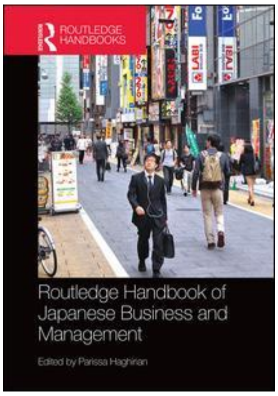

Routledge Handbook of Japanese Business and Management

Parissa Haghirian

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Publication details
https://www.routledgehandbooks.com/doi/10.4324/9781315832661.ch2
Parissa Haghirian
Published online on: 04 Feb 2016

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Introduction

Japan's economic success and rapid development is a unique phenomenon. As early as the Edo period (1603–1868), when the Japanese nation was still mostly isolated from the rest of the world, the Japanese people had a well-developed and independent internal market. Japanese corporations had developed distinctive and innovative marketing activities; traded products all over the country; and had a sophisticated monetary system.

After the Meiji Restoration, Japan was quick to embrace Western technology, and initiated a rapid process of industrialization. At this time, major corporations developed, and Japan began to engage in international trade. By the Second World War, Japan had developed into an industrial nation that had to import its raw materials from overseas. The dependency on these imports led to an aggressive policy during the Second World War, as Japan invaded a number of neighbouring countries to secure its access to their resources.

After the defeat in 1945, the country was devastated, but economic reconstruction quickly gathered pace after the start of the Korean War. A phase of long economic booms and high growth rates followed. Although the oil shock of the 1970s interrupted this process, by the beginning of the 1980s, Japan was already on a par with Western industrialized economies. The rapid development of the Japanese economy was supported by a set of characteristic management practices underpinned by economic policies that the government implemented very early on.

The collapse of the so-called bubble economy, which was followed by a long recession, put an end to this development process. The recession saw the start of massive restructuring programmes, both in the economy at large, and within the corporations themselves; as a result, the corporate landscape today is markedly different from what existed even two decades ago.

Today, at the beginning of the twenty-first century, Japan has been trying to keep pace with globalization and maintain its supremacy in Asia. These efforts were rudely interrupted by the massive earthquake in March 2011 and the problems at the nuclear power plant in Fukushima. It was only in January 2013, at the beginning of Prime Minister Shinzo Abe's second term of office, that hope seemed to be re-emerging. Abe presented a comprehensive restructuring plan, but there remains strong political awareness that the problems of the Japanese economy and its companies are founded on structural challenges such as the declining workforce, outdated management structures, and increasing competition on international markets.

This chapter describes the history of Japan's phenomenal economic success after the Second World War, describing how Japanese corporations developed their own management styles, leading to a corporate success story which is unprecedented in history.

Resurrection after the Second World War

As the Second World War came to an end, Japanese corporations faced numerous challenges. After their victory in 1945, the Occupation Authorities implemented a number of changes to Japan's corporate governance structures, as well as in the legal foundations of Japanese firms (Okazaki 1999). The political system was restructured; the traditional structure of the *zaibatsu* was dissolved; and the American forces imposed rationing, controlled Japan's international trade, and implemented land reforms (Smitka 1998). Another major change was the enactment of the Labor Union Law in 1945, which allowed unions to be formed and employees to demand their rights within a corporation (Okazaki 1999). Foreign capital participation in Japanese firms was strictly controlled (Ōmae 1982). At the same time, the Occupation Authorities raised the status of employees in the Japanese firm and lowered the status of the shareholders (Okazaki 1999).

The Korean War, which broke out in 1950, was a turning point for the Japanese economy after years of poverty (Smitka 1998). The war was an external factor in Japan's recovery, since US offshore procurement became a strong stimulus for the Japanese economy (Reischauer and Jansen 2005).

