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# Japanese Management Practices Past and Present

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This paper introduces key aspects of personnel management practices in Japanese companies. Japanese management is first discussed from a historical and cultural perspective. The main characteristics of traditional personnel management practices are then looked at. Finally, recent trends and changes in these personnel management practices are examined. It was found that Japanese companies have adapted their personnel practices in varying degrees to deal with the changing economic environment while maintaining parts of the traditional management system.

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## 1. Introduction

In order to work in Japan or do business with Japanese companies, it is important to have an understanding of Japanese management practices. During the 1970s and 1980s, the personnel practices of Japanese companies were seen as one of the keys to the Japanese economy's success, while often seen as unique and mysterious in other countries. During the 1990s, when the Japanese economy went into recession, these same personnel practices were seen as a large part of the problem. Much has been written about the demise of these traditional management practices. As well, foreign media often place too much emphasis on special cases such as Nissan Motors. Thus, one can get a distorted picture of what is happening in most Japanese companies.

This paper aims to help readers understand management practices in Japanese companies. It first looks at the origins of Japanese management, followed by a discussion of the key characteristics of traditional management practices. The final section will explain how management practices have been changing over the past decade as a result of changes in Japanese society, the Japanese economy and the global economy.

"Japanese management" refers to management practices that are characteristic of Japanese companies and different from non-Japanese companies.[1] This paper will focus on personnel (human resources) management practices within Japanese companies. Although it is only one part of the company management system, personnel practices provide insight into understanding the overall management system and the changes Japanese companies are facing. Personnel management also offers a window into understanding the history and culture of the country.

# 2. Origins of Japanese Management

## 2.1 Theories about the origin of Japanese management

There are two theories on the origins of Japanese management. One theory states that history and culture are of little importance and that most of the current Japanese management system has developed over the past sixty years.[2] This theory asserts that much of the changes in the Japanese economy occurred in episodic phases, such as the rapid industrialization at the beginning of the Meiji period (1867-1910) and, in particular, after World War Two when American management practices were introduced into Japan and adapted by Japanese companies. This postwar evolution theory claims that most business practices developed after World War Two and have little to do with pre-modern Japan.

The second theory argues that history and culture are important.[3] This continuity theory asserts that modern practices are based on the practices and values of pre-modern Japan. There are many explanations about the historical and cultural roots of Japanese management. Some of the possible roots and their characteristics related to Japanese business practices include Confucian philosophy (respect for elders, loyalty, harmony), Buddhism (humility, work ethic, working for collective good), Bushido (obligation, duty, honor) and rice farming villages (paternalism, collective behavior).

Both theories provide valid arguments and the truth lies somewhere in between.[4] Certain management practices are more recent than others yet culture and history are also important in understanding modern Japanese business. Rice farming village communities in pre-modern Japan, for example, provide insights into the origins of many key characteristics of modern business practices such as paternalism and collective behavior.

## 2.2 Rice farming villages in pre-modern Japan

Business historians such as Odaka believe that the rice farming villages during the Edo period (1602-1860) provided the foundation for the behavior and values of the modern Japanese company.[5] Unwritten rules and values were shared by the members of these villages. As well, lifelong membership, age-based roles and collective behavior were important characteristics of these communities. It is these three characteristics that are seen as predecessors to modern Japanese management practices.

*Lifelong Membership*

During the Edo period, there was little chance to travel outside one's village. This limited mobility meant that individuals born in these villages often spent their entire lives there. The fortunes of all of the villagers were tied together throughout their life, thus members of a village shared a common fate with one another. In 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.

*Age-based Roles*

In these communities, one's age and experience would determine one's role and status. Much of the learning was done by apprenticeship and emphasis was put on learning correct behaviors and work ethic. Younger members of the village would start by watching and learning from older village members. They would then be allowed to work under supervision and, finally, to work on their own unsupervised. Based on their age and experience, members took on more important roles in the village. The leaders of the village were the male elders who were responsible for much of the decision-making. This is a possible origin of seniority practices in modern companies.

