. Resistance to singing the anthem is because the words remind the singers of the dreadful war time experiences which would much rather be forgotten.

The national Emblem or the chrysanthemum flower is the emblem of the imperial family. This *Kikunogomon* was during the war, a constant reminder to soldiers that they belonged to the Emperor and were fighting the war in his name as the crest was embossed on the very rifles they used and even on the cigarette wrappers. It is understandable why many Japanese do not wish to be reminded of this crest, for the same reason as that of the national anthem.

5. Noda Masaaki *Kanashii Shocho - Okinawa To Hinomaru* (A Sad Symbol, Okinawa and the Japanese Flag) (Tokyo: Iwanami Shoten, 1970), pp.252-76.

National monuments have also been used to serve as symbols that reinforce patriotism.⁶ The *Yasukuni Jinja* or shrine in Tokyo is one such symbol and is a war memorial where the souls of Japanese soldiers are said to be enshrined.

With the end of the war, Yasukuni and other major shrines throughout the country that had previously been supported financially by the state was converted into a private religious corporation due to the constitutional separation of state and religion.

The Yasukuni shrine has to date been the centre of controversy as a symbol of national unity. This is because the shrine commemorates those Japanese soldiers who not only died for the war but for the cause of the war that Japan fought. Thus, high government officials who visit the shrine create a flutter because these visits cause offence to the neighbours of Japan who were victims of the last war. China especially, looks upon these visits as an attempt to legitimize the war and all the acts committed in the name of the war.

Public rituals are another means of giving a boost to nationalism. These rituals impart a sense of belonging to

6. Oe Shinobu, *Yasukuni Jinja* (Yasukuni Shrine) (Tokyo: Iwanami Shoten, 1984), pp.252-76.

one's country, and instil the feeling of patriotism. An example of a public ritual includes the coronation of a king or queen or even a presidential inauguration. However in Japan as we have seen, as long as state rituals are associated with the imperial institution, problems are created. One such example is the funeral of the Emperor Hirohito. The main controversy was centred around the subject as to whether the funeral could be sponsored by the government, as it involved Shinto rites, and there had been a constitutional separation between the state and religion. In the end, however, the funeral was divided into two parts, with one half being state sponsored and entirely secular, and the other half including Shinto rites being funded by the imperial house's personal budget. While there is this constitutional requirement of a state and religion separation in situations like the above, it is very difficult to separate the two as they are indivisible. But it is obvious that there are attempts being made to limit the role of the imperial institution in fostering a feeling of patriotism and nationalism in Japan.

Thus from the above examples the conclusion that one can draw from this is that *Nihonjinron* comes in as a convenient substitute in an attempt to express national unity and pride due to the failure of the symbol of nationalism that have attempted do the same.

Nihonjinron has strong points while the national symbols are weak as it gives explicit reasons as to why one should be patriotic and what one's national identity consists of. Thus *Nihonjinron* has entered this arena of Japan's national identity is an attempt to define who the Japanese really are and what is it that makes them really unique.

What is also important is the fact that *Nihonjinron* can have its contents conveniently altered. The *Nihonjinron* of the war years is very different from that practiced by the Japanese in the present circumstances. During the war era, *Nihonjinron* was dominated by a state-sponsored, emperor centred ideology. The post-war era totally obliterates the imperial institution from its literature while emphasizing on Japan's uniqueness. What is common to both eras is the fact that both rely on the ethnic essence on what is truly Japanese as in the case of blood, purity or race, homogeneity, language and even a sense of mystique. What contemporary *Nihonjinron* does in reality is to remove the war-time elements of the war-time *Nihonjinron* as regards imperialism, and redress it in a language devoid of war and militarism. The message is essentially the same, however, and much of the popularity of this phenomenon is that Japan is looking for more adequate unifying symbols and hence *Nihonjinron* is used as a means of achieving this sense of

unity and patriotism for Japan and the Japanese.

Nihonjinron is manifested in the world of Japanese business in many ways. A unique business practice known as *Nemawashi* is going to be discussed below in an attempt to exemplify how *Nihonjinron* is still playing a role in contemporary Japan today.

A typical example of the cultural gap between East and West can be seen in the case of President George Bush's trip to Tokyo in 1992 which was a failure mainly because of what he neglected to do, and that was to obey the rules of what the Japanese term as *Nemawashi*.⁷

President Bush made the mistake of taking 21 corporate executives along with him in a last minute decision to emphasize trade matters. As the Japanese had no prior notice of his sudden plan, they concluded that President Bush's sudden emphasis on jobs was inappropriate and felt that the unexpected executives were Japan bashing. If President Bush was to have expected a favourable response he should have initiated with some prior communication and consultation in order to create a situation of mutual understanding, a point so very important and a part of the culture of the Japanese.

7. Niltor Fic, "The Gentle Art of Consensus", Japan Economic Report Quarterly, no.24, April-June 1993, p.17.

Nemawashi may be defined as the art of cultivating a consensus opinion among all the individual's involved. Any Westerner who wishes to bridge the cultural gap and wants to succeed diplomatically, socially and especially economically in Japan, should understand *Nemawashi* along with another decision making tool known as *Ringi Seido* where a decision has been made and documented, and everyone concerned agrees to comply with it in writing.

Both practices have their plus points and minus points. While neither concepts are difficult to understand, several misunderstandings have arisen because of the lack of communication between Japan and cultures of the West.

Nemawashi has its origins in the term "root binding" which is a concept associated with Japanese gardening. When a Japanese gardener wishes to transplant a tree or a bush, he first digs up the plant and binds its roots together. This helps to ensure that the plant is easily transferred to its new location. As regards human affairs, these roots are replaced by people, who must also be figuratively bound together by a guiding hand. The purpose of *Nemawashi* is to create consensus or togetherness among the individuals concerned when a pressing issue needs an informal discussion prior to an official decision.

Nemawashi is a decision making practice that promotes harmony among employees, and between employees and

management. Rather than dictating a policy or making a surprise decision, management first engages in *Nemawashi*. This is what binds everyone together and brings them on board the team. The management first approaches the parties affected by the decision and lets them know what is about to happen, and what is expected of them. These discrete discussions usually take place informally at a coffee machine, during the lunch hour, or most likely at bars and nightclubs after work. Since *Nemawashi* is an informal process, it means that after hours socializing is virtually mandatory for every Japanese "salaryman" or white-collar worker.

The Japanese tend to think that *Nemawashi* makes their culture what they deem unique. This business practice indeed is better suited to the Japanese than anywhere else as it emphasizes harmony and subtle communication. Westerners on the other hand, feel that conflict is healthy and can be constructive. This does not happen in *Nemawashi* practised by the Japanese. If the process breaks down and there is open conflict it goes totally against what the Japanese deem to be their culture.

The emphasis on *Nemawashi* in Japan also reflects Japan's corporate culture, which features life-time employment and team work. *Nemawashi* also causes the burden of error to be shared by all, bringing about another

aspect of Japanese business practices - that of collective responsibility.