The 1950s and 1960s: rapid economic development

The economic recovery became evident in the 1950s (Reischauer and Jansen 2005). By 1955, the economy had grown to its pre-war level (Smitka 1998). Changes in society led to new business opportunities for manufacturing corporations. In pre-war times, household electrical products had not been the focus for the large manufacturers of electric goods. In the 1950s they started to become more and more popular, and many manufacturing companies turned to the increasingly profitable market of electrical domestic goods. The competition among these manufacturers increased, as did their marketing efforts, and they tried to stimulate sales by setting up efficient retail channels (Usui 2014).

Alongside the light-industrial plants focusing on textiles and food which already existed before the war, Japan now developed heavy industries which produced machinery, chemicals, ships, steel, and semi-conductors. Having conquered the domestic market, household electrical appliances now began to be exported (Okazaki and Okuna-Fujiwara 1999). By the late 1960s, Japan had become one of the most important trading partners of almost every country, flooding the world with its products (Reischauer and Jansen 2005). After Prime Minister Ikeda introduced the 'double income plan' (according to which incomes should double in the following ten years) in 1960, the following decade saw growth at an average of 9 per cent per year during the 1960s (Smitka 1998).

Changes in the economy also produced social changes. The number of workers in the manufacturing and service sector increased, which led to many people moving to the cities and caused the tremendous growth of Tokyo and Osaka (Haghirian 2015a). The proportion of Japanese citizens living in cities swelled from 37.3 per cent in 1950, to 56.1 per cent in 1955 (Usui 2014). This shift in the workforce is considered as one of the reasons why Japanese productivity at that time rose so quickly. The young people moving to the city were better educated and willing to work for less than the previous generation, leading to high productivity per unit of wage (Drucker 1979).

Starting with Tokyo and Osaka, Japanese cities started to grow in a way that offered relatively little opportunity for social activities in public spaces. Japanese families focused on their homes and workplaces, and enjoyed the new comfortable domestic lifestyle. A new middle class developed (Francks 2009). These developments, and the decreasing number of traditional three-generation families, also led to the adoption of a new urban lifestyle, and the Japanese became the primary consumers of products made in Japan. The consumption of modern consumer goods changed their daily lives. From the late 1950s, the 'three sacred treasures' – washing machine, refrigerator, and black-and-white TV – became a common sight in many Japanese households (Usui 2014). Car ownership soared from around 150,000 in 1955 to over 14 million by 1973 (Townsend 2013).

This rapid development also had an effect on the Japanese manufacturing firm, which became highly competitive in the late 1960s, looking for new business opportunities by introducing technologies from Western companies and beginning to develop new products, such as the personal computer, while increasingly diversifying their existing products (Usui 2014).

What caused Japan's rapid economic development?

The rapid development of the Japanese economy after the war can be attributed to a number of cultural and structural factors. For example, the complete destruction of the pre-war economic facilities, perversely, became an opportunity for rapid recovery. Factories destroyed during the war were replaced with state-of-the-art plants, which often proved to be superior to facilities in Europe and the United States (Reischauer and Jansen 2005).

The Japanese attitude towards work is also considered to have been a major influence factor. The traditional farming life in a small and populous country with few natural resources had forced the Japanese to work hard to survive (Misumi 1990). Long exposure to natural forces such as the weather and periodic violent earthquakes had made the typical Japanese worker both sensitive and adaptable. The high rate of household savings after the war also supported economic development (Coates 1988).

Government support and intervention also contributed to Japan's development. From the 1960s, the Japanese government adopted policies intended to foster the development of a prosperous and sustainable economy. Economic growth was firmly guided and strongly encouraged by the government, focusing on certain key industries (Holroyd 2008) and the formation of industrial groupings in the form of *keiretsu* (Coates 1988); all this was framed by a strong sense of cooperation between the business sector and the government. The Japanese government tried to avoid the danger of business failure and consequent unemployment by controlling the private sector via a number of measures. Each industry was supervised separately by a government authority, which was empowered to use administrative measures to guide and support development in the particular field. The Ministry of International Trade and Industry, for example, had a supervising role in the manufacturing industry, whereas the Ministry of Finance controlled the finance industry (Okazaki and Okuno-Fujiwara 1999). However, government intervention did not encompass production schedules or targeted sales and profits. The government developed strategies which were highly supportive of the economy and the business sector, but did not interfere in their decision-making processes. This combination created the best environment for growth (Craig 1975).