*Collective Behavior*

The practice of wet rice farming required an emphasis on group work, and villagers were taught to put the collective needs of the village before their own individual needs. It was important to maintain harmony and avoid direct conflict with other village members. Villagers were dependent on the village for all of their needs, including housing. There was thus a tradeoff between the security which the community offered and the loyalty to the village which was required in return. These values of collective behavior are still important today in modern corporations, for example, in union and management relations.

How are these practices of rice farming villages connected to modern management practices? One explanation is that these practices were adapted by merchant houses during this period. Merchant houses had codes of conduct that contained specific rules regarding lifetime employment, seniority and collective behavior.[6] They also used an apprenticeship system in which there was a correlation between age, experience, knowledge and skill. Young men who joined these merchant houses would spend years in training, slowly moving up in position. In some cases, they started their own business with the support of their merchant house employer.

These practices were adapted by business organizations in the late nineteenth century when Japan was industrialized and urbanized. At that time, Japan attempted to catch up with industrialized Western countries and imported Western technologies. In order to prevent the labor problems found in the West, many emerging businesses tried to model the characteristics of the merchant houses and the rice farming villages.[7] By doing so, Japanese organizations created a structure that prevented worker alienation and promoted worker cooperation.[8]

Modern Japanese companies share many of the same values and behavior norms of pre-modern rice farming communities. The three characteristics of lifelong membership, age-based roles and collective behavior are the predecessors of traditional Japanese management practices. In the next section, these traditional management practices are examined.

# 3. Traditional Japanese Management

## 3.1 Pillars of Japanese management

The economic environment in which these management practices were cultivated is important. During the postwar period of the 1950s to the 1970s, Japan was rebuilt and its economy grew rapidly.[9] Japanese companies were trying to catch up with their Western counterparts. Workers dedicated themselves to their companies, and the education system implemented after the war helped create an educated workforce. It was at this time that Japanese companies reintegrated three key management practices: lifetime employment, seniority and enterprise unions, into a company's overall personnel system. These three practices were first identified by Abegglen in his book in the late 1950s.[10] Each of these practices will be examined along with their advantages and disadvantages.

*Lifetime Employment*

Lifetime employment refers to the practice of allowing workers to remain with the company throughout their work life. Lifetime employment was not unique to Japan and was practiced in other countries, particularly in government and military organizations. Unlike other countries, however, lifetime employment in Japan was widespread throughout most organizations, in particular, large companies. The lifetime employment agreement was unwritten and there was no written contract guaranteeing that the individual could stay with that company until retirement.[11]

Not all workers received lifetime employment, however. It was limited to male university and high school graduates in large companies, meaning that roughly 30 percent of the workforce had lifetime employment.[12] Female workers were mainly hired as part-time contingency workers, and were encouraged to leave the company after they were married.

Lifetime employment was integrated into the company through recruitment, training and transfer practices. For university graduates and certain high school graduates this meant joining a company after graduation and working with that same company until about age 55. Students would be recruited during their final year of university or high school. The recruit agreed to take on general employment rather than being hired for a specific job in that company; it was understood that young Japanese were looking for a company and not a job. Recruitment was thus an exchange of commitment: the recruit agreed to join the company and the company assumed the obligation of looking after him for as long as possible.

After joining the company, recruits spent a number of months receiving general training. During this time the emphasis was not on learning specific skills but rather on learning about the company and the way to work and behave in the company. These new workers would then be placed in a section of the company without being given any choice, and spent the next few years learning from senior workers in that section.

Every three to five years, workers were transferred to different sections

which were often located in different parts of the country. These transfers tended to be of a general nature with workers moving across functions, such as from marketing to accounting, rather than staying in one particular functional area.[13] This type of cross-functional transfer would continue for many employees into their 30s and 40s. Employees were given little choice with regard to transfers and it was clear that transfer decisions were based on company needs. These recruitment, training and transfer practices relied on a tradeoff between job security and loyalty.[14] This implicit understanding between workers and companies in Japan remains as one of the key underlying principles of business management.

