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ON THE SCIENCE OF BUSINESS ADMINISTRATION IN JAPAN

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I. INTRODUCTION

There are as many schools of the science of business administration in Japan as there are in other countries. But we can divide the study of it into two groups. The first is the study of business administration itself as an independent phenomenon or an autonomous process. We can say that the object of this study group is to educate professional managers. Business administration in American colleges or "die Betriebswirtschaftslehre" in German universities can almost be said to have the same object.

The second is a kind of micro-economics. The scholars of this group think that the science of business administration must be a part of economics. They observe activities of business management from the view point of social economy. Business economics or the economics of business enterprise in America is close to this school of thought. But we cannot say that the study of this group is the same as that of Business Economics, because many scholars of this group emphasize the influences of the national economic system—e. g. capitalism or socialism.

Naturally, the results of the research of these two groups are not always the same. For instance, the one considers that maximum profit is the aim of business enterprise, the other considers that profit is not the aim of business enterprise but is only one of the necessary conditions of business maintenance.

The formation process of the science of business administration in Japan evolved in the process of the modernization of the science of commerce.

At present it is very difficult for any country to arrange its various schools of managerial thought and to predict the future development of the science of business administration. But the experience gained in the process of the development of the science of business administration strongly affects the present conditions of the science and will continue to affect them in the future. I wish to observe the historical growth of business administration in Japan up to about 1955.

II. SHORT HISTORY BEFORE THE SCIENCE OF COMMERCE

The knowledge and institutions of modern European commerce were introduced to Japan in the Meiji era (1867–1911), and the science of commerce

in Japan grew in the light of them.

However, before then, commerce and industry had already been developed to a considerably high level in Japan; some management systems and consciousness of business methods already existed.

For instance, we can indicate Izumo Chōai-no-Hō which is an old original form of Japanese bookkeeping. It is a kind of single entry bookkeeping which was highly developed. Though we can find evidence of it only from 1801 to 1804 and after 1854, we can see that there was head office accounting, branch office accounting and a factory accounting system. Besides these, there was a kind of internal check system and a system of price control on internal transactions between each plant. Hence, it can be assured that cost accounting systems and profit and loss accounting systems at that time had been developed to a considerable level in the light of the present level. But it is interesting that there was no capital accounting system or property accounting system. It was a time when business or business enterprise was not separated from housekeeping.

Since such control systems as business men in the country like Izumo used had development to this level, we can imagine that control systems which great merchants such as Mitsui and Sumitomo used at that time had made remarkable progress. Historical studies of management system are however now static since the necessary material is not available.¹⁾

The old Japanese control or management systems before the Meiji era were replaced by European management systems with the introduction of European business and commercial systems to Japan. The original control system in Japan did not continue to develop after the Meiji era.

Now, coming to the philosophy of business management, there was a representative idea established by Baigan Ishida (1684-1744) in the early years of the 18th century. This school of thought is generally called Sekimon Shingaku (Sekimon ethics). Its contents can be described as follows: The social function of merchants is to contribute towards social peace by creating a smooth flow of goods through buying and selling. The object of the merchants' activity is to do some service for society and profit is given to them from society as a natural result of this. When merchants deal with others, they should try to give some profit to them and they should not pursue only their own profits. If they obtain profits and become rich, they must think that their property is only left in their charge, and is not their own, i. e. they are only entrusted with the management of the wealth obtained

¹⁾ Recently the studies in this field are increasing gradually. For example: Eiichiro Ogura, *Goshu Nakai-ke Choai-no-Ho (Old Bookkeeping of the Nakais)*, 1962. Tsuneharu Egashira, *Nakai-ke no Kenkyu (The Study of the Nakais)*, 1965.

from society. They must not indulge in seeking in their own wealth. But at the same time they must not be misers and hoard their money. When they run a business, they should understand that both employers and employees play an important part in business activities, and they must both fulfill their assigned roles.

This idea had various influences on the representative merchants of that time, and it is supposed that this idea had important influences in the family constitution of these merchants and in the formation of their creeds.

Though the greater part of management systems before the Meiji era were replaced by management systems which were introduced from Europe and America in the Meiji era, these family constitutions or merchant creeds still survive as company constitutions or rules in such long-established business groups as Mitsui and Sumitomo.

