LEARNING THE JAPANESE MANAGEMENT

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Abstract: *On the 4^{th} of February every year I add a new study to the managerial theory and practice. This year it is the turn of Japanese management, insufficiently treated in the international comparative management studies. I have written this book for those interested in the Japanese economic and managerial phenomenon and mentality. Through it, I try to generalize the manner of thinking and experience of the Japanese managers of some very successful companies. I present their life philosophy that, applied to management, led them to special performances even at times of depression. I am bringing to the foreground the origins of the group action mentality that underlies the efficient Japanese management conducted with skill and heart and by taking into account the interests of the beneficiary public and of the company employees. I have dealt with the Japanese managers who act in the business world while permanently relying on "social harmony" and the law of universal love and while still being concerned with those who work and with whom they make honest and fair business.*

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1. Introduction

In the past, Japanese management attracted the attention of numerous scientist and journalists as a consequence of the amazing success it attained. In the case of Japanese management too, the managerial theory and practice include two inter-relational stratifications: the economic-social one and the social-psychological one. By reference to the concrete state and region, both

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stratifications are impregnated with the ethno-psychological specificity. This way, according to its structure, the real theory and practice manifest themselves as science and art, characterised by unity even in the situation of different conditions of manifestation. In terms of content, these fields of science and practice are different owing to the same causes.

2. The state and the economy

Japan, as a capitalist monopoly state, determines its production relations and the character of management. In this advanced stage of development of the capitalism, the state actively finances the economy and creates the conditions for the reproduction of capital. Below, we are rendering the modalities of action of the Japanese government: (1) the setting-up of cartels to obtain complex products at competitive prices on the foreign market; (2) the reduction of the surplus production capacity through financial incentives of a different nature as well; (3) the diminution of the surplus of labour force in certain sectors, by involving the governmental bodies in transferring it to the expanding companies; (4) the selection of the companies that need to survive due to their importance for the Nippon economy; (5) the financing and support of the research domains and of the research and development activity; (6) the granting of subsidies for the export of certain products; (7) capital input for new investments and, thus, the stimulation of the newly-emerging companies; (8) the financing of the worker training and professional reconversion programs thus to have better prepared and more efficient teams (Nakatani, I., 1992).

Management in Japan, as in any other country, reflects the country's historical features, culture and social psychology. It is linked to the indestructible economic and social system of the country.

In Japan, enterprises, especially large ones, are rather urged to be social creations, institutions that secure the welfare of the entire society, and by no means instruments of personal enrichment of the owners and managers. In numerous cases, the owners of the enterprise appear depersonalized, their direct influence upon the leadership quite frequently being limited. As regards managers, these are actually senior personnel of that respective company.

In Japan, there is a specific form of popular, not private, capitalism that manifests in the minimum variation of the society in terms of prosperity, which makes the employees of the most important companies fall under the middle class category. And there are some dozen millions of such people.

All these are reflected in the Japanese style of management. In the popular capitalism, collectivism is adopted in society in general and in every company in particular.

Collectivism-based management appeals to the moral and psychological instruments of influence of personality. In the Japanese mentality, this feeling of duty towards the collective overlaps, above else, the feeling of shame. The Japanese are ashamed and they place themselves in an uncomfortable psychological position when they don't do or are unable to do what is required from them, i.e. not to be late at work, to give immediate and direct assistance to their colleagues, to do extra hours without asking for salary raises or bonuses on the one hand, and not to cause any nuisances to their colleagues by being absent from work, even in cases of sickness on the other hand.

Numerous methods have been elaborated in the Japanese managerial art that are applied successfully to secure discipline, accuracy and self-control in fulfilling every work task (especially in the process of production) and to mobilize the workers' innovative capacity.

Lately, the popular capitalism of Japan and, with it, Japanese management are quite criticized, above all by the Americans, for the so-called neoliberalism.

Having reached high levels of material production, of productivity of each company taken separately and high levels of quality of the production, the Japanese economy started suffering from insufficient initiative, both on the part of managers and that of ordinary personnel. The capacity to come up with initiatives must be understood through its main components, i.e. imagination, originality and independent vision, and by no means aggressiveness and the determination to adopt certain decisions for the enterprise's business. In other words, the development of individualism is necessary, because that is what Japanese society feels it lacks.