Nemawashi is not applicable in all cases. It has its limitations and disadvantages. These are most pronounced in the political and diplomatic sphere where it tends to make crisis management slow and indecisive. As a result, precious time is lost in reaching a decision and so the decision that is ultimately arrived at in these cases may not be the best one, but rather than one manufactured so as not to be offensive to anyone.

Nemawashi pervades Japanese society at all levels, and given the emphasis on group harmony and indirect communication in Japan, it should be used whenever an important decision needs to be made, regardless of the context.

CHAPTER III

CULTURE FREE AND CULTURE SPECIFIC ASPECTS OF JAPANESE
BUSINESS PRACTICES: KAZOKU SHUGI AND SHUDAN SHUGI CONCEPTS

In this chapter an attempt has been made to deal with the concepts of *Kazoku Shugi* and *Shudan Shugi* as Japanese ways of functional groups for economic corporation with a focus on business organizations as well.

Kazoku Shugi consists of *Ie* which is considered the primary unit of social organization in Japan. This implies the family system which played a major role in helping establish the corporate system of which Japan complies of today.¹

From a cultural point of view, the *Kazoku Shugi* or family system consists of an elementary family to be the nucleus, and the residential household expands to consist of other relatives and non-relatives who live with the immediate family members, and this is represented by the head of the household, all activities of which are carried out under his leadership.

The family system once established, is expected to continue its line of succession as each generation comes into being. So the system is not looked upon as a mere contemporary household, but also as an extension from the past, present and to the future embracing not only the deceased predecessors, but also the current living members

1. Chie Nakane, Japanese Society, (Berkeley: University of California Press, 1970), pp.7-8, 11, 13, 127, 130.

and also with a focus on those future members yet to be born.

Succession to the head of the household is considered to be of primary importance and there are some definite guidelines through which one acquires this leadership. One rule is the direct line of succession whereby the position as head of the household passes on from father to son, generation to generation, and not to kinsmen who are not directly related. However, as time went by, the successor did not necessarily have to be the real son, and even included the *Yoshi* or adopted son, and *Muko Yoshi* or adopted son-in-law who became the member of a particular household through adoption or marriage respectively.² This occurred when a family had only daughters or when a family would have no children, in which case a daughter would first be adopted and later by her marriage, adopt a son-in-law. A son who if considered unfit to assume the position as head of the household was also liable to be replaced by an adopted son.

The rights of succession were the same throughout whether the successor was the actual son or not. It was

2. Kawashima Takenori, *Nihon Shakai No Kazokuteki Kasei* (The Familistic Structure of Japanese Society) (Tokyo: Nihon Hyoronsha, 1960, pp.12-26).

through this father-son relationship whereby the rights to succession were passed on, that economic and moral ties were established. This family system was considered to be of prior importance especially in the case of the agricultural population whereby a distinctive enterprise was created also offering security to the members who had reached old age.

The concept of succession always involved one son only and never more than that. Thus there has never been the concept of the joint family system as in India. If a household does consist of two brothers and their families, then there is a definite distinction in status between the successor and the non-successor. It is usually the norm for the non-successors to leave the household on marriage and establish their own independent households whether or not they receive a share of the property from their households of birth.

The manifestation of *Kazoku Shugi* has penetrated into every aspect of Japanese society. It was also the basic unit of the *Samurai* community during the Edo period (1600-1868). The status of *Samurai* was assigned to the head of the household and only he was able to enjoy all the privileges rendered available to him on account of his status. These privileges were handed down to the successor alone and the family system thus had overtones of feudal-moral concepts that were practiced through Japan

irrespective of the social status.

Honke and *Bunke* refer to terms used to describe the relationship between the households of the main families (*Honke*) and the branch families (*Bunke*).³ The head of the household and his successor always resided in the *Honke*, while the younger sons usually built new homes elsewhere and established their own enterprises. A *Honke* and a *Bunke* are collectively known as *Dozoku* which comprises of a corporate group of kin residing in the same town.

The concept of *Shinrui* also came into play with the establishment of the *Kazoku Shugi*. *Shinrui* denotes a set of relatives conceptualized in terms of households rather than individuals. *Shinrui* thus includes a certain number of households whose family members are related to each other through the bilateral extension of kinship as in the case of first cousins. Socio-economic obligation and local familiarity are two factors that makes it possible to maintain a *Shinrui* relationship. A wealthy household tends to have a broader range of *Shinrui*. While the poorer sector, a narrower range.

1. Takao Suzuki, Japan and the Japanese: Words in Culture (New York: Kodansha International, 1973), p.587.

With the establishment of the *Kazoku* system, the term "patrilineal" also came into play as it was advantageous for the management of a household to have the head of the household succeeded by his son. With the Meiji restoration of 1868, it also became common after the introduction of surnames, for children to take the surnames of their fathers as also married women changing their surnames to that of their husbands. However, women did also have an important role to play in the society as it was the mother, wife and sister who played the key role in maintaining the functions of *Shinrui*, that is, they kept a close contact with their relatives. Also whenever the head of the household especially in the case of agricultural communities ever needed help in any form, it was usually obtained from the wife's natal household rather than from his own brother's household.

The family was organized as a hierarchy and as already mentioned, the head of the household constituted absolute authority over the household. The authority of the wife was thus extended to domestic matters of every day life. Status in the household was strongly affected by sex and specific position of authority. The further household head always had a status much superior than his younger brothers and sisters who were taught right from an early age to regard him with respect. Seniority in age conferred prestige, but

although a retired household head and wife were respected, they had little authority. A newly married bride always held the lowest status in the family until she achieved the level of mother and future mother-in-law.

The family head was responsible for economic welfare and also the department of the other members.⁴ Family property and the conduct of occupations was controlled by the head as well as other responsibilities such as the conducting of Buddhist ceremonies and other similar activities.

The concept of *On* was practiced where the household heads had the responsibility to look after their aged and retired parents in a sentiment of eternal indebtedness to them. Confucian ethics describing the relationship between husband and wife, parents and children were taught. Filial piety was also practiced.

This stem family also served as a role for other forms of fictive kinship such as *Oyabun-Kobun* or the parent role-child role for mutual economic benefit or social support. It is these *Oyabun-Kobun* relationships that have served as the backbone of small-scale organizations and are still common in the less modernized sectors of Japanese society.

4. Kawashima Takenori, *Ideogiji To Shite No Kazoku Seido* Family System as an Ideology) (Tokyo: Iwanami Shoten, 1957), pp.280-85.

The basis of the relationship consists of the greater economic, political and social power of the *Oyabun* who assumes responsibilities for the welfare, behaviour and guidance of the *Kobun*. The *Kobun* thus accepts the responsibility of the *Oyabun* and is obligated to obedience, loyalty and certain services as repayment for the benefits he receives.