Though there were such management systems before the Meiji era the majority of merchants were not educated beyond reading, writing and reckoning. And it was a general form of vocational education that they learned, practically, through business activities. That is to say, they were apprenticed to a commercial house and they were trained by going through the steps of an apprentice boy, clerk and manager. There were no institutes of vocational education such as the modern business schools.

III. FORMATION OF THE SCIENCE OF COMMERCE IN JAPAN

In the Meiji era, in order to overtake the economic development of European and American countries, Japan introduced many industrial systems from those countries, and began to trade with foreign countries. The necessity to educate people a knowledge of modern industrial systems and foreign trade became apparent, and modern industrial systems came to be established.

First, in 1873 (Meiji 6th), Daiichi National Bank (present Daiichi Bank) was established in Tokyo, and next the National Banks were established in the banner cities such as Yokohama and Osaka. However, as modern banking systems were imported into our country from foreign countries, the education or training of clerks in the banking business had to be undertaken. The Government authorities established the Bureau of the Science of Banking in the Banking Section of the Ministry of Finance and employed Alexander Allen Shand (an Englishman 1860-1930) to lecture on bookkeeping and the business of banking. This school continued till 1893 and was the first educational institute of commerce in our country. In 1873, "Ginkōbokuseihō (Commentary on Bank Bookkeeping)" by Shand was published.

On the other hand, Yukichi Fukuzawa was lecturing privately on economics at Keio Gijyuku (present Keio Gijyuku University) in those days. He

went to America in 1867 (Keio 3rd) and brought back "The Elements of Political Economy" by Francis Wayland, which he used as a textbook to lecture on economics. This school of Fukuzawa's (Keio Gijyuku) was only a modern private educational school of commerce up to 1877. In 1873, Yukichi Fukuzawa translated into Japanese and published "Common School Bookkeeping, embracing single and double entry" by H. B. Bryant and H. D. Stratton—which was widely used as a textbook in those days in American schools. But it was said that this had a poor sale, and this is because some of the companies that used this book as a guide failed. But I suspect that though he recognized the necessity of bookkeeping and other accounting systems, he was not particularly in favor them privately. Later, he tried to study economics exclusively and brought up many able business men.

Though there were other private educational schools like Keio Gijyuku, industrial development in Japan in the Meiji era depended chiefly on the Government authorities. In 1875, Arinori Mori opened a commercial training school at Ginza in Tokyo in order to educate merchants engaged in foreign trade, and employed William C. Whitney (an American) to lecture there. In 1885, the superintendence of this school was transferred to the Ministry of Education, and it became Tokyo Commercial High School, finally developing into the present Hitotsubashi University. Further, in 1878, Kobe Commercial Training School was established at Kobe by the Hyogo Prefectural authorities; this school has developed into the present Kobe University. And since those days, educational commercial institutions came to be established at many places adjacent to trade ports.

As ninety percent of the trade in those days was dominated by foreign firms, there was a pressing need for Japan to establish trade by Japanese firms. Commercial bookkeeping, commercial arithmetic, economics, commercial practices etc. were therefore taught mainly using foreign books as textbooks, and the educational aim in those days was to train the working staff of banks or firms.

The industrial revolution in Japan is considered to have been completed in the 1890's. At that time modern credit systems were established and large scale factories appeared, so the necessity of a high level of industrial education gradually increased. Commercial science, banking, insurance, marine transportation, warehouse and exchange were lectured on. Moreover, one attached importance to commercial practice. And it is said that educational institutes in Germany and Belgium had great effect on commercial education in those days. In 1909, a course of commercial science was established in Tokyo Imperial University (present Tokyo University) and this is the first time that the science of commerce came to be lectured on at a university. The first commercial college in Japan was Tokyo Commercial College (present Hitotsubashi University) established in 1920.

The Science of commerce in Japan was formed in the 1900's on the basis of these developments in industrial education. Literature on the science of commerce was published in great volume in those days. But on examining their contents, we find that they are only a collection of miscellaneous knowledge of commerce, and that they lack any of systematization. Renkichi Uchiike (1876-1949), a scholar of the science of commerce of that time, arranged this knowledge and divided it into three groups in his *Shogyogaku Gairon* (Introduction to the Science of Commerce) published in 1906:

The Science of Commerce	{	(1) Economic studies of commerce
		(2) Legal studies of commerce
		(3) Studies of the management of commercial business or activities

Of these three groups, 'economic studies of commerce' belongs to Economics and 'legal studies of commerce' belongs to one part of the Science of Law, while 'the studies of management of commercial business' did not belong to any field of science at that time. Only technical studies of a low level—commercial arithmetic, bookkeeping, commercial practice, etc.—constituted these studies of management of commercial business.