Management and industry organizations therefore played an entirely different role in Japan from that of their counterparts in Western countries. They planned and implemented government policies to support the development of certain industries, and, at the same time, collected information about management activities from the companies and the company shop-floors. They acted as an information agent between the government and corporations, and, alongside the government and the *zaikai* (business world), comprised the third main force or player in the development of the Japanese economy after the Second World War. As well as information gathering, they also conferred greater power to individual companies in each industry and eased the implementation of government policies and regulations (Yonekura 1999, p. 181). Favourable tax and regulatory conditions for key sectors, as well as major national investment programmes, were further supportive of rapid growth (Holroyd 2008).

On top of this, the Japanese corporate structure was a powerful driver of the development of new management systems. Japanese corporations display the characteristics of the traditional Japanese family system, i.e. a patriarchal stamp and an awareness of social responsibility. In this, they resemble the small family shops and agricultural organizations of traditional Japan (Levine 1955, p. 61). Many observers assume that the *keiretsu* formed after the war and were intended to restore the old *zaibatsu*, but this is not the case. The *zaibatsu* had been under the control of a central holding company, which was owned by the founder family. These holding companies did not have the same power as holding companies in the West, but often only owned 10 per cent of the smaller corporations. Power was executed via the dependency of the smaller affiliates and the switching and interlocking of executives (Reischauer and Jansen 2005). Before the war, Japanese companies mainly relied on direct financing to raise capital. This was done by issuing shares in companies, but these shareholders had more power than shareholders do today, and also had a supervisory function as regards management (Okazaki and Okano-Fujiwara 1999).

On the other hand, the *keiretsu* structure, which was established after the war, often centres on a bank which already holds an average of 30 per cent of the shares. Indirect financing is the rule, as money is mainly being lent from financial institutions which monitor the corporation. This way of financing limits the power of shareholders, and encourages the lending organizations to make a long-term commitment to the welfare of the firm (Okazaki and Okano-Fujiwara 1999). The division between ownership and management was another driver of growth (Coates 1988).

The *keiretsu* also had strong ties with their suppliers. Manufacturing *keiretsu* could rely on exclusive, decades-old relationships with their key suppliers, and could buy products at prices that were non-competitive. They also often held shares in the supply companies (Aoki and Lennerfors 2013).

The *keiretsu* are powerful units in the Japanese economy; they not only provide support for directly affiliated companies, but also promote the economic development of the country through their economies of scale; highly integrated and reliable vertical structures; financial opportunities to invest overseas; and general reliability (Keys *et al.* 1994). The term *keiretsu* refers to 'clusters of independently managed firms maintaining close and stable economic ties, cemented by a governance mechanism such as presidents' clubs, partial cross-ownership, and interlocking directorates' (Grabowiecki 2006, p. 1).

The development of unique Japanese management practices

Certain modern management practices, which are unique to Japan, are another factor that has a close and interdependent relationship with Japan's fast economic development. Japanese management practices are strongly based on traditional Japanese values, work ethic, and cultural and social structures. Foremost are production and operations management activities – both areas in which Japanese corporations became world leaders in cost-effective and high-quality production. Up until the 1970s, Japanese corporations aggressively used Western technology through licensing agreements, and were even called 'copyists' during that period. This strategy of using existing technology was supported by a strong interest in developing effective production processes, quality control, and continuous improvement in technology and production processes (Ōmae 1982).

The Japanese production and manufacturing systems that were developed during that period include: just-in-time manufacturing and inventory control; total quality control (TQC); and the use of employee suggestion systems and quality circles (Young 1992, in Keys *et al.* 1994).

