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Author(s)	TOMINOMORI, KENJI
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MECHANISM OF JAPANESE MANAGEMENT AND ITS FOUNDATION

KENJI TOMINOMORI

Professor

Faculty of Economics & Business Administration
Hokkaido University

1. PRELIMINARY REMARKS

Several remarks are necessary whenever we argue about Japanese management peculiarities and their role in recent Japanese economic success.

First it should be remarked that, though the peculiar aspects of Japanese management are very conspicuous and actually important for its extraordinary economic performance during recent decades, it is only one aspect of the overall practice of management in Japan which involves, at the same time, many other aspects of having Western origin. Indeed, as is well known, in the postwar world Japan has been most eager in learning the American way of management. Thus, the actual working of management in most representative Japanese firms should rather be considered as a complex of various factors having different origins, so it is sometimes not so easy to decide which of them, the unique ones or the imported ones, have been more significant for the remarkable success of recent years.

Secondly, it should be born in mind that the success of Japanese management does not necessarily imply the success of the most typical Japanese enterprises. In this concern, particularly the fact that many firms conspicuously successful in their recent performance are rather outsiders to representative big groupings of big business such as Mitsubishi, Sumitomo, Mitui, Dai-ichi, Fuji, and Sanwa — those groupings inheriting old day *Zaibatsu* more or less — has to be especially remarked. Indeed, those firms such as Sony, Matsushita, Honda, Toyota, or Toshida — which are frequently taken up as typically indications of Japanese success are rather known as being comparatively independent from the six biggest representative groupings referred to above.

This second statement relates to a third statement — that is; management is not the exclusive explanation for Japanese high economic growth in the postwar period. Other factors such as competitive conditions, structural change through World War II, favorable world market conditions and government aid should also be taken up when we try to analyze the economic growth as a whole. The management element is merely one of those various factors that caused Japanese high economic growth in postwar days.*

* Though such a factor as government aid is an additional factor explaining high growth, the author does not agree with such an argument as deems it the most decisive factor in high growth. Rather than that, the competitive market or structural changes in the economy should be thought more critical for growth, though various government policies carried out in a timely and in a highly sophisticated way may not be negligible factors. Particularly such an argument as that of Prof. Tsuru putting the strongest stress on government paternalistic aid in explaining Japanese high postwar¹⁾ growth is very misleading. Such high growth as Japan has experienced can be hardly explained by a dotting paternalism, as even M. Friedman would certainly insist.

2. JAPANESE MANAGEMENT AS AN ORGANIC SYSTEM

Although the actual working of Japanese enterprise is not a mere reflection of the Japanese only, and although the reasons for high economic growth can not be attributed exclusively to managerial factors, it is still undeniable that there exists something which should be called 'Japanese management', and that it is very effective for high economic growth and for high performance in manufacturing productivity.

Moreover, it has to be realized that in such 'Japanese management' each aspect does not exist separately, but rather all work as a tightly coherent organic system.

As a matter of fact, we can point out several features specially peculiar to Japanese management: life-time employment; seniority wage system; enterprise welfare; enterprise unions; groupishness. But what should be particularly stressed here is that none of these factors appeared independently in Japanese management by accident. On the contrary, none of them could be generated unrelated to the others. In other words, each of them is indispensable in making the others work well.

Here a question may arise. Which one of above five factors would be the real central factor that has required the others as indispensable supplements? Such a question is inevitable, now that we have stated that various factors of Japanese management working as a tightly cohesive organism.

As the core factor of Japanese management system, the author puts the fifth factor 'groupishness' above all.

We will now explain the reasons for this, and how other factors are required for the smooth working of groupishness.*

* Though recently we have had lots of discussion with regard to the peculiarities of Japanese management, many simply understand them as merely a collection of several factors quite in parallel—missing the real core of those factors. Particularly, two representative works by Western experts—Ronald Dore²⁾ and Richard Pascale & Anthony Athos,³⁾ despite the complete difference in their arguments (in positive sense), have crucial

¹⁾ Tsuru, S. *Mainsprings of Japanese Growth: A Turning Point* (The Atlantic Institute for International Affairs 1976).

²⁾ Dore, R.: *British Factory and Japanese Factory* (University of California Press 1973).

common defects in missing groupishness at least as forming the core for the Japanese system as a whole.