Uchiike and many other scholars of commercial science of that day tried to establish a systematic science of commerce through the 'studies of management of commercial business'. But in spite of their efforts, their interests in the internal problems of business enterprise were insufficient because they only considered buying and selling. They were not interested in the total management of a firm. Therefore they did not pay attention to the form of business organization, to the problems of control systems of personnel administration and labor relations etc. Consequently, they began to concentrate their attentions on the problems of the social flow of goods. This is a problem of social economy and it can be said that their method of approach is a form of economics.

Later, their studies combined with the studies of marketing in America and they began to study salesmanship and marketing channels. Now, the modern science of commerce in Japan is thought to be a unification of commercial economics (*Handelswirtschaftslehre*) which is one branch of economics, and marketing (*Handelsbetriebslehre*) which is one branch of the science of business administration.

IV. CONTRIBUTIONS OF TEIJIRO UEDA

Teijiro Ueda (1879-1940, President and Professor of Tokyo Commercial College) rendered an important service to scholars who attempted to put the

studies of commerce which were still a miscellaneous collection of knowledge at that time into order, by producing a modern science. In *Shogyo Dai Jiten* (The Dictionary of Commerce) published in 1904, Ueda used the term "the Science of Business Administration" for the first time and defined the science of commerce as follows ;

Economics in wide sense

- A. Political Economy (a study of economics from the standpoint of the social economic system)
- B. Science of Business Administration (a study of economics from the standpoint of the economic unit)
 - a. Science of Finance (study of the management of national economy)
 - b. Housekeeping (a study of home economics)
 - c. Science of Commerce (a study of economics of a business enterprise)

The science of business administration in this sense really originated with Ueda. "Die Betriebswirtschaftslehre" in Germany had an important effect on the science of business administration in Japan. But it was in 1920 that the name "Betriebswirtschaftslehre" was seen in Germany. Ueda's conception is also different from that of business administration or business management in America. He says that the difference between political economy and the science of business administration lies in the various differences of scholars' viewpoints. In a word, political economy is the science in which one makes a study of the national economy from the social standpoint. Since society itself does not a definite object or a consciousness, the phenomena which comprise it is a kind of natural phenomena. And he defines the science of business administration as the science of studying the economic phenomenon from the standpoint of managerial behaviour, in other words, from the standpoint of the management of an economic organization. An economic organization has a consciousness and a definite object. Therefore the science of finance, which controls the national economy, would be one part of the science of business administration. The national economic system at that time was generally one of non-interference in principle. When we can control all national economic activities consciously, economics belongs to the science of business administration as one of its aspects. Finally, he maintains that the science of commerce should be known as the science of business administration.

His early assertions like this changed with the later advancements in the study of economics, the science of commerce and the science of business administration. Especially in this transition of his assertions, it was Sir

William Ashley²⁾ (1860–1927, a Professor on the Faculty of Commerce of Birmingham University) that had a great effect on him.

Before Teijiro Ueda's later years, the science of commerce had regarded the buying and selling of commodities as the essential commercial activities, and had regarded other operational activities such as banking, insurance and railway transportation, etc., as auxiliary commercial activities. The scholars of the science of commerce gave their attention to buying and selling. But now, we do not live in an age where commerce is the nucleus (commercial capitalism) but in an age where industry is the nucleus (industrial capitalism). The services of banking, of insurance, of railway transportation, etc. became more necessary in our modern economic life. They are not merely auxiliary services of commerce. Therefore, the modern science of commerce should become the science of all kinds of business enterprise.

Moreover, the old science of commerce deals with the practices of bargaining such as buying and selling, debt and credit, transportation and storage, separately, and it did not deal with the business financing or personnel problems of a business enterprises. The most important thing for us is the business entity as a permanent internal management organization, and buying and selling is no more than the business connection with external organizations. We must pay more attention to the internal problems of business enterprise. Thinking in this way, he had lectured on *Shōkō Keiei* (The Management of Commerce and Industry) at Tokyo Commercial High School (present Hitotsubashi University) since 1909. The contents of this lecture can be regarded as the study of the business administration.