*Seniority*

Seniority refers to a system in which promotion and wages were determined based on the number of years in the company. It was assumed that length of service was correlated with increased experience and accumulated knowledge. The seniority system was based on the number of the years in the company and not specifically on the worker's age, thus making it a deterrent to change jobs. Promotion and wages were actually based on a combination of length of service and merit, with seniority carrying greater weight. Personnel practices such as training and promotion were based on the seniority system.

Training was mainly on-the-job training and based on learning from senior workers. Employees would start out by just watching others do the job. They would then do the job while supervised and finally be able to do it on their own unsupervised. Thus, employees would have to depend on their supervisor and other senior workers for their training. In part, due to the seniority system, older workers would share their knowledge with younger workers as they did not have to worry about being skipped over by younger workers.

Promotions were seniority-based and tended to be slow and limited in the early years of a career. The first promotion often did not take place until a worker was in his 30s. Early in their careers, workers rose through the company at about the same pace as members of their cohort. Moving together with members of the same cohort would build cooperation among these workers. Once this period was over, some employees were promoted faster than others.

Although there were no promotion or wage differences early in their careers, there were other ways of rewarding talented young workers. For example, talented young workers would be matched with good supervisors to develop their skills, or they would be transferred to prime company locations, such as the head office, where they could make contacts that were important to their future advancement.

*Enterprise Unions*

Japanese enterprise unions had a number of characteristics different from unions in other countries. First, enterprise unions were single company unions, as opposed to trade unions, which the employee belonged to. There was no differentiation based on occupation or job category. Second, these unions

where comprised of full-time company employees, both blue-and white-collar workers who were below the level of section chief. Part-time workers, upper-middle managers and higher were not part of the union. Third, these unions had a dual relationship with management. They met with management to discuss collective bargaining and also met to discuss company business strategies.[15]

These unions were more cooperative than confrontational with management. The union leaders were company employees transferred into the union for a number of years, and taking on these leadership positions often led to future management positions. In addition, companies often provided the unions with office space. Because of this cooperative and close relationship, it has been questioned whether Japanese enterprise unions were really independent and represented the workers best interests.

The main role of the enterprise union was the spring wage offensive (known as *Shunto*), when the union would negotiate their members' monthly wage increases for the next year. The enterprise unions tried to obtain increases based on industry federation guidelines that set targets for wage increases. Companies made an effort to adhere to these industry guidelines. The unions exerted pressure for wage increases yet avoided striking or making demands that would hurt the company. It was believed that enterprise unions and the company had an interdependent relationship, which linked the fate of the union to the company.

### 3.2 Advantages and disadvantages of traditional management practices

These traditional management practices benefited both the company and the employees.[16] From a company perspective, this system supported economic growth and was cost efficient. As long as the company kept growing, more lower-cost younger workers could be hired. Ideally this would create a workforce whose base was made up of young recruits. Based on seniority, these younger workers were the lowest paid, so labor costs were kept under control. This, in turn, led to economic growth in the company.

This system deterred workers from leaving their companies even if they were unhappy with their jobs. If a worker took another job, he would lose his seniority. And, since employees did not often leave the company, the company did not have to spend extra time and money retraining replacements. This lack of mobility also meant that companies kept talented workers, which made it easier to carry out long-term staff planning. This system was very cost efficient for companies.

In addition, this system motivated workers to ensure the long-term success of their companies, and encouraged cooperation among workers, particularly those of the same age group. Because of the long-term commitment made by the company, a bond was created between the worker and the company that increased worker loyalty and encouraged favorable labor relations.