Likewise the *Sempai-Kohai* (senior-junior) relationship is also another form of a fictive kinship involving only males and formed in organizations, schools and associations in which older and experienced members offer friendship, assistance and advice to inexperienced members who in turn offer gratitude, respect and loyalty.

The concept of *Kazoku Shugi* is also viewed as the basis for contemporary Japanese corporate groups. This system is considered to be the established framework of a management organization. Thus the personalized relationship which is so evident in a corporate group at work has its basis on the family system of kinship. An equivalent in modern society of the *Kazoku Shugi* is the National Railway Family or *Kokutetsu Ikka* which signifies those associated with the Japanese National Railways (JNR).

In any Japanese enterprise, the management-labour harmony is evident where the company is conceived of as the *Ie* and all its employees qualifying as members of the

household, with the employer as its head.

The employer readily takes social or economic responsibility for his employee's family which in turn considers its company its primary concern. In this manner the concept of *Kazoku Shugi* still persists in group identity as the basis of Japanese social structure.

The actual decline of this family system, although traces of it can still be seen in contemporary Japan took place two to three decades after the Second World War era. This was due to the changes in the total economic structure of Japan during the times. As there was a rapid shift in population from the rural areas to those of urban areas, the family system declined. This was because the younger population left their households and preferred to live on the income from their salaries rather than from the management of the household property. Today the family system reigns among people of traditional occupations such as traditional art and craft and farmers whose occupational techniques have to be handed down to the successive generation in order to survive.⁵

However, the majority of contemporary Japanese households are of the elementary type, while older parents

5. Murakami Yasusuke, *Bunmei To Shite No Ie Shakai* (Ie Society as a Civilization), Tokyo: Chukouron Sha, 1986, pp.87-89.

daughters. Thus there is a general consensus that the may live either by themselves or with their married traditional *Kazoku Shugi* is gradually disappearing from Japanese society.

Shudan Shugi (group ideology or groupism) is the basic value premise which is motivated by group consciousness and represents the core of the Japanese character.⁶

In Japanese society this sense of group consciousness is learned right from an early age in the family which is considered the most important family group for the individual. The family is important not because it provides the context in which socialization takes place but also because patterns of interaction are learnt which are later applied in areas like one's school, neighbourhood and ultimately at one's place of employment.

The Japanese are highly rank conscious, and Japanese groups have a clear-cut ranking among members. Usually the persons of a higher rank expect respect and deference from those who are below them in the ranking order. The person above in turn takes personal responsibility in teaching the subordinate about the company ways, introducing them to aspects of the company when newly inducted in a group and in

6. Daniel Okimoto, Inside the Japanese System, Readings on Contemporary Society and Political Economy, Stanford University Press, 1988, pp.100-115.

general provides them with guidance at all levels, moral and social included. This is what is known as the concept of *On* which is a kind of debt which the subordinates repay to their superiors for all their help by respect, service and loyalty. The relationship between group members tends to penetrate all aspects of one's life and does not restrict itself to one level at a time.

Giri and *Ninjo* are two concepts that come into play when group consciousness is brought about. *Giri* is defined as the obligation of society in relation to another person. This implies the obligation to help those who have helped one and to do favours for those who have already done favours for the person concerned. To neglect the obligation of returning the favour is to lose face and to lose trust of those expecting reciprocation.

Ninjo refers to human feelings that refers to universal emotions of love, affection, pity, sympathy and even sorrow. The reason why these two terms are interrelated is because the concept of *Giri* compels one to engage in reciprocating a social debt even if their natural inclination (*Ninjo*) would be to do otherwise. Generally speaking however, human feelings do not conflict with social norms and their concepts are still important in guiding the conduct of even contemporary Japanese. These concepts are still important today in order to advance successfully in one's career.

Ideally speaking; group harmony, cooperation and harmful rivalry is done away with, but in reality this is not the case in Japanese companies as there are definitely cases of competition for approval or recognition from seniors among those of an equal rank as well as loyalty or service to the group not entirely selfless but with an element of calculated self interest. An example can be seen from the case where employees do gain through higher wages or other benefits when the hard work of employees pay off and the company profits go up. However, there is a difference between the group motivation experienced by that of Western companies and that of Japan, as in the case of the latter, there is a realization that the fate of a company is strongly dependant on the cooperative effort and hard work put in by the employees and hence the dedicated service and sacrifices put in by the Japanese workers. *Seishin Shuyo* is defined as the concept of character building through self discipline which is so important for a company's success that it is incorporated in new employee oriented programmes, regularly.

Another aspect of this group consciousness is the warm, intimate atmosphere that is maintained within the groups of a particular company and which closes its doors to anybody who is an outsider to that group. A group's internal cohesion is often heightened by the fact that they are

facing competition from a rival group for the same resources. An example can be seen in the case of branches of a bank which compete with each other to obtain the highest number of deposits.

The internal structure of a group can also be divided into two categories,⁷ the horizontal and the vertical. The parent-child relationship, is considered to be a vertical relationship while the sibling relation is horizontal in the case of a family unit. In the same way, when this manifested in a corporate institution, the senior-junior relation is practised in companies at all levels while the colleague relationship is exemplified in the horizontal structure.

Group ties are thus established in a corporate group on a vertical basis, in relationships formed between the superior and his subordinate, while in the case of the horizontal structure, ties are established between colleagues of the same designation. It is these group ties formed at both levels which enable a company to possess an aura of strength and autonomy that puts it on an even keel of comradeship and enhances cooperation enabling that company to

7. Chie Nakane "Japanese Society", University of California Press, 1970, pp.23, 28.

compete effectively with other groups. The hierarchical order of groupism is usually more evident in occupational groups of a smaller number and its members separated from those of other groups. The vertical order is dominated in larger organizations and more evident as the essential basis of Japanese society is formed from a hierarchical difference based on age, power, sex, rank and experience.

The vertical order is synonymous with a system of ranking that takes place at all levels of society. Ranking can be based on age, length of service to a company, between seniors and juniors, and even among those employed in artistic fields such as actors and writers which are basically considered to be fields of individuality. However, the sequence of ranking here applies as in the case of those whose careers and popularity reach a zenith before that of writers and actors who started later. Thus there is more emphasis given on the duration of service rather than individual ability.

The ranking system can therefore, be divided on a basis of Senior (*Sempai*), Junior (*Kohai*) and one's colleagues (*Doryo*). The latter refers to those who lie only within the same rank bracket and even here there are differences based on length of service, age and the life. Even among those having the same training and status, the element of ranking is always perceptible, and because of this awareness of it,

these distinctions tend to overshadow even differences of occupation status or class and have with it a rigidity which is difficult to alter and which extends control on one's individual life and activity.

This order of ranking also has an influence upon the establishment of relations between persons of different institutions when they meet for the first time. The exchanging of calling cards⁸ or *Meshi* is one such example. The social implications of this are enormous as not only do these cards give information about the name and address of the person concerned, but also elaborate on the designation of that person which enables the recipient to adjust his behaviour, mode of address according to the information he has received.