In his *Keieikeizai gaku Soron* (The Science of Business Administration, Allgemeine Betriebswirtschaftslehre) published in 1937, he described the relations between the political economy and the science of business administration as follows:

Economics in a wide sense

Political Economy or Economics

(main object of this science is the price phenomenon)

The Science of Business Administration in a wide sense

(The Science of economic organization which has an object)

The Science of Finance

(The Science of State Economy)

Houskeeping

(The Science of home economy)

The Science of Business Administration

(The Science of business economy)

²⁾ In Japan he is famous for his work "Business Economics, 1926".

Herein, the words "the Science of Commerce" are not used. He thinks that the old science of commerce should be absorbed into the science of business administration as one part of it. Thus the science of business administration which was produced in place of the science of commerce is a kind of economics in a wide sense and its object is the study of business enterprise. Though both the sciences of business administration and political economy study business enterprise, the method of approach to a business enterprise is different between the two sciences. Political economy deals with business enterprise (Untnehmung) as a historical product or historical phenomenon. On the other hand, the science of business administration deals with business enterprise as a business organization which is a universal concept through economic history. According to his opinion, "business administration is to manage. To manage means to deal with things methodically and purposefully. Therefore, business economy (Betriebswirtschaft) is a planned economical organization with a unified intention". According to his understanding, the problems of a business organization are the problems which are always occurring in human life regardless of profit-making. The concept of a business organization contains not only the business enterprise as such but also the idea of co-operative association, government corporation and other government undertakings, and the whole national economy under the complete planned economy.

The leading principle (Leitende Idee) of business organizations is the economic principle, that is to say, the principle of the greatest effect at the smallest cost. In a word, the principle of efficiency. This principle is the same as the "Prinzip der Wirtschaftlichkeit" in Germany. However, in practice, this economic principle can be realized on the basis of monetary calculation. Technical improvement or rationalization must always be estimated by monetary accounting and it becomes necessary to use accounting. Now, monetary evaluation is made at market price, and for this reason, economic principle is not prescribed only by the internal relations within the business organization (Betriebswirtschaft) but it is influenced by market conditions. Hence the relation between the science of business administration and political economy.

In this case, Betriebswirtschaftslehre in Germany contains Rechnungswesen (accounting) as a part of it. Therefore Betriebswirtschaftslehre in Germany has the original problem which puts technical rationality into terms of monetary value and estimates it. But in Japan, it is not clear whether accounting is included in the science of business administration or not. If accounting is not included in the science of business administration, the science of business administration would become one part of the political economy.

Expressing his opinion like this, Ueda left the relation between the

science of business administration and political economy as problems to be studied in the future.

Thus, Ueda developed the science of business administration through his conviction that the science of commerce should emerge from its old state into a modern science. And in this process, every problem pointed out by him were important and every one of them affected the nature of the science of business administration in Japan from that time on. There have been innumerable discussions about them up to this day.

Putting these problems in order, they are (1) the relation between the science of business administration and political economy or economics. (2) the relation between the science of business administration and accounting. (3) the concept of business enterprise (Untermehmung) and the concept of business organization (Betriebswirtschaft) (4) the leading principle of business administration (is it a profit-making or economic principle, Rentabilitätsprinzip oder Wirtschaftlichkeit?).

V. THE DEVELOPMENT OF THE SCIENCE OF BUSINESS ADMINISTRATION OF UEDA

The foundation of the science of business administration in Japan was established by Teijiro Ueda. Afterwards his theory was developed by many scholars. Among these scholars, Yōjiro Masuchi and Yasutaro Hirai, student's of Ueda, were especially remarkable.

Y. Masuchi (1896-1945) succeeded the chair of Ueda at Tokyo Commercial College (present Hitotsubashi University) and lectured on the science of business administration.

