

Is Japanese Management Different?
- History and Future for Japanese Management Methods -

Name: Vaszkun, Balázs

University: Corvinus University of Budapest

Address: 1093 Budapest, Fővám tér 8.

Telephone: +36 30 257 6600

Fax : +36 1 482 5018

Email: balazs.vaszkun@uni-corvinus.hu

Supervisor: Dr. Dobák, Miklós

Email: miklos.dobak@uni-corvinus.hu

16th EDAMBA Summer Academy

Soreze, France

July 2007

Abstract

Japan can be highlighted in management theories since the 60's when Japanese miracle occurred. The aim of this paper is to understand better how Japan's history explains management practices of the 20th century and to find ways to identify specific cooperation practices. In Japan, where long term perspective is said to be traditional, proliferation of networks and cooperation all along the history could be observed. In today's economy, strategic networks and alliances become more and more frequent phenomenon. Therefore, better understanding of cooperation and lower transaction costs of alliances could help organisms to overcome the global financial crisis.

Keywords: Japan, Management, Taylorism, Quality Control, Cooperation, Network

1 Introduction

Explicit management theories exist mainly since the industrial revolution. Although most of technical innovations came from Europe, US have been a pioneer in creating and “marketing” them. Therefore, what we call management sciences or management theories today is coming from American schools. The big steps are interesting to overview: from the 19th century can we talk about the Classical or Rational school (Taylor, Gantt, Fayol, Weber...), approx. from the twenties about HR or Social school (MP Follett, Mayo, Roethlisberger, Barnard...) and after the WW2 about Open Systems (Contingency, System Theory) which later leads us to the development of management branches of today (strategy, control, HRM and OB). Changes in the dominant paradigm have been due to technical evolutions (mass production), to social evolutions (Maslow needs, etc.) or important events like the “Japanese Miracle”. Tomorrow's theories and paradigms are introduced by today's evolutions, events, trends.

2 Research content

2.1 Networks and Cooperation

The phenomenon of globalization is clearly one of the most – if not the most – important issues of 20th-21st century's business life. Cooperation or strategic alliances between

companies, organizations and even countries are consequences of this phenomenon. Why? Because available markets become larger, because competitors become stronger and stronger, so does competition between them.

The prize to win is so high, potential market share is so important that it cannot be ignored by the players. Today it seems that for companies the only way to stay in the game and have comparable power to their competitors is to join networks, build up alliances where they can merge forces and take profit from synergy.

Since the 70's, strategic alliances and business networks became common ways of doing business in the USA and in Europe as well. During the past 4 decades, plenty of complex, deep analysis have been made about those alliances, their limits and the high costs of non-cooperative behavior. (Researchers have been focusing especially on American and/or European cases.)

At the dawn of the 21st century, it is time to overcome those limits and enable companies to use networks in a more efficient, more intense, more evident way.

2.2 Japan and Cooperation

Japan is the country where cooperation, networks and cartels exist since more than a century. The history of Japanese economy might give new ideas for the use of networks even in the Western world. Since the Meiji era and especially the reconstruction of the economy after WW2, different forms of association or cooperation (among firms in the same industries, across industries, between public corporations, private companies and state agencies, etc.) shape and define the basic characteristics of Japanese market structure and corporate enterprise.

Although the phenomenon of cross-shareholding (one of the flagship of Japanese networking practices) declines quickly since the financial crisis of the 90's, social and economic networks do still strongly characterize the country of rising sun.

The reconstruction of shareholding system results in strengthening M&A activity where there are exciting opportunities of observing attitudes about cooperation in Japan (especially when different *keiretsus* are merging or creating joint ventures).

Companies can form alliances in order to acquire cheaper or better input materials, capital, to make cheaper or better output and in order to increase or protect their market share. All these forms are common practice in Japanese economy.

2.3 Hypothesis 1

Based on the logic detailed above, I have tried to find 2 hypothesis which can help to describe the Japanese management past and maybe the future. The past is evidently easier but it should explain somehow the last 20 years of crisis as well.

The first hypothesis of my dissertation is as follows. What we have been calling “Japanese Management” after WW2 is entirely based on foreign (American) practices. The renewal which would be needed since the 90’s might be delayed because of a lack of example to copy (in terms of management).

The two parts of the paragraph are important. The Japanese model of management is (has been) very consistent and homogenous. The core of it is the 4 “treasures”, as most of the experts affirm: the life-long employment, the seniority based compensation, the long promotions and the corporate level unions. Many books prove today that in Meiji period, as reforms for Japan with Western assistance, roots of the actual system have been laid down. Taylor might be the name who influenced the most the new management practices coming into existence. Before WW2, the “Rationalisierung” movement from Germany gained dominance over the economy and politics. After the war Americans came to care about quality management on the island, which reinforced consequently the competitiveness of Japanese products on the world market.