Actually Dore, missing the role of groupishness in Japanese management mostly, replaced it by his late development effect, whereas Pascale and Athos, putting aside the groupishness, attributed the art of Japanese management mainly to a less scientific concept like a 'spiritual value.'

It, however, may not be fair to say that these authors are entirely away from recognizing Japanese predilection for group work. But speaking about Pascale & Athos for example, it is obvious that they are dealing with Japanese groupishness only as one of the factors different from the Western way, not as a core for all other peculiarities. Additionally, even when they refer to it, they are too much inclined to speak about it "in terms of morals and emotion rather than role and function." (p. 126) In our view, Japanese group work and its outcome should be taken up more in its functional context, though cultural, moral, or emotional aspects such as self-restraint, high evaluation of inter-dependence, or tolerance of ambiguity are really indispensable in sustaining the actual working of groupishness.

William Ouchi,⁴⁾ however, seems to have an excellent understanding about organic mechanism of Japanese management based on functional groupishness, though he has also approached the subject from Western side.

GROUPISHNESS

(1) Groupishness — the core of the Japanese management system — first appears in the way the job obligation is allotted to each employee. Different from Western way of job allotment, where each specialized job is distinctly allotted to each employee, the Japanese employee is not allotted a distinctly bordered job obligation in a clearcut way.

On the contrary, Japanese firms prefer to allot various categories of tasks to different sections in a very collective way at first. Thus ordinary Japanese firms usually have such sections as personnel sections, sales section, accounting section, production engineering section, quality control section and planning section. The next step for the firm is to decide how many employees would be necessary for each section. Finally, the required number of employees are allotted to each section. Employees, except for some engineers, are not recruited for their particular specialized skill. Rather they are recruited for their general and potential ability immediately after graduating from school.

Under such a recruitment system, the employee usually does not know what section he will be put into after recruitment. This, however, doesn't mean that he (she) will never be allotted a distinguishable job. He (she) is actually given a job in some discriminative area from the first within the section to which he belongs. The real peculiarity of the Japanese system

³⁾ Pascale, R. & Athos, A.: *The Art of Japanese Management — Application for American Executive* (Simon and Shuster 1981).

⁴⁾ Ouchi, William: *Theory Z—How American Business Can Meet the Japanese Challenge* (Addison-Wesley Publishing Co. 1981).

lies in that the border of his job area is usually vague and others can easily invade his area with no serious hesitation or reproach, and that he would be rather frequently transferred to different job after a definite length of time. With regard to such a way of job allotment, or occasional transference of an employee throughout his lifetime service, naturally following suspicion may arise. Is it really possible to expect each employee to have adequate skill to be able to adapt to his allotted position?

Such a question may become very serious in some cases where skill accumulated over a long time is required for anyone working in that position. But actually, in most cases, particularly under technical conditions in present-day capitalism where each separate task is becoming more and more finely divided and thus becoming simpler and simpler, Japanese firms are facing this sort of question quite effectively by allotting newcomers — whether from schools or other sections — to rather assistant-like positions in a section and making them learn the necessary skills from others in the section during first few weeks (or months) of their service until they can be transferred to other more difficult areas within the section. Group work, in which there are miscellaneous tasks requiring a wide range of skills — from very easy to very hard, is doubtlessly making this sort of response easier for firm. Besides, under present-day technical conditions, as mentioned above, it is actually easy for the well-educated Japanese employee to learn any necessary skills on the job within a comparatively short time.

Not only is a foreseen problem being solved rather easily as explained, it should also be noted that Japanese way of job allotment has several apparent advantages for productivity. First, it is recognized that the Japanese way of job allotment is making it easy to overcome a possible loss in productivity caused by absentism, though absentism itself is far smaller in Japan than Western nations. For, in most of Japanese firms where each employee has more or less wide experience of different tasks through his past job transference into various group works does not have any serious psychological or technical problems in doing other tasks than that in which he is actually engaged in daily. Thus there is no need to suffer so much from such absentism, because capacity can easily be maintained by filling the position of the absentee with some other employee, if the position is important enough. The merit of this point is undoubtable if we compare it with a Western factory, where any position can not be filled so easily others because of distinctly contracted task division among employees, and which loses more capacity than that of the absentee, for even some work by non-absent employees in positions closely related to that of the absentee becomes meaningless because of the absentism.