This system is even manifested within the Japanese household. The arrangement of a room is done in such a way that the ranking differences are evident to those who use the room. A guest is always placed higher than the host unless there is a wide gap in their ranking orders. Within the family itself, the head of the household occupies the highest seat, but his father who has relinquished his

8. Masataka Kosaka, Japan's Choice: New Globalism and Cultural Orientations in an Industrial State, London: Printer Publishers, 1989, p.45.

position as head of the household occupies the lower seat which clearly shows how age and sex are superseded by status.

This rank consciousness also has a negative influence in the corporate world as it curbs the expression of opinion and ideas to an extent. A senior will always monopolize the conversation while the junior will adopt the stance of a listener, and will take every precaution to avoid open confrontation with his senior.

From the above discussion it is evident that more than *Yokoshakai*, or the horizontal system of group consciousness, *Tateshakai* plays a more important role in the times of the Japanese. A person is usually closer to those he establishes a vertical relationship, with whether higher or lower than him, rather than with his colleagues in the same field. The consequences of this system are that merit is often overlooked in favour of seniority which can have a negative impact on the system in the long run. But whatever the case may be, the vertical system has been established for generations and if changes for improvement are to be made, a look into the system and how it can be modified would be an ideal way to start changing the trend for a more successful outcome.

CHAPTER IV
IMPORTANCE OF KYOSEI DEBATE AND ITS IMPACT ON BUSINESS
PRACTICES

Japanese business practices have been undergoing a gradual metamorphosis over the years. The Kyosei debate has been the source of conflicting ideas and opinions which are of the belief that Japanese corporate behaviour and management practices should undergo a major change in order for Japan to progress and keep on an even par with the rest of the world. Indeed, some aspects of the debate have been brought out where it has been stressed that even the very social and economic systems in Japan should be changed, in order for there to be any changes in the management sector.¹ Thus the topics to be discussed in this chapter include what actually is the secret of Japan's competitive success and also an insight into Japan's cultural foundations, along with an example where change has already set in and is being implemented.

It is a fact that one of the keys to Japan's success has been the long working hours of the labour and a low share in the corporate earnings. It is also every company's policy to cut costs and maximise efficiency. There are, however, a lot of negative points that are brought out in the Kyosei debate where eminent corporate managers like Akio Morita of the Sony Corporation feel that unless Japan changes its stance on certain aspects of her business practices,

1. Sonoyoko, *Kigyonai Rodo Shijo* (The Intra-Firm Labour Market) (Tokyo, 1989), Chapter 7, *Nihongojita Rodo Jikan* (Japanese Work Hours), pp.217-247.

YS

Japan will gradually no longer be a rival powerful enough to contend with in the future. Some of the points in the Kyosei debate are given below.

There have been numerous conflicts between the West and the East over the ways in which the Japanese carry out their business practices of selling high quality products at low prices in an attempt to penetrate the markets overseas. This eliminates competition effectively from the companies within that country giving rise to a lot of resentment and accusations of "unfair practices" being labelled on the Japanese companies as the non-Japanese companies are rapidly having to resort to means such as protectionism. That is why countries in Europe and America have been increasingly trying to employ methods of blocking further market penetration of Japanese products by using both legal and political means at their disposal. The term "Fukuro Tataki" or "Japan bashing" has become a common word in the world of Japanese business today.

Some of the reasons for the apparent success of the Japanese companies maintaining their low price rates even though the quality of the product is good are given below. Competition among companies in Japan in the market is very strong. A good example of one such area is that of consumer electronic products. In Japan there are a large number of high graded consumer electronics companies that are

constantly competing with each other as far as the quality of the product and the price category is concerned. In Europe and America, however, this competition in the same area is not as fierce or intense as it is in Japan. This holds true because the members of companies that are competing in the same price category or the same product is much less. The reason why the competition in this area is so price oriented is because all the products produced are of such world class standard that the only way to differentiate between them is through price. Thus one of the key steps of being a success in the market is by reducing cost through mass production. Japanese companies concentrate on trying to attain a large market share in order to maximize their profits. This has thus given rise to a unique price oriented structure which is obviously not followed by European and American companies, resulting in what these companies dub the business practices followed by the Japanese as "alien" and therefore unfair. These business practices remain a success as long as they are limited to the Japanese market alone, but once the Japanese companies branch out into areas overseas, the problems begin.

Another aspect of Japanese business practices that seems to be foreign to European and American companies is the life-time-employment system. This is a system of employment whereby those employers that are recruited, join a

company after reaching a suitable education standard and are expected to stay within that company for life and not job hop from one company to another as is possible among other companies in other countries.

The life time employment system originated in the post war era and was a result of the liberalization of Japanese labour practices by the Occupation authorities. It is this system which has created the feeling of "being in it together for a large part of our lives" and this resulted in the general atmosphere of equality brought about because of the small margin of difference in salary between management and the employees. This also gave rise to the seniority system whereby a Japanese employee of that company was ensured a steady rise in his career on a seniority basis, and whereby his career was never under jeopardy that a younger and perhaps more highly trained graduate would usurp him one day.

All this and more, encouraged every employee of the company to work towards a common goal and that was to catch up with and surpass other companies on a global basis. Thus the level of productivity increased, technology was perfected and the objective of quality control achieved. This was thus another reason why the level of productivity among Japanese companies has always been so high.

Besides this in order to survive the fierce competition that exists in the Japanese market, certain strategies have been adopted. For example, a substantial increase in the profits of a company did not necessarily mean that the employees or shareholders of that company benefitted personally. The corporate earnings were instead reutilized further as an investment to bring about a better state of competitiveness for that company by going in for Research and Development as well as better quality equipment to raise the standard of productivity. Consequently the employees are not able to enjoy a very affluent standard of living as one would normally expect a person of a good designation working in a reputed company to be having.²

It is this aspect that has given rise to the debate that in order for Japanese companies to gain acceptance abroad as well as to lead a higher standard of living, methods other than cutting costs and maximizing efficiency should be adopted and thus reform the Japanese version of capitalism.

Another question that is considered debatable is the long working hours of the employees of a Japanese company. This has its origins in the pre Second World War era when the working hours were really long and set unilaterally by

2. Inose Hiroshi, Japan Economic Report Quarterly, No.24, April-June 1993, pp.16-21.

the employers. As part of the general post war reform programme, the Labour Standards Law of 1947 was passed whereby work hours were reduced to 8 hours per day and 48 hours per week, thus bringing Japanese work hours closer to international standards. However, it still remains a tradition for employees to work long hours to fulfill the reciprocal expectations of the Japanese life long employment system and so average work hours are longer than the legislated limits.