There were many advantages for workers, the most important one being job security. As long as employees worked hard, they had a secure job in the company. As well, because these practices encouraged cooperation and team-

work, it provided a satisfying working environment. Another advantage was that the seniority-based increase in wages would match a worker's life stages. His salary would rise roughly in relation to increasing lifestyle costs such as getting married, having and raising children and buying a home. The company also provided many social welfare benefits such as housing.

For companies, the main disadvantage was that the system was inefficient if a company was not growing. When a company stopped growing, it hired less recruits. As the average age of employees increased, labor costs increased. Due to lifetime employment, companies could not easily get rid of their older, more expensive workers. If this lack of growth continued, companies faced the problem of having too many workers, especially older workers. This system only worked well in strong economic environments; during a downturn, companies could not adjust quickly.

There were also disadvantages for workers in this system. For example, workers could become overdependent on the company given that seniority and a lack of specialized skills made it difficult to leave a company if a worker was unhappy in his job. Workers also had to make many personal sacrifices. They often had to work overtime which limited time spent with their family.

# 4. Recent Trends in Japanese Management

### 4.1 Changes in traditional Japanese management system

Over the last decade, Japanese companies have been forced to change their management system. The traditional management system worked well in the decades after the war and was the envy of many countries in the 1970s and 1980s. But by the 1990s, this management system was seen as ineffective or dysfunctional. Some of the factors that forced companies to make changes to their management system included

- maturing economy: slowing growth, deregulation, service-based economy
- recession: collapse of bubble economy, declining in sales and profits
- corporate demographics: too many workers, increasing labor costs
- changes in Japanese society: affluent society, aging society
- global economy: appreciation of Japanese yen, increased competition from abroad
- information technology: speed of communication, volume of information

All of these factors led to a changing economic environment in which Japanese companies were forced to operate, and it meant that companies and workers were faced with many challenges (see Figure 1). In particular, these changes led to a decline in profits and to growing concerns about having too many workers. Companies were forced to cut costs, in particular, labor costs, which led to a decrease in worker morale. Companies used many methods to decrease labor costs, including moving their production facilities abroad. This led many companies to reassess the traditional management practices of life-

Table 1. Company (Personnel Management) and Worker-Related Issues in Japan, 1990s

| |
|---|
| – dealing with overemployment |
| – increasing white–collar productivity |
| – developing an effective evaluation system |
| – developing motivated and creative younger workers |
| – transferring knowledge from older retiring workers to younger workers |
| – increasing number of non–regular employees in the workforce |
| – concerns about young Japanese not interested in working full–time |
| – widening income gap between full–time and part–time workers |
| – creating more diversity (female and non–Japanese workers) in workforce |
| – increasing emphasis on the employees responsibility for their own careers |
| – concerns about mental health issues (work–related stress and depression) due to recent changes in company |

time employment, seniority and enterprise unions.

*Changes to Lifetime Employment*

Although there has been much written in the media about the demise of lifetime employment, many companies tried to preserve this practice.[17] Companies used various strategies in order to reduce their labor costs:

1. decrease in salaries: workers took salary, bonus and allowance cuts and reduced overtime pay
2. natural attrition: fewer new graduates were hired
3. voluntary early retirement: workers were encouraged to retire a few years early
4. secondment: workers were transferred to another company, usually a subsidiary company
5. increase in non-regular workers: hired more part-time or contract employees

Many companies made restructuring announcements in the late 1990s. During this period, for example, Sony announced 17,000 job cuts; Hitachi, 20,000 job cuts; Toshiba, 19,000 job cuts; Fujitsu, 16,000 job cuts; NEC, 19,000 job cuts; and Panasonic, 3,000 job cuts.[18] The Panasonic job cuts were surprising because the founder of Panasonic was often referred to as the father of lifetime employment, which was a key company principle. These job cut announcements gave the impression that most companies were abandoning the lifetime employment system. In reality, many of the company's carried out the job cuts by using voluntary early retirement, reducing new hires, natural attrition and secondment as opposed to dismissing workers. Also, in many cases, companies did not follow through on their announcements.[19]

The main method many companies used to deal with hard economic times was to increase the number of non-regular workers and decrease the number of regular workers.[20] However, these part-time or contract workers worked

just as many hours and, in many cases, did the same jobs as full-time workers. The only difference was that their wages and benefits were much less and they were not covered by the lifetime employment system. This created a two-tier employment system in most companies.