Secondly, it may deserve to be noted particularly that groupistic job

allotment peculiar to Japan makes a very favorable base for aggressive technical improvement. Because, under Japanese conditions, any employee who has become unnecessary through the application of new equipment can be easily transferred to some other shop where work is increasing due to improved technical conditions, so that the firm does not have to suffer any serious labor trouble that might occur if they had fired him.

Fairly early introduction of robots in most representative Japanese automotive factories — as usually taken as a good example of this point — was able to be much more smoothly carried out in Japanese firms, because of this advantage, over other competitors in Western countries where they sometime have to take into account possibly burdensome labor trouble stemming from inevitable dismissal of some employee — leading to hesitation in the technical improvement.

As a more typical and astonishing example of this sort, it may be revealing to refer to a recent case which actually happened in the large newspaper company Asahi when they made the decision to adopt a new printing machine with a computer system that would have made unnecessary 600 employees mostly in the type setting section. As a matter of fact, the management of Asahi was able to avoid any strikes — or sabotage by transferring many of type-setters to the sales section or proof reading section, — and, even more surprising, by transferring four of them to the editorial staff.

One should compare this case of the Asahi with that of the London Times where almost one year was lost during 1980 from a similar problem.

But what is important here is that this is not confined to such particularly outstanding cases as that of the Asahi. Rather, it may be far more significant that successive technical improvement and productivity increase, as actually observed in Japan, especially during the 1960s and 1970s, could hardly be brought about without this advantage.

The third merit of the peculiarly Japanese system of job rotation may lie in the point that management can expect many of the employees to have a sufficiently wide scope of job experience, because of repeated job rotation or transference.

Prof. K. Koike of Nagoya Univ.,⁵⁾ making much of this aspect of the advantage Japanese firms enjoy insists that the peculiar employee participation system of Japanese firms — represented by their peculiar suggestion system — might not have been so successful if management could not expect each employee to make his suggestion while being able to consider any possible relation to the total producing process through his wide range of job experience.

⁵⁾ Koike, K. *Skilled Labor in Japan* (Yuhikaku 1981).

It may not be so easy to give any empirical proof for Koike's remark, but judging from the fact that majority of such suggestions are actually adopted by management in most Japanese firms, we can presume without fearing any great error that job rotation system is really one factor in the successful suggestion system practiced in Japanese firms.

(2) Another remarkable result of Japanese groupishness can be found in how decisions are made in the actual working of business.

Many, even including some the employees, are usually required to participate in the process of making a decision, if their tasks have any relation to the problem concerned.

For this purpose, usually both oral and written means are used.

As to the former, meetings are held on various levels so as to exchange all kinds of necessary information and to discuss what shall be done finally.

But such decision-making by oral means is not confined only to various formal meetings including all members of the group concerned. Other informal meetings, including various talks between the manager and employee concerned, are usually carried on and accumulated before formal meetings. Such miscellaneous informal talks, called *Nemawashi*, though not necessarily coming to the surface, has to be considered as playing a very significant role in the actual decision-making process in Japanese management.

Written means, however, should not be considered as unimportant in Japanese management, particularly in the decision making process. Usually some sort of memorandum, proposing a plan or an idea, is circulated up and down within a line, to inform all management and employees concerned, or to ask their opinion.

There can be different cases as to where the document starts. Some come from the top, but some others come from the bottom and reflect a sort of bottom-up decision-making process.

Such circulation of memoranda, called *ringisei*, can be either principal or supplemental in the actual decision-making process.

What is more significant here, however, is not the means, but the effect, particularly on productivity.

If this style of decision making was attempted in Western circumstances, effective decision making might be disturbed seriously because it would take too much time to attain a good consensus among the many, each of whom is comparatively independent and tends to insist on his own self-interest strongly, or any worthwhile decision may be blocked by some who do not think of the general interest enough but are insist on their own view.

But under Japanese circumstance where everyone is well accustomed to be in harmony with others or with the group he belongs to, sustained by the cultural background, we do not have to worry so much about such cases.

Rather the Japanese way of groupistic decision making has a clear advantage, particularly in Japanese culture.