In Japan the way in which the workers are treated is very different from that of the rest of the world. By and large, companies place a high value on creativity in the workplace and employees are frequently encouraged to be innovative. Thus, because the employees come up with good suggestions for improvement, companies treat them well and workers as a result improve upon their skills along with a dedication to work harder and educate their junior colleagues. It is this belief that they are indispensable to their work place that makes them work all the harder and so put in large working hours. However the drawbacks to this that have been brought into the kyosei debate are the excessive zeal which leads to unbridled competition and longer working hours. In addition this type of employee behaviour is not looked upon favourably in Europe and America because it is felt that it extremely inappropriate

for one of the world's most productive countries to be putting in 500 hours more each year than their counterparts in Europe.

Karoshi or death from overwork is another consequence of long working hours put in by Japanese employees. Thus the arguments presented in favour of shorter working hours are that Japanese capitalism is growing beyond the capacity of its logistic support system and so it is true to change strategies.

Overtime work is permitted under the Labour Standards Law but only under special circumstances like official government business or a written agreement with a body representing the majority of workers. Overtime pay of 125 per cent of normal pay is compulsory by law.

Shift duty is also another aspect especially with regard to steel, chemical or textile finishing plants. The variety in the length of work hours here also depends on the size of the enterprise.

Working long hours has from a cultural point of view, a negative effect upon the family life of an employee. Divorces are on the increase for this reason as it is a tradition of Japanese employees to spend after work hours at

Sake bar along with their colleagues and superiors discussing work strategies and achievements. Family life is thus neglected leaving the mother to play a major role in

the life of her children who become indisciplined without the firm hand of the father being present. This is one of the issues that is often debated upon as to whether reducing the number of working hours and approaching a more westernized standard would help the Japanese corporate sector positively or not, from an economic and even cultural point of view.

A more detailed look into the long working hours of the Japanese worker's industriousness shows that there are a number of explanations available for this, namely the weak labour unions and thus the exploitation of the workers, the industriousness of the workers themselves. Discussed below are some important points about the work hours in Japan.

Work hours were getting considerably reduced year by year in the period of rapid economic growth up to the mid 70s. A point to be taken note of is that since the mid 70s the work hours have become stable despite the high economic growth rate and has even in some years, increased as can be seen from the Index Table 1 on the rate of change of annual total work hours.

The table compares the rate of change of total annual hours worked, and shows that these work hours increased in the later 1970s and early 1980s. This was the period where work hours contracted in major European countries and so it was in contrast to the situation in Japan.

This very comparison on the changes in the number of work hours in Japan, the United States and European countries points out the element of uniqueness in the case of Japan.

In spite of the long working hours there is little dissatisfaction about working. According to a 1983 survey of male workers in large manufacturing companies, 49 per cent responded as "satisfied" while 25 per cent were "dissatisfied".

Although this does not necessarily reflect the feeling of all workers in Japan, it does give us a general idea of the basic trend. In order to have a better basis for comparison, one can compare the degree of dissatisfaction with respect to wages.

As can be seen in Table 2 of workers in chemical and electrical industries, 31 per cent are satisfied with monthly wages and 55 per cent are dissatisfied; thus in contrast to the responses regarding work hours there are more workers dissatisfied with wages than are those who are satisfied. The ratio of those who are satisfied with work hours (53 per cent) to those who are satisfied with wages is 1.7, compared with the ratio of those who are dissatisfied with work hours (27 per cent) to those who are dissatisfied with wages (55 per cent) which is 0.49. As shown in the table when compared with the degree of satisfaction with

wages, it is evident that with respect to work hours, the degree of satisfaction is high and that of dissatisfaction is low.

But in the case of making a comparison between satisfaction and dissatisfaction, the ratio of those who are satisfied with work hours (33 per cent) to those satisfied with wages (14 per cent) 2.4 compared with 0.6 which is the ratio of those who are dissatisfied with work hours (39 per cent) to those who are dissatisfied with wages (65 per cent). This finding also indicates that the degree of work hour satisfaction is greater than the degree of satisfaction with wages. That is why the Kyosei debate includes a discussion on whether new steps should be taken to reduce the number of working hours in Japanese companies and increase the wages simultaneously. The opposition comes from many sides because of the obvious repercussions this would bring to the economy of Japan on the whole, particularly from the trading partners of Japan.

The survey of the workers in the electrical machinery industry extends to ten countries including Japan. Table 2 presents an international comparison between the degree of satisfaction with work hours and the degree of satisfaction with wages.

First, compared with wages, the degree of satisfaction is high, universally among these countries. Second, a

comparison of the degree of satisfaction shows that the ratio of those who are satisfied with work hours to those who are satisfied with wages is the greatest in Hungary (7.3) and the smallest in West Germany and Hongkong (1.6). This ratio for Japan, which is 2.1 is the fourth largest. Third, with respect to the degree of dissatisfaction, the ratio of those who are dissatisfied with work hours to those who are dissatisfied with wages is the largest in Japan (0.60). Thus the point that can be observed is that while the degree of satisfaction with work hours is not necessarily low, the degree of dissatisfaction is observed to be the greatest.

These long work hours in Japanese companies are attributed to a number of reasons. The basic economic principle asserts that work hours tend to settle at a number which the workers consider desirable because of the trade off between the income earned and leisure. In the labour market, while hourly wage is determined by market forces and cannot be changed by any one individual, it is considered easier to adjust to the hours of work through a choice of part-time work or voluntary overtime work. Findings have shown that the relationship between the wage rate and the optimum hours of labour supplied is often negative. For example, even in international comparisons if the number of hours worked is longer, the wage level of a nation is lower.

This holds true in the case of Japan.

A summary of the reasons for these relatively long hours is shown in Table 3. The main reason has been the slowness of adopting the five day working week. Another factor is the small number of period holidays a year and the fact that workers utilize only 50 or 60 per cent of what they are entitled to. Overtime hours are an additional factor where the company requires the workers to put in extra working hours because of the low overtime rates which under Japanese law need only be 25 per cent above hourly pay. Despite this, it is not a disincentive to Japanese workers. The low rate of absenteeism is another reason for the longer working hours in Japan.

Although the practice of taking extended vacations has been slow to spread, a growing number of firms are closing down for extensive periods during "golden week" in May, when a number of national holidays are clustered together. In summer the Bon festival where ancestral spirits are said to return to their families is also considered break time, as are the days before and after New Year's day. Some companies have also been offering their employees who have been on the work force for over 25 years, a break lasting up to three months.

The Labour Standards Law as it concerns basic working hours was amended for the first time in four decades in 1987

and came into effect the following year. One big change is the reduction of the statutory work week from, 48 hours to 40 hours which is being implemented in stages in order to avoid radical changes.

The legally prescribed workweek was reduced from 46 hours to 44 hours in 1991 and is expected to be cut to 40 hours in 1994. The minimum number of annual paid holidays was also revised, increasing from 6-10 with one day being added each additional year of service up to 20 days.

More workers have been enjoying two full days off from work each week. Financial institutions have been closed on Saturdays as well as Sundays since 1989, and starting in 1992, civil servants, the national level and some local government employees have been enjoying two days off every week. Because companies are reluctant to shorten their hours unless other companies follow suit, the temporary measures law concerning Promotion of Reduction of Working Hours was enacted in 1992 to provide reduction on an industrywide and regional basis.