Faced with the Japanese management, with the model of Japanese capitalism as a whole, the mission is to detach personality and, within it, the initiative to secure the further development of the Japanese economy, but, in this process, to preserve social orientation to the largest extent possible.

The understanding of Japanese management in such a context is meant to help Romanian managers, business people and the governmental apparatus better understand and more competently solve our country's economic problems. Copying the Japanese experience to the foot of the letter is out of the question.

3. Management approach methods

At the same time, concrete problems appear: Why do Japanese corporations differ from their competitors in America and Europe? What does Japanese management really represent? What were the factors that secured the success of the Japanese management? What are the reasons why the Japanese management is currently subjected to criticism? How might the current problems be explained? While trying to provide answers to these questions, we first focused on the management approach methods of the Japanese managers.

In the specialty literature, many specialists approach Japanese management from different angles. The most wide-spread opinion is that Japanese management is different from the other management systems through its unique culture, which unites the members of the corporation and, consequently, contributes to the increase of productivity. According to this viewpoint, there are two main support points that also constitute the fundamentals of the Japanese business organization and leadership: harmony and the family-oriented management (in which the principles of cooperation materialize).

I have also noticed the existence of other approaches of the Japanese management, which refer to the orientation of the government. These approaches claim that the success of the Japanese economy after 1945 was largely conditioned by the foreign cooperation between the corporations and the government. Mention is made that a similar cooperation was practised in other economically developed countries, among which the USA and UK. Scientists partially minimize the role of corporations in the creation of the economic miracle, while excessively maximizing the government's role. The specialists in political economics confirm that such governmental institutions as the Ministry of Foreign Trade and Industry have played a decisive role in securing the sustained growth of the Japanese economy right after World War II. Other specialists demonstrate that, alongside the government, the Japanese corporations largely contributed to the economy and especially to the creation of the Japanese management system.

Certain specific clarifications may be found in the third conception that, in theoretical and oversimplified terms, confirms the fact that, to a great extent, Japanese corporations managed some organizational innovations through the work of the managerial teams and the workers' control over the companies. Owing to the exchange of information between the managers and the workers, a special mentality was born (*kaishashugi*), which conditions the fact that the company's interests were put in the foreground by the collaborators. This fact, in its turn, secured the introduction and expanding of innovations and the increase of productivity. This conception, which explains and relies on the internal factors of success of the Japanese management, is considered to be a lot more profound than the two preceding ones. Nevertheless, it cannot explain the emergence of the problems that Japanese management is confronted with.

4. Defining traits

Next, we will present some important, distinctive features of the Japanese management that distinguish it from western management.

The starting premise is certain, namely, in terms of style the Japanese management distinguishes itself from the western one and, consequently, it will be studied in a special manner, from and independent perspective.

Some have found that Japanese management may resemble certain types of management that exist in some western or other companies. Some go even further and insist that all the capitalist types of management (even Leninist ones) are fundamentally identical. For instance, typical classical and neoclassical economic theories study all the types of activities under the practically identical conditions of the free market. On the one hand, some scientists, known as neo-institutionalises, have finally understood that different economic organizations may be successful on the market and that, in the capitalist system, there are different management practices.

As to the facts exposed above, in case these assumptions are true, the institutional differences of different countries may be underlined, within the framework of the capitalist system, which confirms certain advanced view-points referring to the practice of business organization and management. In what regards the fact that, throughout the course of a long period, humanity adapted to different local conditions of the external environment, a different aspect was gained, together with the different culturological practices. Obviously, in a similar way, corporations have also adapted to their local conditions. Japanese corporations have created the intra- and inter-cooperative system of relations that is called *keiretsu*. *Keiretsu* and the Japanese management unconditionally and significantly distinguish themselves from the inter- and intra-corporate system of relations and from the managerial practice adopted in America and Western Europe.