Firstly, since the decision is always made in such a way, management can expect every one who has any job relation to the matter decided, would act precisely toward the desired goal. They can expect this particularly because the whole content of the decision has already been grasped by very well due to participation in the process of the decision making.

Secondly, the Japanese way of decision making has a clear advantage in that the decision itself can be done after taking into consideration every possible aspect of the matter, after absorbing all the opinions proposed by everyone who participated in the decision making.

One prominent example of this praiseworthy aspect of Japanese way of decision making we can find in the automotive industry, particularly when they decide on the model of a new car. Actually, the model of a new case is reported to be decided upon in the Japanese automotive co. only after a long process of exchanging necessary information and opinions among all related managers and employees in model designing section, quality control section, production shop floor and sales section, so that, after production has started, trouble can rarely happen in Japanese automotive factories.

Prof. Robert E. Cole of Univ.⁶⁾ of Michigan once compared such features of the Japanese automotive industry with America, where such drafting work belongs exclusively to the designing section, and so sometime defects in the new model are found only after actual production of the new model has been carried on to some extent.

Indeed, we can hardly deny Prof. Cole's conclusion stressing that any conspicuous raise in quality and productivity in American automotive industry can not be expected unless they improve the way of draft planning so that those in the quality control section or production section participate in such drafting planning.

(3) Both groupistic job allotment and groupistic decision making strongly requires an intimate cooperation among related management and employees, so that it is natural that Japanese management is liable to deprive each individual of motivation for competition.

But this does not mean at all that Japanese companies are less competitive within their organization.

Fierce competition between individuals, which is usual in Western companies, is taken over, in Japanese companies, by similar competition between small groups inside the framework of the organization.

Competition between different sales teams in the same company for

⁶⁾ Cole, R. Z.: The Secret of Productivity in Japanese Automotive Industry (Mainichi Economist Jan. 20, 1981).

higher profits, competition between divisions producing different kinds of goods for earning higher profits or competition between branches of the same bank for gathering greater deposits from customers are really heated and fierce in Japanese companies. So we do not find any insufficiency of vitality in those companies.

In addition to this, it is recognized that a strong feeling for such groupistic competition is very universal in Japanese society and it is also deeply rooted in Japanese culture.

R. Pascale and A. Athos also refer to such competition between groups when they speak about Matsushita's management. But unfortunately they have entirely missed its being universal in Japan, saying "Again, contrary to Japanese stereotypes, there is a lot of competition and latent conflict in Matsushita, particularly as divisions (such as radio and tape-recorders) vie to develop products that overlap one another's turf." (p. 47)

From what has been argued so far, it may now be apparent that what is stereotype is not Japanese weak competitiveness but the way Pascal and Athos think.

OTHER FACTORS

Other factors which make Japanese management different — life-time employment, seniority wage system, enterprise unions and enterprise welfare — should not be considered to be less important than groupishness. But these factors are more supplemental in the function of Japanese management where groupishness is a basic building block.

Indeed, these factors seem to be persistently alive in Japanese management because they are very helpful for more effective working of groupishness that requires a vitally strong community solidarity among those involved in the groupishness, and long-term relation between them is naturally favored. And doubtlessly this longer term human relation can be best accommodated through life-time commitment to employment in a particular company.

Various fringe benefits — which are sometime called enterprise welfare and include facilities such as housing, dormitories and gymnasiums utilized exclusively by the employees as well as recreational activities sponsored by the company — also enhance the community solidarity of the company.

Also, too much stimulation of competition between individual employee through wage incentives depending on a different assessment of each one's ability or performance might be harmful for such community solidarity. Nevertheless, this should not be considered to be the only reason why the seniority wage system is favored in most Japanese firms.

Putting aside the probable result of a non-seniority system, it is recognized that in Japanese circumstances where the job itself is not allotted an individual

employee so distinctively as in Western firms and consequently it is comparatively more difficult to have a distinctive assessment of each one's performance, the adoption of any other means of wage payment fundamentally different from seniority system is difficult.

In addition, in Japanese circumstances where social skill, instead of specialized skill at a definite task, is made much of for the betterment of the group work, it is rather natural to esteem a senior member of the group more for having more social skill stemming from his longer service.

Universal establishment of enterprise unions in Japan is also recognized as having such an background deriving from the structural features of the labor market in Japan.