This is one of the factors of the Kyosei debate where change can be readily observed and even though is taking a while to be implemented, is being done slowly but surely and is a perfect example of how new trends are slowing, replacing old ones in order to ensure Japan's economic position of the future on a global scale.

The remuneration received by regular employees at Japanese companies consists of three main parts: the monthly wages, bonuses (paid twice annually) and retirement benefits. Monthly wages generally consist of base pay plus allowances and do not include over time pay. Base pay is determined according to factors such as individual attributes (like age, length of service, experience, qualifications), type of work (duties, importance and difficulty of job, degree of responsibility), and ability to carry out work (demonstrated aptitude at assigned tasks, potential aptitude to perform other tasks etc. There is considerable variation in the wage systems of Japanese companies because of the large number of factors involved in calculating basic pay and in the degree of importance attached to each factor.

It is because the Japanese wage system has traditionally tended to place a great emphasis on the attributes of the individual worker that it has been labelled a seniority based system (see Table 4 on wages).

A new trend which is prevalent among major companies especially, is now emerging where some companies have started to pay greater emphasis on the type of work and aptitude of the individual. Although this new system is a solution to the shortage of management posts and also is a means of putting younger employees into the posts of managerial

level, it does not mean that ability is readily replacing the seniority system.

The reason is because Japanese companies still pay considerable attention to age and length of service when considering promotions to a senior rank. It is because of this role in seniority in Japanese wage setting practices that the differences in age and length of service are far more significant in Japan than in Europe or North America (see Table 5 on wages).

A feature of the wage structure of Japanese enterprises is the comparatively low pay at managerial levels. According to the Institute of Labour Administration the average annual salary for the president of a company listed on the stock exchange was ¥34.3 million in 1991, 12 times that of a newly employed university graduate's salary of ¥2.8 million. But because of a system of progressive taxation however, the president's take-home pay (after deducting taxes and social insurance) amounts to no more than 7-8 times that of the new employee. This is yet another debatable issue and questions are often discussed as to whether in order to raise the take-home salary of the employee why the wage structure cannot be revised.

The debate also focusses on protectionism i.e., the strong relationship developed between the government (which promoted an efficient industrial policy) and the companies

concerned. Protectionism was one of the results of the post war economic reforms designed to upgrade the development of Japanese capitalism.

When Second World War came to an end, the economic situation of Japan faced an all time low with capital in very short supply and high interest rates. It was then that the government stepped in and made it possible for important industries to obtain funds at a very low rate of interest. Financial institutions were also able to build up a supply of adequate capital as small and medium corporate borrowers were compelled to deposit money in banks as a precondition before taking out loans. This accumulated capital was then lent out to important industries which were backed by the Bank of Japan credit guarantees.

Acquisition of technology became one of the first priorities after the war and there were major tax concessions for export income so that exporters could obtain special allocations on foreign currency. This government supported economic development ultimately came to be known as "Japan Inc" or Japan Incorporation which turned out to be highly successful. However, the reason why Japan Inc. is also under fire in the Kyosei debate is for the following reasons.

For Japan Inc. to work efficiently the government needs to foster and guide these industries even as it supervises

them. This leads to the concentration of power in a few hands allowing a small number of people to exercise almost absolute power without any democratic checks. Power corrupts, and so bureaucrats may not always make the right choices. Another problem is that there are no hard and fast rules that are laid out by the government when guiding these industries. This has been done in order not to restrict an officer's ability to make suitable changes in accordance to different circumstances. This too leads to a lot of manipulation of power misusers. Bureaucracy is also strongly sectionalized. This make it difficult to implement administrative measures or reforms that span the dividing lines between government organizations. A reflection of the shortcomings of this system of overcentralization or protectionism along with sectionalism are the security scams that came to light recently.

Yet another aspect of the debate involves the *Keiretsu* or corporate groups which took shape during the 1960s when the economy was on the course of rapid growth. It was generally feared that with the liberalization of capital transactions, there would be an excessive influx of foreign investors buying up and taking over every business in sight.

The *Keiretsu* was formed in response to this, and consisted of companies that adopted a system of cross-shareholding, and so behaving as long term investors for each

other in order to ward off threats of a take over. In recent times however, the practice of conducting transactions among affiliated companies has become controversial and therefore is a factor that has caused heated debates. Business dealings within the *Keiretsu* are exclusive and these corporate groups convey a closed attitude to outsiders. This brings them into conflict within the openness needed for international co-existence, and predictions of a downfall in Japan's progress in the future due to a refusal to compromise.

Homogeneity is another factor that is believed to be the basis for organizational management and which is under debate because there is believed to be a link between this factor and *karoshi* or death from overwork, among Japan's international business people.³

Homogeneity is one of the assumptions that is believed to have played an important role in shaping Japanese business practices.

It is the norm to work in open-plan offices, and even unnecessary to provide verbal instructions because a person's wishes can be read from the expression on that

3. Sharmada Harvo, Japanese Capitalism, the theory of courses, Japan Echo, vol.19, Number 2, Summer 1992, pp.15-25.

person's face, the concept of homogeneity having been honed to perfection. In truth, Japanese people are not really all from the same mould as they have been brought up to believe, but it has been found that through an effective government policy and education this sense of homogeneity has been enforced so as to be an electing factor in productivity levels in a company as well as in domestic activities.

However, now that Japan's companies are going in for globalization, this very factor is proving to be a hindrance rather than an asset on the international scale as information is not exchanged explicitly, there are misunderstandings between the businessmen on both the Japanese and European sides, a lot of miscommunication and a failure to come to terms with each others cultures.

The advantage of globalization is that companies are able to treat the world markets as their own but whether Japan will be able to survive the global scrutiny which is a consequence of globalization is one of the questions that are high debated upon.

Table 1

Rate of Change of Annual Total Work Hours
(Per Year)

Year	Rate of Change (%)	(Number of Hours Changed)
1960-65	-4.8	-117
1965-70	-3.3	-76
1970-75	-7.8	-175
1975-80	2.1	44
1980-85	0.1	2

Source : Ministry of Labour, Maigetsu Kinro Tokei Chosa (Monthly Labour Survey for all Industries), Economic Planning Agency, Bureau of General Planning, GIJITSU KAKUSHIN TO KOYO HOKOKUSHO (A Report on Technical Innovation and Employment), April 1986, p.140.