The just-in-time production system is intended to produce only what has been ordered by customers. Demand is what drives the production processes, assembly and subassembly schedules, and raw-material deliveries (Heiko 1989). Just-in-time is the perfect coordination of all these purchasing and production processes with consumer demand and volume of orders. Its main goal is to produce products with the highest cost efficiency and quality, and to reduce all forms of waste, such as unused inventory items, overproduction, or neglect of employee creativity (Liker 2004).

Management concepts such as just-in-time production and *kaizen* have now become a global standard. The suggestions system is used worldwide to leverage employees' knowledge and ideas, and quality-control activities such as quality circles (in which teams of workers meet outside of work time to develop ideas to improve production processes) are an important element in the Japanese production system (Kenley and Florida 1995), but also in non-Japanese companies around the globe.

Another relevant practice, which was only later seen as a main driver of rapid economic development, is human-resource management. Japanese corporations (often in the production field) grew very quickly during the boom years, and hired large numbers of workers. These workers often moved to Tokyo from the Japanese countryside, leading to rapid urban growth. Unique Japanese human-resource practices, which are still in use today, are seen as one of the keys to Japanese economic success (Firkola 2006, p. 115). These developments went hand in hand with increasing enrolment in compulsory education facilities such as primary and lower secondary schools; the advancement to upper secondary schools; and the establishment of new universities and junior colleges. The same period saw a rapid growth in the number of research institutions, both private and university-based. The consequent human-capital accumulation can be seen as another major factor supporting the fast growth of the Japanese economy (Kimura 2013).

Special practices emerged within firms to leverage this human-resource capital. The most famous practices are lifetime employment and the seniority principle. Lifetime employment or *shūshin kōyō* is still in place in many Japanese corporations today, notably in the *keiretsu*, and has been seen as a major supporter of the competitive advantage of Japanese businesses (Keys *et al.* 1994). Under *shūsuhin kōyō*, full-time employees in Japanese companies enjoy a certain protection against dismissal (see Chapter 12 on Japanese labour law). Lifetime employment is said to have its origins in the rice-growing tradition that had dominated the Japanese economy and culture for two millennia. Farmers growing rice not only needed to work in teams to bring in the harvest, but also needed to persevere and plan for the following season. Working in groups provided all members of the family or village with support in times of hardship, and even in the Tokugawa period the working relationships were usually established for life (Tudor *et al.* 1996). During the Edo period, villagers had little opportunity to travel and often spent their entire life in a village. As Firkola remarks, '[I]n this environment, the best way to ensure prosperity for oneself was to dedicate one's life to the prosperity of the village. This is a possible origin of the modern practice of lifetime employment' (Firkola 2006, p. 116).

Lifetime employment is seen as one of the main reasons why Japanese corporations and the Japanese economy were able to grow so quickly. Employees felt secure, and dedicated themselves fully to the company. Long-term projects could easily be undertaken, without fear of a destabilizing change in staff members. Loyalty to the company would also increase.

The lifetime employment and seniority-based system was strongly supported in *keiretsu* firms. Here, the long-term commitment of the financial institution supporting the corporation allowed companies to establish long-term relationships with their employees. The *keiretsu* consists of many different but related corporations, and these subsidiaries and subcontractors function as a buffer for the parent company in accepting staff transfers, so supporting the system of long-term employment (Okazaki and Okano-Fujiwara 1999). Lifetime employment also supported company growth, because many low-cost younger workers could be hired. These workers would stay in the company to be trained, and talented workers could then be assigned to long-term projects (Firkola 2006, p. 120).