Particularly, it should be born in mind that due to the absence of totally open labor market where a definite skill is sold, the Japanese employee does not have the inclination to compare his own reward with those having similar skills working in different firms. This naturally leads him to feel his self-interest relates, not to those in other firms, but to those working in the same company, which clearly would result in general establishment of enterprise unions.

Thus such features as the seniority wage system and enterprise unions are thought to be rather inevitable under Japanese conditions. Not only inevitable, they also obviously serve for the better working of company community and groupishness, and through relationship they correlate well with the whole mechanism of Japanese management.

The depth of the correlation between basic groupishness and other factors, however, does not exclude the possibility of flexibility in actual implementation of those factors in various firms.

In fact, we have various examples of Japanese companies where such elements as life-time employment, seniority wage system or enterprise welfare are actually exercised in different ways with a varied mixture of other factors such as earlier retirement, job- or merit-related wages.

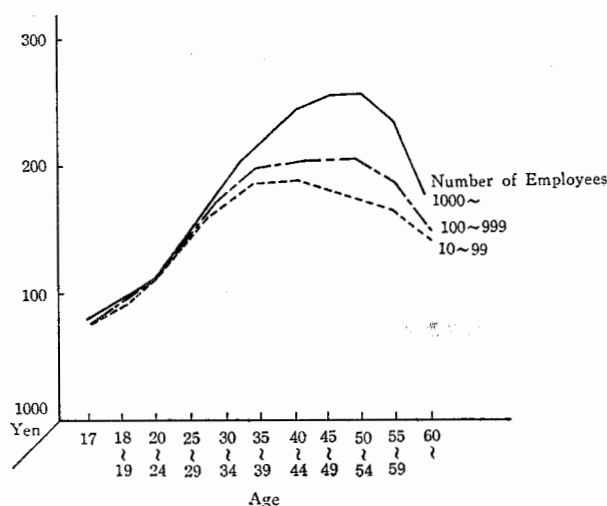
Moreover, the author does not wish to neglect a recent tendency of many firms to try to modify such systems as life-time employment or seniority wage system, particularly when confronted with recent general aging of their employees. But also for making sure of such prospect as much accurate as possible, understanding of Japanese management as an organic and consistent mechanism built around its core base — Japanese groupishness — may help us greatly, the author conceives.

In other words, now that those systems, such as life-time employment or seniority wage have been built into Japanese management as inevitable supplements to groupishness, recent moves to modify those features seem to have one clear limitation — not to harm crucially the working of groupishness.

In this concern, the actual features of management of smaller enterprises in Japan seem to suggest an answer. Because it is known that smaller enterprises, even in Japan, have had a less steep seniority wage curve and higher labor turnover, though similarly favoring group solidarity. For example, we have various different wage curves as shown by the (G₁).

Thus, it may be considered that the bottom curve in the graph that indicates the wage curve of the smallest enterprises would be showing one extreme possibility that bigger firms could adopt. But, on the other hand, it is conceivable that this is too extreme for bigger firms even when they are forced to change their system under harder conditions, because it is predictable that under such conditions the turnover rate would become too high to maintain a sufficiently favorable atmosphere for community solidarity in a big company. Indeed, in a smaller company, what has been lost through a higher turnover can be compensated by some other emotional means that can be easily handled in smaller circle of people. Since such approach does not seem to be so easy in a bigger organization, it is apparently safer for us to recognize the wage curve of middle size companies as giving a probable boundary for bigger firms shifting their present system.

As to other probable modifications which will be adopted by bigger firms as conditions change, we will not try to argue further here. But it seems to be apparent that predictions concerning these questions may be made easier, now that we have understood how various aspects of Japanese management work in a consistent organic integrity focussed on groupishness which has to be retained at any cost.



Source Japan Ministry of Labour

G1. Seniority Wage Curve of Various Sizes of Firms.

3. FOUNDATION OF 'JAPANESE MANAGEMENT'

Such consistent working of such unique management as is found in the daily operation of most of Japanese firms can, to be sure, by no means be maintained without being sustained by some combination of the various conditions deeply rooted in Japanese society. The following three aspects, at least, should be taken into account as the most important conditions of this kind.