If we look at Japan’s history since the 19th century, either the country went in a way of slow down, isolation, catastrophe, or it progressed following foreign examples. The 90’s brought a long period where economic growth slowed down and / or turned into negative, and this crisis could not be resolved even until now. By 2009 from the beginning of the 80’s, Japan could not manage to find the recipe of miracle again. But the problem might be also that there are no more foreign examples to follow neither (or at least not for the moment), even liberal capitalism and the dominant position of the States are blurred by the 2008’s crisis.

2.4 Hypothesis 2

The new trends of our changing world do often make us closer to the context of the Japanese management model. For example: with the globalization, cooperation tends to reinforce between partners. Or, after global financial crisis of 2008, nations put more regulation on economy and its players. The next hypothesis follows after an evaluation of importance for strategic alliances and cooperation. Looking at business news it is to be shown in what extent

management is based today on networks. After this evaluation comes to a point that Japan, traditionally strong in cooperation, might have some practices which are interesting to copy for others as well.

My second hypothesis: In Japan, specific cooperation practices exist which can be applied to companies of other nations or countries as well.

There are even examples where competitors realized cooperation in their competitive market! I would like to discover relations between conditions and cooperation.

The basic point is logical. Common wisdom says cooperation exist more likely between partners with long term vision. In that sense, Japan's traditional long term perspective in corporate governance and management makes the nation one of the champions in networks and cooperation. Their methods and applications are to be discovered in companies using interviews.

3 Implications

My objective during one year spent in Japan is to analyze these forms of cooperation and understand the differences between Japanese and Westerner practices. I will try to describe the necessary condition that make networks live and find propositions, ideas for European and American companies about how to have better / cheaper networks. Times to times transactional costs analysis and theory will help me.

Findings should be able to help reorganizing management practices in companies all over the world and allow to business units building quicker escape from crisis.

4 Research methodology and research plan

After having acquired an overview of existing literature available in English, French, German and Hungarian, I will conduct around 20 personal interviews with professionals who are expert of the subject, including university members, managers from Japanese companies and from foreign companies operating in Japan. I will complete the picture of this qualitative research with interviews made in Hungary, at Japanese subsidiaries.

Time schedule of research:

June 2009 – September 2009: review of bibliography available in Hungary

October 2009 – December 2009: review of additional bibliography available in Japan

January 2010 – July 2010: preparation for personal interviews, realizing 3 interviews / month

August 2010 – September 2010: compilation of research findings, control and validation by host professor

Follow-up of the fieldwork conducted in Japan:

October 2010 – September 2011: realizing other personal interviews in Hungary and Europe, deeper analysis of collected data, dissertation in English and in Hungarian

5 Bibliography (estimated)

Alvares - Sato	Enseignants et écoles au Japon
Bakos	Japán csoda (Japanese Miracle)
Benedict - Sadahiko	Krizantém és kard (Chrysanthem and Sword)
Ferber	A felkelő nap árnyéka (Shadow of the Rising Sun)
Gordon	The Wages of Affluence
Gordon	The Evolution of Labor Relations in Japan: Heavy Industry
Gordon	Labor and Imperial Democracy in Prewar Japan
Hatch - Yamamura	Asia in Japan's embrace
Hook - Weiner (Ed.)	The Internationalisation of Japan
Jackson - Tomioka	The Changing Face of Japanese Management
Kiglics	Japán - Múlt a holnapban (Japan – Past in the Future)
Kumazawa	Portraits of the Japanese Workplace
Marosi	Távol-Keleti Menedzsment (Far East Management)
Marosi	Japán vállalatok vezetése és szervezése (Japanese companies and their management)
Mathews - White (Ed.)	Japan's changing generations
Meyer	La Puissance financière du Japon
Móczár	Gazdaságirányítás és tervezés japán módra (Economic Planning and Management in Japan)
Peres	Chronologie du Japon au XXe siècle
Porter - Takeuchi - Sakakibara	Can Japan compete?
Pyle	The Making of Modern Japan
Reischauer	Japan's History
Sabouret	L'empire de l'intelligence
Shibayaki - Trevor (Ed)	Japanese and European Management

Szerdahelyi - Wintermantel
(Ed)

Takafusa

Tottman

Tsutsui

Japanológiai körkép (Lectures on Japanese)

Lectures on Modern Japanese Economic History, 1926-
1994

Japan's History

Manufacturing Ideology

+ approx. 100 articles