Since Japanese employees are supposed to stay in a company for many years, lifetime employment and the seniority principle (*shūshin kōyō*) are generally inextricable. The seniority principle refers to the difference in the treatment of employees according to the length of their membership in the organization. Salaries are increased every year; promotions are often also based on the time spent in the corporation (Haghirian 2010a). Again, the seniority principle also has historical roots. During the Tokugawa period, there was an apprenticeship system in which young apprentices lived with their master and developed a strong emotionally dependent relationship with them (Tudor *et al.* 1996), not dissimilar to Japanese corporations of the twentieth and twenty-first centuries.

Lifetime employment and the seniority principle have a strong effect on the Japanese corporation. First, Japanese companies have a tendency to develop generalists instead of specialists. Employees in the *keiretsu* have common responsibilities because their individual job assignments are not clearly defined. This supports collective actions and general commitment to work, and encourages cooperation among employees. Consequently, Japanese employees also engage in efforts that go beyond their formal work assignments (Wang 2011). The lifelong membership in an organization also provides employees with a sense of prestige (Okada 1999) and a feeling of oneness that increases their feeling of motivation.

Knowledge management is another management practice that has also played an important role in organizational development, although it only became prominent in business studies in the 1990s. Japanese employees practising lifetime employment share more knowledge than employees in Western corporations, which eases new product development and engenders a feeling of unity. Whereas Western knowledge-management practices focused on technology tend to abstract knowledge away from the individual company member, Japanese organizations focus on tacit knowledge and knowledge creation (Nonaka and Takeuchi 1995).

The 1970s: the end of high growth

By 1968 the Japanese economy was overtaking the German economy, and in 1970 Japanese workers and employees attained the same level of income as workers in European economies (Smitka 1998). The high rate of growth came to an end in the 1970s, but Japanese success was evident. Within 30 years, Japan had transitioned from a low-technology and low-wage economy into a leading industrial nation that was renowned for innovation in various fields, including computers, automobiles, consumer appliances, and the development of industrial robots (Holroyd 2008). Japanese companies started to compete with Western firms in many markets (Lehmberg *et al.* 2013), and in some cases defeated them; and this led to the first scientific investigation of the Japanese 'model' and its relationship to Japanese culture and society. The rapid increase in Japanese foreign investment during the 1970s and 1980s led to rising interest in Japanese management styles and practices (Kenney and Florida 1995). This was the time when Western managers and researchers started to show a deeper interest in the Japanese economy and its traditional management styles (Van Wolferen 1989; Jackson 1993; Abbeglen and Stalk 1996).

The 1980s: the bubble economy

After the Plaza Accord, the value of the dollar dropped from 240 to 160 yen, and the Japanese government loosened its monetary policy. Credit became easily available, leading to a new Japanese management practice called *zaitech*, in which more money could be made by investing money in land and assets than from traditional business activities (Vaszkun and Tsutsui 2012). The so-called Japanese bubble economy had begun to inflate. In these years, Japanese companies borrowed massively from Japanese banks (which had obtained their funds from the high levels of saving by Japanese households). Ongoing inflation enabled the companies to pay their loans back without problems until 1990.

The bubble economy also had a strong influence on Japanese lifestyles. At that time, consumption became a hobby and a lifestyle, and foreign travel became very popular among Japanese consumers (Haghirian 2015b). Japanese consumers became known for their willingness to pay for the best quality and brands (Francks 2009). This led to an increasing number of foreign brands and corporations entering the Japanese consumer market (Haghirian 2015b). At the same time, Japanese companies tried to apply international standards within the workplace. One aspect of this was the position of women in Japanese firms. The Equal Employment Opportunity Law, passed in 1985, was largely meant to placate international opinions. It did not have the effect it was intended to have, namely to prohibit discrimination in hiring or promotions. Indeed, many companies introduced a system that was based on separating the management (*sōgōshoku*) from the administrative or clerical tracks (*ippanshoku*). In doing this, they developed a legal cover for the continuing practice of gender discrimination (Weathers 2006).