Table 2

Work Hours Versus Wages: Satisfaction and Dissatisfaction

	Ratio Satisfied by Hours	Ratio Dissatisfied by Hours
	Ratio Satisfied by Wages	Ratio Dissatisfied by Wages
All Male Workers in Large Manufacturing Firms	49% ----- = 1.6 31%	25% ----- = 0.54 46%
Male and Female Workers in the Chemical and Energy Industries alongwith Workers in the Electrical Machinery industry	53% ----- = 1.7 31%	27% ----- = 0.49 55%
Male	2.2	0.62
Female	2.9	0.60
TOTAL	33% ----- = 2.4 14%	39% ----- = 0.60 65%

Table 3

The Working Year in Major Industrial Countries,
1990 (Production Workers in Manufacturing)

	Japan	United States	West Germany	Britain	France
Total Hours Worked	2124	1948	1598	1953	1683
Regular	1905	1756	1499	1766	-
Overtime	219	192	99	187	-
Weekly Days off (Annual Total)	85	104	104	104	104
Other Scheduled Days off	21	9	12	8	8
Days of paid Vacation taken	9	19	29	24	26
Days absent from work	3	7	12	11	16

Source : Ministry of labour, Labour Standards Bureau Estimates based on National and EC Statistics, October 1987.

Table 4

Index of Wages by Length of Service (Male)

Years of Service	West			
	Japan (1990)	Germany (1972)	France (1972)	Italy (1972)
Blue-Collar Workers				
0-2	100	100	100	100
3-4	106	107	112	106
5-9	118	112	120	113
10-19	143	114	129	123
20-	190	113	131	128
White-Collar Workers				
0-2	100	100	100	100
3-4	106	106	110	110
5-9	119	111	121	124
10-19	153	115	132	141
20-	196	114	137	156

Source : Ministry of Labour, CHINGIN KOZO KIHON TOKEI CHOSA
(Basic Statistical Survey of the Wage Structure) :
Statistical Office, EC Commission, Structure of
Earnings in Industry, 1972.

Table 5

International Comparison of Wage Levels, 1990
(Workers in Manufacturing)

	Hourly Wages	
	Local Currency	Yen Equivalent
Japan	1821	1821
United States (US)	10.84	1579
West Germany (DM)	20.07	1799
France (Fr)	36.7	794
Britain	5383	1395
Canada (Can \$)	14.3	1775
Monthly Wages		
Japan	321800	321800
South Korea (Won)	590760	120855
Singapore (S \$)	991.04	79168
Thailand (Baht)	3579.57	19213
Taiwan (NT \$)	22175	119401

Source: Ministry of Labour, KAI GAI RODO HAKUSHO
(White paper on Overseas Labour), 1992

Workers in the Electrical Machinery Industry

		Ratio Satisfied by Hours	Ratio Dissatisfied by Hours
		Ratio Satisfied by Wages	Ratio Dissatisfied by Wages
1.	West Germany	1.6	0.46
2.	France	2.1	0.27
3.	Hong Kong	1.6	0.53
4.	Hungary	7.3	0.18
5.	Italy	2.7	0.46
6.	Japan	2.4	0.6
7.	Switzerland	1.8	0.23
8.	United Kingdom	2	0.4
9.	Yugoslavia	2.1	0.24
10.	Poland	3.1	0.27

Source : KAGAKU-ENERGYROKYO (Assoc. of Chemical and Energy Labour Unions),
KAGAKO ENERGY SANGYO NI MIRU RODOSHA ISHIKI (The worker awareness
as seen in the chemical and energy industries), July 1985.

JUKKAKOKU DENKI RODOSHA NO ISHIKI CHOSA KEKKA CHUKAN HOKOKU
(An Interim Report on the Survey of the Workers Awareness
into Countries), December 1985.

CHAPTER V

CONCLUSION

The conditions that Japan is facing at the national and international level are undergoing tremendous changes. The biggest turning point that the international community has reached ever since the end of Second World War is the ending of the Cold War. It is important now for a new world order to be constructed, and even more to the point, the new role that Japan is expected to play in the international community.

Japan, as it is widely known, proceeded to devote its energies towards economic development, whereby it has managed to become one of the world's foremost economic powers even though undergoing the current recession of 1992-93. However, it is this very phenomenon where Japanese employees have always put their companies before themselves with such dedication that their business practices of a low price structure, long working hours etc. have antagonized European and American companies. Not only that to add fuel to the fire is the fact that the balance of trade payments has been falling in favour of Japan year after year. In 1992-93, with the United States alone the trade surplus in favour of Japan is said to be 848 billion.

With this in mind, it is becoming increasingly obvious to the Japanese that they will no longer be able to continue with their single minded pursuit of economic efficiency and success in the market through business practices based on

mass production and mass consumption unless they adjust their standards to meet those of other international companies and not monopolize the business environment by eliminating international competition to a considerable extent.

In order to bring about change, Japanese companies should change their policies and bring about reforms such as changing their pricing methods of products so as to enable companies in the United States and Europe to compete effectively as well. Only when this level playing is ensured can the Japanese shift their focus from too much competition and efficiency to deal with aspects like enabling the employer to take more holidays and fewer working hours in order to live life at a more relaxed pace. This can be done by moving towards the American or even German average of working hours.

Salaries is another factor that could be looked into and debated as to whether the Japanese companies provide their employees with enough to ensure a suitable standard of living according to the level of their contributors. Once again Japanese companies can adjust their salary brackets to that of the Europe and America companies who at present are certainly giving their employees more than what an average Japanese company gives.

The reason why there is such a reluctance to go through

with these dangers is because of the belief that a Japanese company that does undertake these reforms, will lost out in the competitive market. All the same a few steps are being taken, however, hesistant they may be. The renounced system of recruitment i.e., the way of recruiting employees based solely on what schools students have attended, is also changing albeit very gradually.

Instead of the major companies hiring people from well known schools and colleges, steps have been taken to stop asking the applicants about their educational history. This enables students who are talented but who are not from major universities to be given a chance at least to compete on a level equal with those from more prestigious backgrounds.

These changes are very small and yet they are taking place at some level of corporate recruitment. What needs to be done is that the entire social and economic system should go through a thorough reformation as in the case of the European Community where members are sacrificing their individual sovereignty in order to bring about unification, not only for a simple market consolidation, but also for a unification at the political and monetary level.

However another viewpoint is that instead of the Japanese always falling subject to criticism, other countries like the United States and Europe should also pause for some introspection and start working to correct

their own drawbacks as well.

This important task for Japan to consider taking up today is to try and achieve that level of being on par with the United States and Europe and to create a framework for economic co-existence through suitable structural adjustments like the reduction of working hours and a change in the pricing policy. This is very necessary in order for Japan to ensure her own future success.

Economic factors are frequently involved in the conflicts around the world. For the preservation of global peace, accordingly, it is important that efforts be made to promote the stability and development of the global economy. Thus Japan should seek to strengthen relations of interdependence among countries and so comes in the question of internationalization. Making use of its economic might to extend financial, material and technological assistance, Japan should redouble its efforts to boost the whole world's development. Indeed, in the domestic-economic sphere, a process of restructuring has been making steady progress ever since the mid-1980s, when the yen rose in value (since the Plaza accord) and Japan has been consolidating its position as one of the world's great economic powers. It is, moreover, a top ranking aid donor (about US \$11 billion is disbursed annually as aid and grant-in-aid) and the world's leading creditor, giving it a key role to play in

the management of the world economy. For the sake of peace, prosperity and continued development at home as well as abroad, Japan must contribute to the order-building efforts on a scale commensurate with its status.