It is essential to bear in mind that, in such a situation, the Japanese management is defined by two important features. Firstly, it represents a more efficient system from the point of view of innovation and productivity increase. Secondly, this system allows work to be used much more efficiently, and not only through the recourse to material incentives, which differs from the opinions of the theorists of economics and management that stress the fact that material stimulation represents the basis of production efficiency.

Starting with the 1970's the Japanese management has had an explosive development. This 'Japanese miracle', as the phenomenon is frequently referred to, has 3 defining features: (1) the cultural argument, which takes into account both the characteristic values of the Japanese context and the institutions that bring advantages to this context; (2) the Japanese's theory which explains that the Japanese has created important values, not only by wanting to be the best, but also by settling for little. This is how he/she acquires the capacity to create quality products and to get involved in increasing the economic efficiency based on the principle of "maximum production and minimum consumption"; (3) the Japanese management system, which adapts the way management principles are applied to the social, cultural and economic characteristics and to the historical context of the country.

5. Success factors

The differences between Japan and the U.S.A., i.e. between the management of Japanese companies and the management of American companies have been noticed by the greatest analysts of management and economy in the world, such as H.J. Harrington, Peter Drucker or Alvin Tofler. These analysts consider that Japan's economic success in the second half of the last century was due to the following factors:

- The political decision and macro strategies for one, two or three decades;
- Long-term planning, because Japanese companies adopt plans for 10-30 years with respect to their target position in a certain domain;

- Sacrificing the present for the future, i.e. Japanese employees agree to work hard for medium term for future benefits;
- Japanese companies devote more time to planning (Japan 40%, U.S.A. 20%), which allows fast implementation;
- Japanese companies have revolutionized the quality of products and services through total quality management;
- Since they have future plans for 30 years, the top management is more motivated to invest in research and development (Japan's investment in civil research is 50% higher than the U.S.A.'s);
- Japan has its own tradition of pre-university education, which is superior to that of the West (Japan – ranks 1st in the world; U.S.A. – ranks the 17th). In what concerns other levels of education – B.A., M.A. and PhD programs – the word is that they represent an exam nightmare;
- Japanese companies are superior to those in the U.S.A., Canada or Germany in terms of improvement of the processes that take place in the company structure (an idea developed in 1993 by Hammer and Champy through the concept of Reengineering the Corporation).

6. Specific structures

The issues dealt with in this paper focus on the sociological and anthropological aspects, starting from the finding that there are papers in the sociological and anthropological literature that compare the management or the corporate structures of Japan with those of the nearby countries. For example, the Korean and Taiwanese corporate structures and managerial tactics are similar to those of Japan because of the cultural and geographical proximity. However, Confucianism and the Cold War are taken into account. Nevertheless, the Japanese management and corporate structures differ from those of Korea and Taiwan, since the Korean and Taiwanese managerial tactics do not combine the two characteristics of the Japanese management system – high productivity and low financial stimulation.

7. Keiretsu

The features of *keiretsu* are the following:

- Corporate management: institutional ownership, cross ownership of shares, the collaborators' control;

- Intercorporate relations: competitive relations; strategic alliance; vertical and horizontal alliances; diversification;
- The organizational culture includes: harmony; a sense of equality; strong traditions of cooperation; trust above all efficiency;
- The survival strategy is based on diversification (diversity) in management.

8. Institutional changes and reforms

We begin with the institutional changes that have occurred in the process of organizational evolution and that are strictly related to the success that the Japanese management had in the past. The Japanese management is now entering a new phase of evolution, by being up against globalization and the internal issues. Both the international and the national contexts have changed and the Japanese corporations are trying to adapt to these changes. For example, the Japanese *keiretsu* institutions and workshops, which are based on the principles of Toyotism, have crossed many evolution phases and obtained different types of success. These changes were caused by the following factors: post-war reforms; corporate management; work and management; financial institutions; *keiretsu*; women; threats from the external environment.