The 1990s: 'the Lost Decade'

In the 1990s, the bubble burst. Real estate purchased at bubble prices was no longer able to pay for itself, putting pressure on the businesses that owned it, and the banks that were left with bad loans either went bankrupt or turned to the government for support (Kobayashi 2006). A period of deflation and economic downturn followed, from which Japan has yet to fully emerge (Lehmberg *et al.* 2013). The long recession that mired the Japanese economy in the 1990s has led to that period being named the 'Lost Decade'. Growth rates were low, deflation pervasive, public debt was rising, and asset prices were weak. The Japanese government attempted a number of measures to stop the downward trend (Sharma 2014), but the performance of the economy could not return to the level of 1989. Real GDP growth fell from 5–10 per cent to 1–2 per cent in 1990. At the same time, unemployment rose from 2.1 per cent to a peak of 5.4 per cent in 2002. Land and stock prices both plummeted: the index of land prices in the six major cities declined from 100 in 1990 to 30.4 in 2002 (Vaszkun and Tsutsui 2012).

The economic crisis also led to stagnation in the Japanese *keiretsu*, which had to accept foreign investors to survive (e.g. Nissan) (Aoki and Lennerfors 2013). Japanese corporations also had to deal with the emergence of new challengers – South Korea, Taiwan, Hong Kong, and then China – which now offered inexpensive labour and high-quality products. Japan's competitive position in global trade and industrial production became vulnerable (Vaszkun and Tsutsui 2012).

At the same time, the practice of lifetime employment, which had supported Japanese development since the 1950s, suddenly became an obstacle to meeting the new challenges. Since

Japanese employees are highly protected, the only way to control labour costs is to reduce the number of graduates being recruited. At the same time, the number of older and more costly employees is growing (Firkola 2006, p. 121). The stable workforce that Japanese companies could boast of in past decades is suddenly not so stable. Short-term and part-time positions are increasing in number (Lehmberg *et al.* 2013). Corporations have tried to reduce costs by increasing the number of irregular employees: lower-paid, disposable non-regular (*hiseiki*) workers; part-timers, *arubaito* (side-job workers, often students); temporary agency workers; and contract workers. Although they have lower status and pay than the regular workers, in many cases they do equivalent work (Weathers 2006).

Large companies are increasingly stressing merit based on performance, and are downplaying the relevance of seniority for promotion and wages (Firkola 2006, p. 123). In 1984, 84.7 per cent of employees were *seishain* (full-time employees), whereas, in 2010, this number had decreased to only 65.6 per cent (Yoshida *et al.* 2013). This has had an influence on incomes and the standard of living in Japan, and, at the same time, these employees have lower chances of a proper career (Lehmberg *et al.* 2013).

The recession has also affected Japanese consumer behaviour. Traditionally, the Japanese were known for being consumers with very high expectations for quality, design, ease of use, and service. These attitudes received a major setback during the 'Lost Decade'. Consumers started to accept cheaper products, provided that they still offered good quality (Lehmberg *et al.* 2013).

The end of economic growth

After almost two decades of economic recession, it has become evident that the problems of the Japanese economy are multifaceted (Sharma 2014). The Japanese economy and the Japanese business world are facing numerous challenges, and these need to be addressed through structural reforms, as well as via attitude changes within companies and on the part of employees themselves.

One very pressing issue is inequality in the workplace and the shrinking labour force. Japanese employees were traditionally full-time, male, and enjoyed a number of perks from the corporation. Due to economic pressure, in the 1990s companies changed their employment practices and dramatically increased the number of part-time employees. This has led to inequality in the workplace and a growing number of Japanese who cannot earn enough to support themselves. Non-regular workers are generally paid by the hour, and, in principle, are not required to work overtime (many, of course, work irregular hours) (Weathers 2006). They do not receive the benefits of full-time, regular employees (working full-time with a contract that does not curtail the date of employment) such as lifetime employment, automatic promotion based on length of service, and large retirement pay (Nishiyama 2000). In addition, non-regular workers typically receive few or no social-security benefits, and their salaries are not part of the seniority system, whereas regular workers still tend to receive some form of seniority pay (Weathers 2006). Despite these differences, irregular workers and employees still work side-by-side with full-time employees and still undertake the same tasks. Thus, while irregular workers are finding it increasingly difficult to provide for their financial needs, Japanese companies are having to deal with a shrinking workforce and an ageing society.