It can be said that his theory is based on Ueda's theory and the theory of Heinrich Nicklish (1876-1946, der Professor an der Wirtschaftshochschule Berlin). Many young students in Japan, studying the science of business administration at the time, went to Germany and were influenced by the concept of "Betriebswirtschaftslehre", which was just emerging at that time. "Betriebswirtschaftslehre" was produced in the process in which "alte Handelswissenschaft" (the old science of commerce) had been criticized and a modern science of commerce was being considered in the same way as in Japan. In that process, the relations of "Betriebswirtschaftslehre" and "National Ökonomie" (Volkswirtschaftslehre), "Unternehmung" and "Betriebswirtschaft", "Wirtschaftlichkeit" and "Rentabilität" were discussed by many German scholars. Those discussions were a good guide to the science of business administration in Japan. For this reason, the development of the science of business administration in Japan from 1920 to 1930 was affected strongly by the studies in Germany.

H. Nicklish, expressing his views on the relation between "Betriebswirtschaftslehre" and "Volkswirtschaftslehre", says: "Neben der Volkswirtschaftslehre steht heute die Betriebswirtschaftslehre".³⁾

That is to say, at the present time, the science of business administration and political economy (economics) have an independent place beside each other in the theory of Economics in a wide sense. Y. Masuchi also maintains the same opinion as H. Nicklish.⁴⁾ T. Ueda defined the relation between the science of business administration and political economy as studies separate from each other, but there were still some doubtful points, as he pointed out. Y. Masuchi considered accounting as a part of the science of business administration and while excluding a consuming economic organization (household etc.) from the object of the study, he maintains that the science of business administration is a separate study from economics. He thought that the leading principle of business economy is the economic principle (Wirtschaftlichkeit) as H. Nicklish did. He said that the economic principle is different from the profit-making principle. The profit-making principle requires the maximization of the balance of performance and expense, and the distribution of this balance to the investors (stockholders). But the economic principle requires the creation of advantageous relations between the performance and the expense in terms of monetary account to the business entity. That is to say, he considers the economic principle as the most useful criteria to maintain or to develop the business entity.

Thus the science of business administration as seen by Masuchi studies the business concern or the productive economic organization—business enterprise, co-operation, government corporation etc.—from the standpoint of economic principle (Wirtschaftlichkeit) and expects to strike out the law of causality. On the other hand, the economics studies the national economy as a whole. The national economy is composed of many types of business concerns and of consuming economic organizations in relation to the division of labor and the exchange of activities. Therefore, national economy is subject to different laws from business concerns. Of course, the economics studies business concerns, but its object of study is to explain the movement of the national economy. Economics does not study business concerns itself as the science of business administration does.

Y. Masuchi, who was affected by H. Nickish, took a serious interest in the human side of business enterprise. He maintained that business enterprise consists of the labor organization and the financial organization, and he then studied wage and salary administration and production management. Though

³⁾ Heinrich Nicklish, *Wirtschaftliche Betriebslehre*, 1922, s.1.

⁴⁾ Yōjiro Masuchi, *Keiei Keizaigaku Josetsu (The Introduction of the Science of Business Administration)*, 1926.

he was affected by "Betriebswirtschaftslehre" in Germany, he introduced business administration in America into his studies as material. We can say that he could easily introduce business administration in America into his theory, because he took a serious interest in human factors. He had transmitted excellent studies on the forms of business organization, corporation finance, the joint stock company, etc. Now, many students whom he educated are studying and lecturing at many universities in Japan.

Yasutaro Hirai (1896—, Honorary Professor of Kobe University, a fellow of the International Academy of CIOS) is another representative man who developed Ueda's theory. He had been to Germany from 1922 to 1925 and had studied Betriebswirtschaftslehre under H. Nicklish, Julius August Fritz Schmidt (1882-1950, der Professor an der Universität Frankfurt a/M), Eugen Schmalenbach (1873-1955, der Professor an der Universität Köln) and others. He also lectured on the comparison of the science of business administration of various countries at Frankfurt University for a year. From these facts, we can assume that he made a comparative study of the science of business administration in various countries from his youth. And he substantiates his theory that an accounting system of business organizations is decided by the scale and the form of the business organization by using several accounting systems which occurred originally in Italy, Korea, and Japan.⁵⁾ For instance, in Japan he is the first man who investigated the bookkeeping of Lucas Pacioli, Korean bookkeeping (chi-ke-songdo-chibu) and original Japanese bookkeeping (Izumo-choei-no-ho). Because of these studies, he maintains that accounting should be one part of the science of business administration.