A last resort for cutting labor costs was restructuring (laying off or firing employees). In the 1990s and in the early 2000s, however, most Japanese companies have been hesitant about doing this. In one survey conducted in November 2001, 100 large Japanese companies were asked about their personnel reduction methods. Not one of the 100 companies said that they had dismissed workers.[21] In another survey of employees conducted in 2003 about their company's cost-cutting policy, 24.8 percent of the workers stated that their company had layed off full-time workers in one way or another.[22]

Recent surveys indicate that companies and workers are still in favor of lifetime employment. In a survey of workers in 2001, 76 percent of the workers still wanted to keep the lifetime employment system: 33.2 percent of workers thought it was a good system and 43 percent thought it was good on balance.[23] The number of younger people in favor of this practice, however, was less than older workers. In 2003, a survey asked full-time workers if they would like to work for one company for their entire worklife, 44.1 percent said they would and 26.5 percent said they weren't sure.[24] This number was lower for younger workers, especially for those under 30. Those wanting to change companies cited reasons such as wanting to find a better job match and the high physical and time demands of their current job.

Many companies still believe that the merits of lifetime employment outweigh the demerits. The merits these companies cited included maintaining worker loyalty, long-term investment in employee education and having a stable workforce. The demerits cited included talented workers finding the system unfair, the difficulty in making speedy adjustments to its labor force and the prospect of an aging workforce over the long term.[25]

In a company survey in 2003, 76 percent of the companies thought they would maintain this system in some form: 36.1 percent responded that the lifetime employment system would continue in its current form, and 40 percent thought that partial modification was unavoidable but that the system would continue to be used.[26] Only 5.2 percent of companies responded that their company no longer uses a lifetime employment system. These findings are similar to the same survey carried out in 1999. Thus, it appears that most companies have not changed their way of thinking about lifetime employment and that most companies and workers still value this practice.

*From Seniority to Merit-based Systems*

Survey data indicate that large companies are placing less emphasis on seniority and more emphasis on merit based on performance in determining promotion and wages. One survey on pay determinants indicated an increasing emphasis on job content, ability and performance, and a decreasing emphasis of seniority.[27] Larger differences in promotion and pay among same-age workers are now more common, and are more common within the first 10

years of employment with the company. Thus, most companies have shifted away from seniority and have focused more on merit when making wage and promotion decisions.

The shift from seniority to merit based on performance is not as simple as it seems. Surveys indicate that workers are dissatisfied with the new merit-based systems. According to one survey, almost 90 percent of companies were having problems with their performance rating system. Some of the problems included insufficient training about evaluation, ratings not reflected in wages and promotion, difficulty evaluating different kinds of workers and unclear rating standards.[28]

In companies where workers do not support a merit-based system, it seems there are many ways to get around using it. In one company, managers were forced to evaluate and rank subordinate employees in one of three categories, placing one-third of employees in each category. Individual wage increases for the following year would be based on these ranks. In reality, though, those receiving the lowest rank were promised that the following year they would receive the highest rank and that their wage increases would balance out.[29]

There is even doubt as to whether this type of merit-based system will function properly in Japan because of the problems with introducing systems that emphasize merit.[30] Recently, merit-based systems have been used to justify salary cuts and reduce labor costs in companies with a large numbers of older workers. As well, managers complain that merit-based systems are time consuming, ineffective and limit employee motivation. Many companies are finding that implementing a mainly merit-based system is easier said than done.