Galapogization, globalization, and international competition

Japanese companies still tend to operate in an ethnocentric manner (Lehmberg *et al.* 2013). The press have named this the 'Galapagos Syndrome', or the 'Galapogization of Japan', referring to the fact that many Japanese products are extremely advanced but cannot be used outside Japan – much in the same way as the species on the Galapagos Islands evolved on their own separate path that was superior to the rest of the world, but remained isolated on their island (Inagaki and Ito 2012). Japanese mobile phones, which are highly sophisticated but dependent on Japanese infrastructure for their operation, were a typical product of this trend. Despite being trendsetters from the start (email capabilities since 1999, camera phones in 2000, third-generation networks in 2001, full music downloads in 2002, electronic payments in 2004, and digital TV in 2005), they became a 'little too clever', and did not succeed in overseas markets (Tabuchi 2009). Japanese mobile phones have thus become the most prominent example of a product which is only popular in Japan, and cannot convince an international audience. By focusing too much on perfectionism and hardware, many Japanese companies are losing out in the international consumer-product markets.

Abenomics and its effects

After taking office in December 2012, Prime Minister Shinzo Abe introduced a new programme, which has been named Abenomics by Japanese and international media. 'Abenomics' is a deflation-busting programme comprising the 'three arrows' of radical monetary easing from the Bank of Japan; fiscal spending; and attempts at structural reforms, including radical deregulation in new 'special economic zones' spread across the country. These efforts triggered a sharp drop in the yen and big stock gains, benefiting big exporters and the wealthy (Tachikawa 2014; *The Economist* 2013). The Abe government has found a solution that had already been proposed by Western observers (e.g. Weathers 2006, p. 42): women should increasingly take over management positions and fill the missing positions in Japanese corporations, and this is evident in the new attempts to increase the number of women in Japanese corporations.

At the same time, the Abe government set out some clear signs. It introduced an increase in the consumption tax from 5 to 8 per cent in 2014, and it plans to increase it further to 10 per cent (*Asahi Shimbun* 2014). In 2015, Abe announced that the Japanese corporate tax will be reduced from a top rate of 35 per cent to a rate of 25–27 per cent (Sharma 2014). The Abe government also introduced a new government code in 2015, which requires dramatic changes such as the introduction of two external and neutral directors in Japanese company boards (Benes 2015).

Conclusions

Based on unique cultural foundations, Japanese corporations managed to develop their own management practices and styles, many of which became international standards and still intrigue Western managers and scholars today. This chapter has explained how Japanese corporations were able to develop the particular management practices which supported (and in turn were supported by) Japan's rapid and unprecedented development after the Second World War. Japan became the only Asian country to have gone through a similar process of industrial development to its Western counterparts, and today is a post-industrial market and economy.

The need for change is understood in Japanese corporations and among Japanese managers. Japan is facing the questions of whether it prefers a stable and protected economic environment, or whether it should take a risk and develop a more liberal, market-oriented economy, which may also expose it to strong global competition (Vaszkun and Tsutsui 2012).

The past decade has shown not only that Japanese companies can change, but also that they have understood the necessity to change and adapt to the new globalized business world. The

Abe government promised change and implemented reforms, which are thought to be having a strong influence on corporations and Japanese management (including the support for entrepreneurship in Japan, and a new corporate governance code). But *major* structural reforms such as the deregulation of Japan's strongly protected health-care and agricultural industries; female equality and female participation in the Japanese workplace; and opening the country to more foreign labour, have so far not been on the Abe agenda. The question remains of how and in what form they will adapt, and whether these changes will have an effect on the traditional Japanese management styles.

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