Then, we focus on post-war economic reforms that led to the dissolution of the old regime (*zaibatsu*) and the implementation of the new system, *keiretsu*. Due to this system, the militaristic and imperialistic state was turned into a modern industrial society, based on political democracy and the state's involvement in economy. Particularly, the post-war reforms secured the *keiretsu* institutional structures, which represent the liberal ideal of ownership expansion and the workers' co-participation in the adoption of the management decisions. Furthermore, there was also a renewal of the Japanese mentality that took place after the traditions of the old Japan were abandoned. The new Japan had to change quickly in order to eliminate any reactionary elements from the market.

We grant a special place to the Japanese corporate management, which has become the institution for the post-war reforms, by eliminating the family foundation of pre-war corporations. Corporate management is a control system in which the formal and informal institutionalized aspects manage to influence the results of the corporate activity.

The management structure of *keiretsu* has become a sort of compensation that replaced the absence of corporate ownership by introducing institutional and collective ownership, as well as the control method represented mainly by the banking system, called the general banking system.

9. Relations and behaviours

In what concerns the relations between workers and managers (or the industrial relations of production) in Japan, they are significantly different from those of any other capitalist country. In time, the status of workers changed in the Japanese society, in general, and in the corporate structures in particular. This led to the creation of some more equal relations between "the white collars and the blue collars" (between managers and ordinary workers).

One of the basic elements of the Japanese behaviour and management is the so-called *amae* – the specific state of dependence and mutual assistance that exists between the employees of any organization. Interpersonal relations presuppose the existence of a certain emotional attachment; therefore the dependent person behaves in a certain way: he/she avoids assuming individual responsibility, avoids initiating actions, and expects the boss to have the initiative and to protect him/her. *Amae* is of vital importance to the psyche and emotional stability of the Japanese. *Amae* impregnates the entire social structure, thus becoming dominant in the Japanese mentality and behaviour (Okumura, H., 2000, p. 123).

Specific of the Japanese social climate and culture is the so-called paternalism, groupism and familiarism. Therefore, in the Japanese organizations, the situational context has the priority as opposed to the personal attributes of the members. During confrontations between a Japanese and another person, the Japanese is more interested in the group that the opponent belongs to, than who the opponent actually is. This means that the Japanese promote the group, the affiliation to the group and the relations between the members of the group.

Tightly connected with *amae*, another interpersonal relation that is specific of the Japanese culture manifests vertically in any organization: the *oyabun-kobun* (*oya* – father, *ko* – children) institution. In essence, *oyabun-kobun* designates the relations that are established between persons from different hierarchical levels in the process of work. A higher ranking person is *oyabun,* and several *kobuns* are subordinated to him/her which he/she treats equally, without discrimination. An *oyabun* may have several *kobuns*, but a *kobun* is always affiliated to a single *oyabun.* Any Japanese organization is a network of such relations that secure its deep cohesion.

For the purpose of establishing such relations, certain rules of conduct are set, alongside which, a wide range of actions meant to allow the company employees to spend their spare time together make a major contribution. The result of these actions is the absolute pre-eminence of authority, the manifesting of great respect towards the superiors, and the wide proliferation of the leaders who have an affectionate, warm style of work and who are preoccupied to promote and protect the interests of those respective *kobuns.*

10. The proliferation of "small groups"

Another major characteristic of the management and activity of Japanese organizations is the vast proliferation of "small groups" and "cliques" that are named *habatsu* in Japanese. A result of the specific Japanese mentality and behaviour, small groups are basic functional components of the governmental bodies, of the political parties, of the great enterprises etc. The most frequent criteria of creation of such groups are the graduation of the same universities, marital relations and common work within the same collective. Small groups protect the interests of the members and, simultaneously, secure a system of contacts and balances within each particular structure.

In financial terms, immediately after the implementation of the after-war reforms, the Japanese financial institutions regrouped and removed the old *zaibatsu* system. Mitsui, Mitsubishi and Sumitomo Group pulled *zaibatsu* apart and stepped forward into a new age of corporate cooperation between companies and financial managers. Industrial (or urban) banks, often called 'main banks' owing to their ties with the *keiretsu* corporations, entered long term contracts with the financial institutions with regard to the common property.