*The Decline of Enterprise Unions*

Over the past few years, the role of unions in Japan has been declining. Recently, a number of companies announced that they would not negotiate with unions and would not increase basic monthly wages. In 2003, Toyota announced that it would no longer negotiate monthly wage increases with its union and that it would base all salary increases on performance. Surprisingly, the union accepted these conditions even though Toyota was the most profitable company in Japan at that time.[31] These annual pay raises have been a key part of the seniority-based salary system, which is another sign that companies are moving away from seniority-based wages.

Though most company unions are still doing their yearly spring wage negotiations, many companies are no longer adhering to industry guidelines. In recent years, there has been a growing gap in wage increases among companies in the same industry based on the companies' performances.[32] As well, unions have indicated that they may shift their focus away from wage increases and focus more on other areas such as job security and expanding membership in order to include part-time and contract workers. It is unclear what role Japanese enterprise unions will play in this changing economic environment.

### 4.2 Company examples of changing personnel practices

The following examples show how some major Japanese companies changed their personnel practices to deal with the changing economic environment of the 1990s.

*Nissan Motors*

Nissan is one of the world's largest auto makers and it has a long history. In the 1990s, the company encountered many difficulties in the changing economic environment and fell on hard times. Some of the major problems it faced were a loss in its market share over ten years, being unprofitable for eight straight years, having a debt of $ 20 billion, low employee morale and no new product development.[33]

In 1999, Nissan entered into a partnership with Renault, a French car company. As part of the agreement with Renault, Carlos Ghosn took over as CEO. Shortly after he took on this position, he made it clear to the employees that if they did not agree to making drastic changes, the company would go bankrupt and they would be out of work. To bring about these changes, Ghosn introduced a revival plan that emphasized performance and productivity. Two key elements of the plan were to motivate employees by stating a clear vision for the company and developing a fair appraisal system for promotions and wage rewards.

As part of the revival plan, the seniority system was discarded. Ghosn felt that this system was unproductive and had to be eliminated.[34] In the new system, pay and promotion were based on merit. An incentive system was put into place which established clear goals for employees at the beginning of each year. This incentive system attempted to limit the subjective evaluation of an employee's contribution. A part of the salary was also tied to company performance. Age and seniority were no longer determining factors but were taken into consideration after evaluating an individual's performance.

Ghosn agreed with the idea of lifetime unemployment and believed that a company needed to show loyalty to its employees in order to receive their loyalty.[35] He thought that only companies with high levels of performance could guarantee lifetime employment and thus, it was a worthy goal to aim for. In Nissan's case, every effort was made to protect the employees' job security. When a factory was closed, transfers were arranged for workers to other factories and help was provided in finding new jobs. Employees willing to make the transfer were guaranteed their jobs.

When the revival plan was announced, every effort was made to win the union's cooperation. After discussions with the union, the union accepted these changes. As well, even though other companies were freezing base wages or limiting annual increases, Nissan agreed to all the wage increase demands of the union.

*Canon*

Canon, a leading world-wide company known for its electronic products such as cameras, printers and copiers, went through difficult times in the early

1990s. Some of its product divisions such as computers were unprofitable and losing market share. In 1997, a new president, Fujio Mitarai, took over the company. Having worked in Canon's U.S. operations for over 20 years, he tried to combine the best parts of Eastern and Western management by combining a Western focus on profit with traditional Japanese values.

Mitarai believed that the seniority system didn't work but that the company could be revitalized by combining lifetime employment with a competitive salary system. He attempted to keep the good parts of the Japanese system while eliminating the inefficient ones.[36] In 2002, Mitarai set up a system that promised lifetime employment but eliminated the yearly wage increases and seniority-based allowances. The new wage system was based on performance and a contribution based salary component was expanded not just to managers but to all workers in the company.

In Canon, lifetime employment was referred to as long-term employment.[37] In this system, after joining the company, employees could gradually accumulate skills and focus on long-term career plans, which were made charting out employee training and targets over a number of years. Thus, the employee could grow and prosper with the company over the long term.