On the relation between the science of business administration and economics he emphasizes the difference of viewpoint which was pointed out by Ueda. Social economy does not have a unified intention or purpose. Though each economic organization which organizes social economy (or national economy) has a unified intention and has a purpose, the contents of each's intention or purpose are different from the other and the social economy as a whole does not have a unified intention or purpose. Therefore, so-called economics which studies the social economy as a whole takes on a social viewpoint. It makes a study of the economic phenomenon in a society from the social point of view. On the other hand, an economic organization has a systematic purpose and consciously promulgates its economic activities in connection with that purpose. Since the science of

⁵⁾ Yasutaro Hirai, *Pacioli Bokisho Kenkyu (The Study of Pacioli's Bookkeeping)*, 1920.

"Originale Vierfache Buchhaltung in Kaijo, Chosen (Korea) Oder Chike-Songdo-Chibu", Z.F.B., 6, 7, 8, 1926.

"Izumo Chōai no Seishitsu (The Nature of Izumo Bookkeeping)", Kokumin-Keizai Zasshi, Vol. 61, No. 3, 1936.

business administration studies economic organizations, it must take an organized viewpoint or a functional approach. All kinds of economic organizations which have a unified intention are the subject of study in the science of business administration, so various kinds of business enterprise, housekeeping (Haushalt), public ownership, cooperation, besides a perfectly controlled national economy—if it exists—are parts of the subject of study in the science of business administration. But we cannot organize millions of people into a unified economic organization without using some physical powers, and at the present time, the subjects of study in the science of business administration are limited chiefly to business enterprise, public ownership, housekeeping, cooperation and the subject of industrial combination.

His organizational view point has a strong resemblance to the point of view described by Chester I. Barnard in "the Functions of the Executive". He explained the relation between the human organization and the flow of capital in an enterprise, which was an important problem in the science of business administration in Japan, as the process of harmonizing the relation between contribution to business performance and distribution of the performance to contributors. This is the same thought as the idea behind C.I. Barnard's economy of incentives. He wrote many theses and books from this stand point. In particular, there are many excellent studies on the theory of relations in business enterprise.

He also agrees with the idea that the object of business concerns is not profit-making. But as he took a serious interest in the law of situation, he did not think that there was only one leading principle of business organizations (e.g. *Wirtschaftlichkeit*) as other scholars thought. As the leading principles of business organization or economic organization he pointed out many such as autonomy, finality, planning, organization, technical possibility and payability. And he thinks that an economic organization should follow these principles. Thus, he did not take one leading principle or a single criterion for an economic organization. He has been criticized on this point. But recently, the behavioural scientists enumerated many things as the selective principle of means in business administration and substantiated the theory that a manager should select the means which will satisfy the lowest level of them at a time. This behavioral scientist's indication is very interesting for us in the light of Hirai's opinions.

An important contribution made by him to the science of business administration in Japan is his studies of office management and business automation. He went around the world in 1937, and observing the importance of business mechanization, he founded the Research Institute for Business Mechanization.

Besides he pointed out that it is necessary for the science of business

administration in Japan to study the science of business policy and business history since 1930. He also educated many students.

VI. SCHOOLS OF THE SCIENCE OF BUSINESS ADMINISTRATION IN JAPAN

It may be said that the course which was advocated by Ueda and was developed by Masuchi and Hirai, is the orthodox course of study of the science of business administration in Japan. The science of business administration in Japan in the 1930's was strongly affected by "Betriebswirtschaftslehre" in Germany. And the chief concern of Germany was also to separate "Betriebswirtschaftslehre" from "Volkswirtschaftslehre" as an independent autonomous science. Also, when "Betriebswirtschaftslehre" turned its main interest from the problem of capital (or cost) to the human problems of business, and came to submit the idea of "Betriebsgemeinschaft", this thought affected scholars in Japan, who thought of "Betriebsgemeinschaft" as an ideal type of business administration. Therefore we can say that the science of business administration in Japan began to have the nature of a normative science. But this influence opened the way for the science of business administration to lay stress on the human being, especially on the manager in contrast to economics which lays stress on the capital. Therefore the science of business administration in Japan could easily be influenced by the results (or achievements) of business administration in America. Since the Second World War came to an end, business administration in America has come to affect strongly the science of business administration in Japan, and this trend is likely to continue.