(1) Cultural background, which has been developing for long time through Japanese history. Particularly, the long history of a peculiar rice cultivating agriculture — that is different even from other Asian countries' rice agriculture — seems to have a great connection in this respect.

(2) With regard to gradual formation of Japanese management through establishment of systems such as life-time employment and seniority wage system. It may be particularly worthwhile to note, the process which established basic structure of life-time employment in many big Japanese firms immediately after WW I, and the process which largely advanced the seniority-wage system immediately after WW II.

(3) The role of peculiar structure of present Japanese economy — which is considered a very unique capitalism in the contemporary world — in supporting the effective working of Japanese management.

Since these three aspects are equally important when we try to understand the background of Japanese management as a whole, it is very hard to give any sort of ranking as to their degree of significance. But in this paper, we want to focus on only one the third point, leaving study of the other two points for another paper we are planning.

There is no particular reason for taking such a way here except that it seems that, compared with the other two points, the point has been overlooked in many arguments so far.

The peculiar structure of the present Japanese economy is found, first of all, in the peculiar ownership of big firms. In most of the present big firms in Japan, it is hard to find any conspicuous personal shareholders who have enough stock in a definite company to exercise any significant controlling power over that company. Instead of such personal shareholders, other big companies, mainly belonging to the same grouping to which the company itself belongs, occupy the place of the biggest shareholders. And these other big companies are also legally owned by companies in the same group including the company mentioned above. Thus, a sort of reciprocal shareholding relationship between companies in the same group is now found as forming an elemental core of shareholding of most of the big firms in present-day Japan.

But more important here is that this reciprocal shareholding relation enables so-called 'manager's control in the extreme. Needless to say, no such company is perfectly free from some sort of intervention by its big shareholders. In particular, big banks in big affiliated groupings have comparatively more power in leading companies within a group. But even in the case of such big shareholding companies, including banks, it should be remarked they themselves have only juridical persons as shareholders who are nothing else but the companies at the top of whose big shareholder's list these banks and companies appear. Thus, intervention based on such shareholding can also be bilateral and reciprocal between managers of related companies, as well as in the shareholding relation, though in many cases one side of such a bilateral relation can be clearly recognized as stronger than the other. At least, we can say that the classical type of owner's control — which means individual control of a company through prominent shareholding by one person — has almost perfectly disappeared from the big business world in Japan. Big companies in present-day Japan are all under the control of managers in various companies — this is an undeniable and unshakable fact of the present-day Japanese business world.

In addition, the fact that those managers are not only exempted from the intervention of big personal shareholders, but are in fact mostly those who have been promoted from positions as employees seems to be very significant. Such a way of manager selection through promotion within a company is obviously due to the structure of the Juridical Persons Capitalism mentioned above.

But it seems to be more important here to know that, through such a mechanism big Japanese companies are more and more recognized as institutions, not for shareholders, but for employees of the companies, though they still maintain their legal form as joint stock companies. In fact, the employee of a company is not called 'employee' in Japanese, he (she) is called a *Shain* (a member of the company), the meaning of which is closer to "partner" than to "employee." Here we can find a fine reflection of the structural features of big Japanese companies. Within such an atmosphere and structure, it is also true that most of the big Japanese companies are being administrated more for the interests of employees than for the interests of shareholders.

Distribution of profit to shareholders, of course, can not be entirely neglected, even in Japanese companies, because, without adequate popularity of the company in the money market through a stable dividend, it would become harder for the company to manage financial matters. But dividends can never be a primary concern of a company in Japan. Development of the company always comes first, and profit distribution as dividend become

important only so far as it is indispensable for the development of the company.

Such a result of the Juridical Persons Capitalism of present-day Japan⁷⁾ undoubtedly serves for effective functioning of Japanese groupishness in big companies. For what such effective functioning of the groupishness requires — that is, high loyalty of each employee for the group and the company, not for any particular supervisor as found in feudalistic loyalty — can be obviously best ensured by the fact that the company is actually being managed more for the interest of the company itself and permanent employees in it than for any other interests, including that of shareholders.*

* Pascale and Athos⁸⁾ are referring to the case of Delta Air Line, where management protected the interest of their employee at the sacrifice of the interest of shareholders in a slump and succeeded in carrying out better team work through it. This also indicates us how degrading of shareholders relates more to intimate company community.