*Japan Airlines*

Japan Airlines (JAL) was founded in 1951 with government support. In 1987, the government sold its final stake in the company and JAL became fully privatized. JAL faced many new challenges in the 1990s such as deregulation, which led to increased competition and price cutting, and a decline in its revenues. In 2005, JAL recorded a large loss in contrast to its main rival ANA, which recorded a large profit.[38] A series of safety problems have also tarnished the company's image.

JAL has attempted to deal with these problems by decreasing its labor costs. In the 1990s, JAL carried out massive cost-cutting measures by reducing its full-time workforce and hiring mainly contract employees.[39] A recent round of cost-cutting measures plans for wage cuts and a reduction of 6,000 jobs by 2008. However, specific ways to downsize the workforce have yet to be worked out.[40] The plan to cut wages has encountered opposition from JAL's labor unions. Unlike most Japanese companies which have only one union, JAL has nine unions, and this makes it difficult to get all groups to reach an agreement.

There has been much discussion about making changes over the years; however, the company has not implemented many substantive changes. As a former government supported organization, JAL's corporate culture has resisted making changes to the personnel system. One newspaper editorial stated that "JAL appears to be reluctant to embark on needed radical changes, especially in its corporate culture."[41] JAL has resisted change and attempted to maintain most of the traditional management system.

*Summary of Recent Changes in Japanese Companies*

Most companies have tried to maintain the lifetime employment system

while shifting emphasis, in varying degrees, from a seniority system to a merit-based system when determining promotion and wages. As well, the role of unions has been declining and companies have been rethinking the process of annual wage increases. Some companies have adapted their personnel policies to deal with the changing economic environment while other companies have tried to maintain much of the traditional management system.

Most companies in Japan now fall somewhere on a continuum between Japan Airlines and Canon, which has become one of Japan's most profitable companies. Most large manufacturing companies are closer to Canon and have made meaningful changes to their personnel policies. Japan Airlines is representative of the public sector, many service companies and other non-manufacturing sectors with traditional corporate cultures which have had difficulty dealing with the changing economic environment and which have resisted making meaningful changes. Nissan, which was able to turn around successfully, is considered to be a special case. Many companies have tried to imitate the Nissan model with limited degrees of success.

## 5. Conclusion

What can be learned from Japanese management? Japanese management offers interesting insights into the issue of local workplace culture and personnel management, and provides useful examples related to the issue of change management. Successful Japanese companies also provide hints into future management trends in Japan.

The above company examples indicate that the management of personnel should take into account local workplace culture, as in the cases of Canon and Nissan. Canon's president Mitarai sums this up by saying that "there may be global standards as far as financial management and other scientific skills are concerned, but personnel management is local. I never considered it outdated to take good care of our employees."[42] In the Nissan case, workplace traditions were respected. Ghosn believed that the Japanese workplace culture had many unique strengths and that it was important not to judge any management system as good or bad but rather to understand it in its context. Similarly, Japanese companies when expanding abroad have tried to take local culture into account in their local business practices. It is necessary to consider what works in the society in which your company is based.

These cases also demonstrate good examples of change management. Canon and Nissan both illustrate organizations making change while maintaining the stronger aspects of the older traditional system. Nissan's Ghosn strived to respect and maintain Japanese workplace traditions and only eliminated those parts of the system which were wasteful and unproductive. Canon's Mitarai tried to combine the best parts of Japanese and Western management practices. The cases of Canon and Nissan also show the importance of good leadership in bringing about successful change.

There is still much debate as to how the Japanese management system will continue to change and what Japanese management will look like in the

future. On the one hand, it appears that part of the Japanese management system, such as seniority, is shifting from a traditional Japanese style of management to more of a global style of management. On the other hand, Abegglen, who first referred to the three key traditional Japanese management characteristics, observes that in the early twenty-first century many parts of the Japanese management system, such as lifetime employment, remain the same.[43] Successful Japanese companies demonstrate that they can make necessary changes to deal with a changing economic environment while maintaining the stronger aspects of the traditional management system.

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