As regards knowledge, *keiretsu* may be seen as the result of the long opposition between the American occupation troops, the Japanese government and the corporation managers. The objective of the post-military reforms was to institute the free market following the ideal American economic model, in which small business companies were supposed to dominate. This model, designed by the Republican Party, removed the great monopolies from the market. *Keiretsu* may be approached as an organizational innovation that allowed obtaining advantages from the cold war, but it may also be regarded as a family technological innovation that Japan has demonstrated to the world for the last decades.

11. Women and the environment

A specific aspect not only of management, but of the entire social life as well, is represented, in the history of humanity, by women, who have contributed to the economic development by different means. Nevertheless, the economic theories of development and growth ignore the women's significance. Management theories too fail to pay serious attention to this issue. In the traditional practice of Japanese management, women's work was considered short-term work (until the age of 30 or until marriage). The earnings of Japanese women were much lower to those of western women.

Unfortunately, both in the general management theory and in the Japanese managerial practice, insufficient attention has been paid to the living environment of the dwellings and the biosphere. In the opinion of numerous Japanese experts, the significance of environment was only understood too late. The degradation of the biosphere and of the working environment is the sacrifice made on the altar of modernization. The problems of the environment obviously influence the new Japanese management practice.

12. The restructuring experience

We cannot conclude the introduction without briefly referring to Japan's restructuring experience, an extremely topical and useful theme for the theorists and practitioners of management.

In economic and financial terms, after being defeated in World War II, Japan was under the domination of the occupation troops and had to demilitarize its economy and government. In such harsh conditions, the country was able to turn the "Japanese miracle" to fact. The rest of the world witnessed it for 30 years.

Japan's restructuring process followed. It was influenced by various factors, among which patriotism and the concern for the nation's flourishing prevailed. They constituted the general purpose of the economic, financial and political leadership of the country and of the entire population, a true strategic systemic approach of both great and small problems, at all the levels of competence, management and efficient communication. Stress was laid on the "three pillars" of the Japanese economy, on the artful use of the previous experience and tradition and so on. The results obtained in economy and the social sphere, and especially the people's welfare generated great enthusiasm. One can learn about restructuring a country from the Japanese lesson.

Not surprisingly, the Japanese miracle also had another side: corruption, the manifestation of group and individual selfishness, the discrimination of women, the destruction of the environment. Carried away by their success in management, the Japanese lost their dynamism and flexibility, they failed to struggle for innovation and that left them unprepared for liberalization, in the conditions of globalization during the early 1990s. Thus they had to adopt the current restructuring system, based on the American conceptions of *Fordism* and of scientific management. The very return to the one-century old ideology of management can speak both of the crisis of the capitalist management ideas and of the divergence from humanism in business.

13. Company reputation

In this work, I have given a special place to explaining the causes of success of Japanese companies after World War II and of their failures during the early period of globalization in the 1990s: the Japanese managers as major factors; the features of the organization of the entire economic management system by the Japanese state, of the mutual complementation of the Japanese institutions of power and economy and, also, of the technological complementarity. It's about the creation of a perfectly orderly system, whose elements, in their entirety, from the government to the ordinary worker, participated in the effort to attain the goal of general development of the country's economy. Such collaboration allowed obtaining the synergistic effect called "Japanese miracle". We must bear in mind the systematic nature of the Japanese management and the inter-conditionality of such phenomena as life employment, company unions, merit-based rewarding, education and learning at the workplace, alliances inside and outside *keiretsu.* All these underline the special part played by the government in securing the efficient operation of the system. Also, we must not forget the concrete historical and situational character of the

Japanese management system. A few myths exist about the working-class' control based on the stimulation of the labourers' work and women's role (Roberts, G. 1994, pp. 48-49).

14. Conclusions

On their historical path, the Japanese management and economic model have allowed the country to mobilize the human and social potential of people in an effective manner to secure a continuous growth of production. Certainly, the understanding of the Japanese management can help the Romanian managers, businessmen and, why not, the specialists in the field of management and economics get into the depth of the Romanian economic and managerial problems that are oriented towards the improvement of the production process. Mastering the essence of the Japanese management can be useful to any organization that wishes to last and to develop economically, socially and ecologically.

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