Japan attained its status as an economic power in a context of interdependent international relations involving trade, capital and other factors. If Japan's economy is to continue its growth, a stable and growing world economy is a prerequisite. In this light, Japan's contributions to the world economy will also enhance Japan's interests.

The many roles that Japan can play towards economic development include, bolstering the free and fair trade system, supporting economic growth greatly in the developing countries and the former Soviet Camp, encouraging the international economic exchange and grappling with the global issues of security and environment.

Gaining the trust and understanding of other countries is also a very important feature for Japan. Accepting responsibility and feeling remorse for its actions in the Second World War, Japan has been following the path of pacifism and has expressed to other countries, its determination never to repeat its past mistakes. Unfortunately this stance has not yet won over a number of countries, particularly those countries neighbouring Japan in East and South East Asia. However, an attempt should be

made on the part of Japan to eliminate these feelings of doubt and mistrust, and Japan should try to convince these countries of its sincerity in its efforts of aiming towards global peacekeeping and international cooperation.

Thus it is these changes that Japan needs to make in the spirit of internationalization, not only in the way of doing business, but also towards international cooperation that will ensure a place for Japan on a global level in the future.

There are of course the more conservative attitudes of a few who believe that entering into the spirit of internationalization will be a change having negative side effects for Japan, because of the fear of Japan losing out on its cultural identity and sense of uniqueness. However, arguments to counteract this are that if Japan was able to open its doors to the West with the onset of the Meiji Restoration of 1868, and yet still retain its cultural identity besides even developing a theory called *Nihonjinron* to explain its very cultural uniqueness, arguments in that line become invalid.

For the economy to operate on a higher plane in the years to come, Japan needs to reform its business practices to correspond more closely along the lines of the Western model. This would be useful in reducing those differences in business styles. Although of course there is no

guarantee that this would lead to a reduced external imbalance between Japan and its Western trading partners.

It is a known fact that the success of the Japanese way of management is premised on homogeneity, both in the workplace and in corporate groups. Efficiency is improved by relations among people on the same wavelength. Therefore, the implications of this are that unless alterations are not made within the Japanese corporate settings itself, it will not work well in the more heterogenous settings overseas.

The closed nature of the business system in Japan is yet another drawback for Japan. Though this is a convenient set up for distributing profits among the concerned Japanese parties, it has been arranged in such a pattern that foreign individuals and companies are excluded from taking part to an extent.

Japan has a free economic system, as does Europe and America. However the price of a Japanese made product tends to be much lower than the prices of comparable products manufactured by European and American companies because of the pricing politics by corporations. The price of a product is generally determined by the cost of production and sales based on materials, labour, research and development, advertising and the profit margin by the supply-demand situation in the market. When manufacturing a

higher quality product, it is necessary to use advanced technology along with better materials, better equipment and a good workforce.

Accordingly the cost of the product rises and in order to maintain profits a wider margin by an increase in price is necessary. However, on the other hand, when manufacturing an average product, the production cost is kept to a minimum and the margin is kept low in order to supply the product at the lowest possible price, which require the products to have a high sales volume.

In Japan, Japanese companies reduce the prices of their products by squeezing profit margins and then selling their profits in a large volume so as to give a large market share and secure maximum profits.

To European and American companies that are confronted with these unfamiliar business practices, this corporate behaviour seems like an invasion into their territory. Thus it is stressed the need is definitely there for Japan to somehow review these business practices in order for the hostility to reduce, and competition be based on a sense of equality where these European and American companies can actively participate in what is called 'level playing' in business.

In addition to these characteristics, Japanese companies had to acquire certain skills to survive the

fierce competition brought about by factors like the national government's policies to encourage growth in the industrial sector. As a result, Japanese companies concentrated their resources toward enhancing their abilities to beat the competition.

This means that even when companies enjoyed a substantial increase in their profits, they did not automatically share the increase with their shareholders, employees or other related parties. Instead, a substantial part of the profits were diverted to internal reserves, reinvestments, preparing themselves for a worsening of the market environment or economic slowdowns.

All these practices by Japanese companies have certainly contributed towards raising their competitiveness. Yet, on the other hand, Japanese companies have sometimes placed unreasonable demands on their vendors.

This analysis shows that Japanese management has ended up creating unique relationships with the company stakeholders, which are clearly different from that found in Europe and the United States. However the outcome of the business practices are not always positive, even though they may maximize on profits. As has been mentioned in Chapter four, there has been a growing sense of dissatisfaction among the company employees, and inclination towards more holidays, fewer working hours, higher salaries etc. are

inevitable.

Japanese companies and their employees should also contribute to the local community as concerned citizens, besides giving enough consideration to issues like environmental protection and resource conservation. More should be done to recognize that the environment, natural resources and energy are common assets of all human beings. Besides the decline in natural resources and the destruction of the environment, the world faces a number of tough challenges. Issues of serious importance like settling the current political, economic and social turmoil in Eastern Europe and the former Soviet territories, narrowing the North-South gap in economic development and even the improvement of the ever-worsening economic environments of the developed nations are all issues that need to be tackled immediately.

Japan is deeply integrated into the so-called borderless economy, and these issues of a global nature will certainly have a great impact on Japan as well. Therefore, an economically successful nation like Japan should be a partner with the United States and Europe in taking a leadership role to solve these issues, in terms of human resources and finances. However, at this critical juncture of cross-roads, Japan is not considered by the other two parties as the real partner. As a first step in bringing

about this change, it is absolutely essential for Japanese companies to make structural remedies in their business practices in order to compete in line with rules that are compatible with those of the United States which are generally acceptable to the rest of the world. These countries should also on the other hand made a definite attempt to understand those business practices of the Japanese that are so heavily influenced by culture and which could create serious repercussions by a lack of understanding and miscommunication. A greater understanding will not only bring to light the cultural dimensions of the business practices, but also help bridge the wide chasm of cultural differences and serve to bring about a successful completion of business ventures that participants show when displaying an appreciation and understanding of the diversity in each others cultural and business strengths.

Though changes both in the immediate near future are expected of Japan, yet given the track record of changes, one cannot however practically expect it to undergo such a radical change all of a sudden.

Japan opened for economic reasons to foreign contacts in 1854 under tremendous American pressure. This was followed by a series of unequal treaties with many countries including Russia.

After the Second World War, Japan was to politically

open under American/Allied powers pressure, which has triggered off several changes in Japanese social, political spheres.

However, in the ways of thinking of the Japanese for a wider cultural reason changes are yet to come. Therefore, it is only natural to expect Japan to yield some concessions from their so-called cultural unique strength, which has been so far advantageous only to the Japanese.

Therefore, pressure is mounting on Japan by its major trading partners, to change ways of doing business. This *Gaiatsu* (mounting international pressure) is expected to yield some desired results albeit slowly in the foreseeable future.

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