Another significant foundation for effective working of Japanese management can be seen in the fact that Japan is now one of the most egalitarian societies in the contemporary world. Of course, the above illustration of Japanese Juridical Persons Capitalism has already shown us one aspect of such an egalitarian situation. But here, equality of remuneration or income becomes significant.

However, it may not be so easy to prove this point through comparative statistics from representative advanced nations, for it is rather hard to obtain statistics homogeneous enough to use in a comparative study. Prof. Koike, being aware of this difficulty, found two fairly similar statistical investigations done in the EC in 1972 and in Japan in 1971 and through them indicated how there is less inequality in Japan compared with EC nations.

For example, Koike showed in graph (G 2), which he drafted from this data, that the average wage differential between white collar employees and blue collar employees in Japan is less than fifty percent at most, whereas such differentials exceed fifty percent in all of the EC countries, at least as to employees over 45. And, in France particularly, it exceeds 100 percent.

Also making use other results of the same investigation, Prof. Koike compared remuneration differentials between middle management and ordinary white collar employees in Japan with those of the EC nations.

From the ratio of middle management to total white collar employees, Koike found that the *Bucho* (section chief) and *Kacho* (subsection chief) just cover 1b (managers with general authority and responsibility excluding top managers) and 2 (division managers) category middle managers in EC

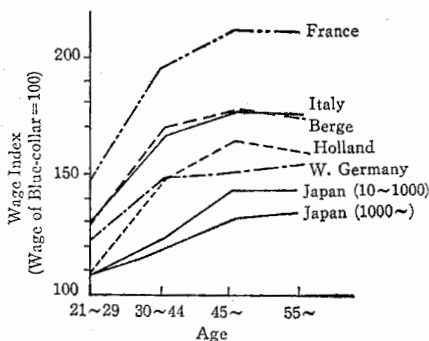
⁷⁾ For further theoretical analysis of Juridical Persons Capitalism, Tominomori, K.: *Contemporary Capitalism and Managers Control* (Shinhyoron 1977).

⁸⁾ Pascale & Athos *ibid* p. 179.

investigation, though the Japanese *Busho* covers a wider range than EC's 1^b and include some of EC's 2. And after such careful confirmation, he made graph (G 3) to show the variation in average remuneration differentials between middle management and ordinary white collar employee in different nations.

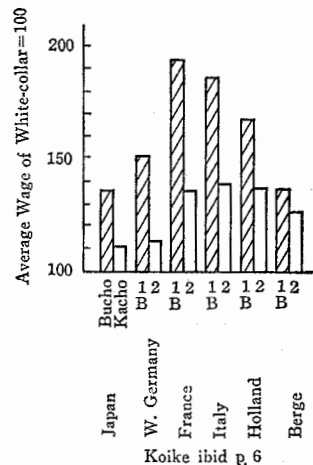
From this chart, it seems no exaggeration to conclude that Japan is really the nation with the least in equality among those appearing on the chart. But what is unfortunate is that we are still incapable of obtaining satisfactorily homogeneous statistical datum common both the US and Japan so that a credible comparative study can be made of them.

What we have is only another graph of Koike's (G 4), which he himself apologizes for as being quite unsatisfactory for purposes of comparison. But even from the result of such empirical work, though very limited, and from the well-known fact that incentive cost for management is very high in the US, it may not be so risky to say that Japan has less inequality than US.



Koike, *ibid* p. 5
Source EC Structure of Earnings
in Industry, 1972, 13 vols.
Wage Statistics of 1971,
Japan Ministry of Labour

G 2. Wage-differentials between White-collar & Blue-collar.

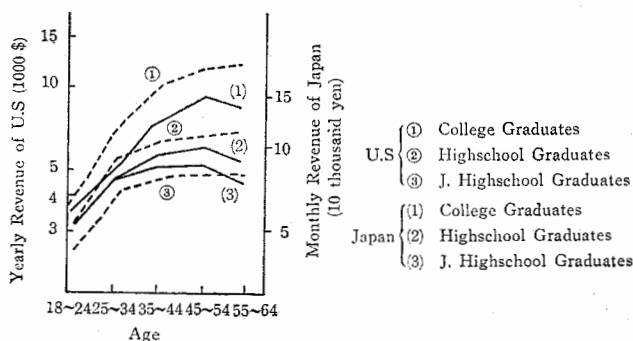


Koike *ibid* p. 6

G 3. Remuneration-differentials between Management & White-collar Employee.