In addition to this orthodox course, there is another remarkable course in the science of business administration in Japan. Once Ueda indicated that it would be difficult to separate the science of business administration from economics (political economy) through the appreciation of business performance monetarily, because monetary appreciation of business economy was governed by the market price.⁶⁾

We can see the studies which give weight to this point both in Japan and in Germany. Wilhelm Rieger⁷⁾ (1872-, der professor an der Universität Tübingen) who is regarded as a scholar of "Betriebswirtschaftslehre", mentioned that "Betriebswirtschaftslehre" studies the process of profit-making activities in private enterprise and so it should be a study of "Volkswirtschaftslehre". He mentioned that Betriebswirtschaftslehre should be called correctly "Privatwirtschaftslehre". According to his thought, the subject of

⁶⁾ Teijiro Ueda, *Keiei Keizaigaku* (The Science of Business Administration), 1937, pp. 1~45.

⁷⁾ Wilhelm Rieger, *Einführung in die Privatwirtschaftslehre*, 1927.

studies of "Betriebswirtschaftslehre" should be private enterprise and private enterprise is a means of profit-making by capitalists within the market economy. He says that the productive process of enterprise or management process serves the purpose of profit-making by the capitalist (all stockholders). Therefore he thinks that Betriebswirtschaftslehre serves "Volkswirtschaftslehre" by defining the process of profit-making in private enterprise.

It was Torao Nakanishi (1896—, Professor of Tokyo Imperial University) who developed these thoughts further and introduced Marxian economics into the science of business administration in Japan and made his unique standpoint. In 1931, he published his book "Keieikeizaigaku (the science of business administration)". In this book he said, that, political economy (economics) is the science which studies the movement of social total capital (in a Marxian sense, *gesellschaftliches gesamte Kapital*) and on the contrary, the science of business administration is the science which studies the movement of individual capital (in a Marxian sense, *individuelles Kapital*). Each individual capital—though it comprises part of the social total capital—does not activate the same movement as social total capital. The movement of all individual capitals is connected with all others and as a result, they make the movement of social total capital. It is the science of business administration that studies chiefly the law of motion of individual capital. Therefore the science of business administration is one part of economics. The studies of this course have developed, being stimulated by the rapid growth of Marxian economics in Japan. This school is also called the critical science of business administration, because this school criticizes how orthodox schools serve the profit of capitalists in a capitalistic economy.

Scholars of modern economic theory have been studying business management since the Second World War. The study of operations research was begun chiefly by the scholars of modern economic theory in Japan. Scholars who study operations research make presentations in the field of production management or in the field of financial management. But up to this date, their studies have been limited to isolated fields of business management and do not take the form of a systematic study of the science of business administration. Let me add a few more words to clarify operations research; orthodox schools of the science of business administration use it in their studies, of course.

VII. THE STUDIES OF THE AMERICAN BUSINESS ADMINISTRATION IN JAPAN

We can say that the science of business administration in Japan before the Second World War utilized American business administration as research

material. Managers in Japan especially are extremely reluctant for the substance of business management to be known to outsiders. Therefore, many Japanese scholars are much indebted to American business administration in respect to concrete cases. The many Japanese studies of productive management, personnel management, financial management, marketing management, cost accounting etc. seem to be based upon American studies of business administration.

But when we think of the nature or the system of this science, we can be sure that the affects of "Betriebswirtschaftslehre" in Germany were strong with regards to foreign influences. We can only indicate "Beikoku no Keieigaku (American Business Administration)" edited by the Society of the Science of Business Administration in 1936 as an outstanding work about American business administration before the Second World War. And in this book, three American scholars of business administration are introduced as representative ones; they are Percival White, Edward D. Jones, and Leon Carroll Marshall. Besides these three scholars, Willis Wissler⁸⁾ (1884-?) was held in esteem in Japan though he was not introduced in this book.

The first outstanding published work about American business administration was, so far as I know, "America Keieigaku (American Business Administration)" by Eiichi Furukawa in 1948. He is one of the students of Y. Masuchi and he had succeeded Masuchi in the chair at Hitotsubashi University. In this book, he mentions ten books as representative books on American business administration before the War. They are as follows;

- (1) M. A. Brisco; *Economics of Business*, 1913.
- (2) E. D. Jones; *The Administration of Industrial Enterprise*, 1916.
- (3) L. C. Marshall; *Business Administration*, 1921.
- (4) H. P. Dutton; *Business Organization and Administration*, 1922.
- (5) Ditto; *Principles of Organization as applied to Business*, 1931.
- (6) C. W. Gerstenberg; *Principles of Business*, 4th ed., 1924.
- (7) P. White; *Business Management*, 1928.
- (8) W. Wissler; *Business Administration*, 1931.
- (9) L. P. Alford; *Management's Handbook*, 1924.
- (10) W. J. Donald; *Handbook of Business Administration*, 1931.