And this highly advanced equality in Japan among different kinds of employees, and between management and employees, in our view, apparently serves as a favorable base for the effective working of Japanese groupishness at present. It is conceivable that in an egalitarian situation we are exempted from the one clear obstacle stemming from inequality that is liable to cause unharmonious and antagonistic relationships among people in a corporation.

It should, of course, be remarked that, on the other hand, the egalitarian situation found in present-day Japan is rather newly developed, probably since WW II: for it is known, for instance, from an investigation by the



Koike, *ibid* p 7

Source: U.S.A, Census of Population 1960
Japan, Wage Statistics 1971

G4. Difference of Wage Curves by Schoolcareer and Age (U.S. & Japan)

Japan Federation of Economic Organizations (Keidanren) that in the 1920's the average remuneration of CED of big companies was more than 100 times of that of newly recruited young college graduate employees, though it was only 7 times in 1979.

Thus, it can be considered that a highly egalitarian situation in Japanese firms has been developed in accordance with the development of Japanese Juridical Persons Capitalism mentioned previously.

Anyway, it may deserve to be noted particularly that effective working of Japanese management is also strongly based on conditions developed during the age of a 'silent revolutionary' process involving war defeat, a structural change of economy in the confusion immediately after, and high economic growth, though a cultural background deeply rooted in Japanese history should not be neglected when we discuss Japanese management.*

* Japanese firms do not take such a foolish way as to make all employees perfectly equal, where any kind of incentive sufficient to stimulate them to work is entirely done away with. What is actually found in most Japanese firms is a generalized equality compared with others nations, which is on one hand enough to make employees less antagonistic toward each other and on the other enough to make the organization sufficiently vigorous through competition.

And exactly such general equality serves as a favorable base for cooperative group work in firms.

It is also interesting to know that a certain degree of equality seems to be useful for building effective teamwork even in other countries having different cultural backgrounds.

The case of Carlson of United Airlines, as introduced by Pascale and Athos is revealing in this point.

According to their description, Carlson developed his company "in which he was first among equals," or he "treated" his subordinates "more like colleagues or associates than employees"⁹⁾ (p. 158 & p. 167) in his earnest endeavour to build better teamwork within his company.

⁹⁾ Pascal & Athos *ibid* p. 158 & p. 167.

4. CONCLUSION

Through the brief analysis in this paper, two points have been particularly clarified. One is that "Japanese management" is not a mere complex of several peculiar aspects found uniquely in Japan, but an organic mechanism principally aimed at the effective working of various groups in company organizations.

Another point that has been stressed in this paper is, at least as one of the most important bases for better working of Japanese groupishness in the company community, 1) forfeit of private ownership in its intrinsic sense through structural change of Japanese capitalism into Juridical Persons Capitalism after WW II, and 2) highly equal remunerative conditions among people working in a company probably as one necessary result of 1).

The significance of such argument is now obvious. For with the former, we can get a sure stand-point from which we can forecast possible changes in Japanese management' in the future, and with the latter we have an idea of to what degree Japanese groupishness can be introduced into other countries.

As often pointed out very rightfully, Japanese groupishness is really a deeply ingrained Japanese cultural trait having a long history. But we have found that the effective working of it in the present day, where management can not rely on feudalistic loyalty of the employee even in Japan, actually depends on an egalitarian situation very largely.

Such findings seem to be important, since we notice some tendency toward Juridical Persons Capitalism, though not so extreme as in Japan, also in some other countries such as the US in recent years,¹⁰⁾ which suggests that favorable conditions for exploiting effective teamwork are also appearing in such countries.

Of course, the American style of groupishness, though it may come to prevail, would differ from the Japanese style in many respects because it has to be ingrained American culture. But there is no reason to decide that such American groupishness will be less effective in function than the Japanese style. It may even be possible that such a new style of groupishness will be a powerful challenge for Japanese groupishness.

¹⁰⁾ Blumberg, P. I.: *The Megacorporation in American Societies* (Princeton Hall, Inc. 1975).