In these books, Furukawa rates Willis Wissler's book very high. He says that American business administration is the science which lays stress on management or executives. That is to say, their method of approach should be a managerial approach. To the contrary, Wissler first introduced John Rogers Common's theory—Institutional Economics—into business administration and established a course which saw business as a whole. Though there

⁸⁾ Willis Wissler, *Business Administration*, 1931.

are many merits in the managerial approach, the relation between labor and capital, social relations, institutionalization of management functions, accompanied by the enlargement of business, are not studied enough. Wissler introduces J. R. Commons's idea—"the going concern"—and points out that the modern business enterprise has come to be another phenomenon apart from a manager's personal intention. Along these lines, he considers the ideal method of business management. Furukawa says that this institutional approach shows American business administration a new direction in which to advance. We can see that Furukawa's views of W. Wissler's business administration is the view representative of many scholars in Japan before the Second World War.

I hear that Willis Wissler's work is not thought well of in America and no one knows how he now stands. We only know that he was a professor of Ohio State University about 1930. But he introduced the theory of Mary Parker Follet (1863-1933) besides the theory of J. R. Commons into his theory of business administration. The theory of M. P. Follet did not attract public attention because of the brilliant achievements of F. W. Taylor and his group when she expressed her opinions about management and organization. It was after the time when the studies of Chester Irving Barnard had come to attract public attentions that her achievements came to be highly appreciated. C. I. Barnard himself pays respect to her studies.⁹⁾ But her study is the study of the science of human organization rather than the study of business administration. Her study is full of suggestions for business administration but it cannot be rightly called business administration. It was Willis Wissler who first introduced her study into business administration. Therefore I think that Wissler should be as highly appreciated as Follet. I think it is reasonable that scholars of the science of business administration in Japan hold him in high esteem.

The relation between American business administration and the science of business administration in Japan has become very close since the Second World War. There are several causes for this. First, Japan was occupied by America and many American industrial systems (corporation law, certified public accounting systems, the Securities and Exchange law, business accounting principles etc.) were introduced in various forms into Japan. Second, the level of European studies of business administration has fallen since the war. Third, management systems and techniques were very developed in America. But besides these causes, there are others: Japan began to study seriously the theories of Thorstein Bunde Veblen (1857-1929), the studies of John Rogers Commons (1862-1945), were systematically introduced, and studies on

⁹⁾ Chester I. Barnard, *The Functions of the Executive*, 1938, p. 122n.

organization were advanced by Chester Irving Barnard and Herber A. Simon (1916- , The Carnegie Institute of Technology). The science of business administration in Japan can assimilate American management systems and techniques systematically by understanding these theories or studies. If we can not understand the theory or philosophy of other countries, we can not understand nor introduce the systems and techniques of other countries. The present scholars of the science of business administration in Japan think that the key to understand business administration in America is in the thoughts of the above mentioned people.

The state of the science of business administration in Japan since 1955 is too complex to explain systematically. Several years ago, Harold Koontz (University of California) described the condition of business administration in America in these days as a "Jungle"¹⁰⁾ and we can also see the same condition in Japan. Therefore, to talk about the science of business administration in Japan since 1955, requires another time. But now, I can only point out that the followers of C. I. Barnard and H. Simon (also many other behavioural scientists) and Peter Ferdinand Drucker (1909-) have had great influences on the science of business administration in Japan.

Moreover, I want to add that since the latter half of the 1950's, Japan began to introduce "Betriebswirtschaftslehre" in West-Germany and especially the works of Erich Gutenberg¹¹⁾ (1897-, der Professor an der Universität Köln) and his school is attracting the attention of many Japanese scholars.

¹⁰⁾ Harold Koontz, "The Management Theory Jungle", *Journal of the Academy of Management*, December, 1961.

¹¹⁾ Erich Gutenberg, *Grundlagen der Betriebswirtschaftslehre*, I Bd. Die Production, 1951, II Bd. Der Absatz, 1952.