

HOW JAPANESE RUN THEIR BUSINESSES

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Abstract

The amazing economic results of Japan in the 20th century have determined an assiduous research of japanese evolution, only to prove that the main cause and factor for those results in japanese management. In this paper we try to reveal the main characteristics of this system and to compare it with other types of management.

“ All people are alike, only their habits are different.”
Master Kong Zhu (Confucius), Chinese, fifth century AD

The amazing economic results of Japan in the 20th century have determined an assiduous research of japanese evolution, only to prove that the main cause and factor for those results in japanese management. That's why is important to reveal the main characteristics of this system and to compare it with other types of management.

Much of the japanese culture- and the basis of working relationship- can be explained by the principle of “wa” (peace and harmony). This principle, embedded in the value they attribute to amae (indulgent love), probably originated in the Shinto religion.

Amae results in shinyo, which refers to the mutual confidence, faith, and honor necessary for successful business relationships.

Connected with amae in the hierarchy of any organization is an other characteristic feature of the japanese management, the oyabun-kobun relationship (oya- father, ko- children).

The essence of this principle is the existence of close relationships between people of different ranks in the company. The higher rank person is called oyabun, the oyabun can subordinate more kobuns, but a kobun can't have like bosses more oyabuns.

Every japanese organization is an complex of such type of relationships , which offers cohesion. Another major characteristic of japanese management and activities is “the groups” or associations, called habatsu.

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The Japanese economy has a dual structure, big companies such as Mitsubishi, Mitsui, Fuji, Sonwa etc, called zaibatsu or keiretsu cohabit with small and middle firms (these firms represent 98% of total economy).

The first keiretsu companies have been created in the Meiji period (1868-1945), when there were sold to some dynastic families for small prices, very advantageous for the buyers. With time these industrial dynasties developed even more, becoming industrial giants of today's Japanese economy.

These companies are the main pillars of Japanese economy over a century now. As an example, Mitsubishi has extended its keiretsu to include 25 companies in various industries in the United States. This group was responsible for the takeover of Rockefeller Center and is heavily involved in semiconductors, television productions, banking, food, and other industries in addition to its car manufacturing.

Each keiretsu has a complex structure (factories and works, bank and general commercial company). The most important elements are the bank and the general commercial company. The Bank has an important role in group's integration, assuring the financial resources, necessary for a further development. Another important role of the bank is the integrative function, through financial policies. So on, the Japanese companies, characterized by a quick development, are borrowing money. In exchange of its money, the bank wants to have a certain control over the company and appoints one of its employees CEO of the company.

The general commercial company has other functions and characteristics than the ordinary commercial functions because of its important role in the development and innovation process of the keiretsu. The main functions are:

- Marketing researches and products sales in exchange of a commission,
- It initiates new projects
- It creates mix companies in Japan and other countries
- It buys stocks from the bank for company's clients

The most important reason of this integrated group of companies (keiretsu) is to advance and develop on new markets, to divide the risk between all this companies and to avoid a bigger expansion of the main company.

The success of these groups (keiretsu) have spread it even outside Japan. In its process of reorganization, the Ford Company adopted the same principle, Ford included in its research-development dimension, the participation in eight corporations of research.

Although the keiretsu system is seen as a Japanese success, there were voices that called this type of organizations "governmental cartels". Keiretsu acts global and it is integrated both horizontal and vertical. Each keiretsu it is capable to control almost all the steps in the economic chain, in different industries. Horizontal keiretsu are controlled by the most important Japanese banks and include "the big six": Mitsubishi, Mitsui, Sumitomo, Fuyo, Dai-ichi Kangyo

Bank. Vertical keiretsu are industrial groups, connected to big producers and retailers such as Toyota, Nissan, Honda, Hitachi, Toshiba, Sony.

The Ringi System

The Japanese identify strongly with their work groups, where the emphasis is on cooperation, participative management, consensus problem solving, and decision making based on a patient, long-term perspective.

Open expression or conflict is discouraged, and it is of utmost importance to avoid embarrassment or shame as a result of not fulfilling one's obligations.

These elements of work culture generally result in a devotion to work, a collective responsibility for decisions and actions, and a high degree of employee productivity.

It is this culture of collectivism and shared responsibility that underlies the Japanese ringi system of decision making.

In the ringi system the process works from the bottom up. Americans are used to a centralized system where major decisions are made by upper-level managers in a "top-down" approach typical of individualistic societies. The Japanese process, however, is dispersed throughout the organization, relying on group consensus. The defining characteristics of the ringi system are:

- A high complexity generated by the large number of managers and various informations and decisions taken.
- The frequent proposals of top managers, even if there are not accepted always as solutions.
- The blender between formal and informal communication.
- Middle managers have a crucial importance in decisional process.

Although Japanese companies are associated in joint-ventures all over the world, especially North-American companies, they have kept the symbols and gestures in the communication process. They are into tradition and customs.

The communication process at the primary group level has a formal character; there is a very strict and well preserved ceremonial. The content of the communication process isn't an individual idea, the participants present their group point of view and not of their own.

If we extend this cultural profile to its implications for specific behavior in the workplace, we can draw a comparison with common American behaviors. As a result, Japanese businesspeople tend to think of American organizations as having no spiritual quality and little employee loyalty, and of Americans as assertive, frank and egotistic. Their American counterparts, in turn, respond with the impression that Japanese businesspeople have little experience and are secretive, arrogant, and cautious.

The Organization Structure

The structure of a Japanese company is highly influenced by the age of the employees. Inside the organizational pyramid, the middle management has a decisive role. Only the need of information leads them to the upper-management.

The Japanese experience demonstrates that the management is efficient when middle-managers are efficient, creating a bridge between the top and the bottom of the pyramid. Top-management includes the directors board, the president and the vice-presidents, and has three main directions:

- It initiates changes in the company's employment structure
- It solves company's crisis
- It promotes public relations with other companies managers and with the government

The human resources are very important for the Japanese management; the selection of the employees is seen as a long-term investment.

The employment system responds favorably to one of the most important requests of the employees: safety of the job. The big groups (keiretsu) promoted a life employment, but this system is not a generalized one, because the small firms don't have the necessary resources.

Even in big companies there are some categories – women and unqualified workers – that are excluded, usually, from life employment. In 1994 statistics showed that 70% of the employees were life employed, now only 25-40% benefit from a life job, and that is because companies tried to decrease this practice. There are three types of employees:

- Permanent employees, life employed
- Semipermanent or experimental recruits
- Temporary workers

The advantages of life employment conforming to Japanese culture and mentality are:

- The companies managers consider human resources very important;
- Because of the life employment they allot large sums of money for the employees training.
- They can calculate more accurately the wages on long-term;
- The employees are more loyal to the company and work in a harmonious climate.

On the other hand, this system has also disadvantages:

- High costs with human resources, more in recession periods.
- The professional development of the employees is insufficiently stimulated;
- There is a rigid recruitment strategy.

A very important characteristic of Japanese companies is the concern in employees training. They think that you cannot create high quality products

without qualified workers. The accent is not on specialization, like in north-american companies, but on job rotation, on a yearly basis.

The rotation advantages are lots: employees with a vast experience and knowledge of the company, a better development of human connections and relationship at work.

The wages are established conforming to employees' age and work experience. The differences between the wages of university degree employees and highschool diploma employees are not significant.

Today Japan is facing lots of demographic changes, especially with population aging and the slow down of economic boom; these will bring many changes, even in employees selection and will restrict life employment.

Kaizen- continuous improvement

Kaizen means continuous improvement of management and organization's activities by every employee. Kaizen is a multifunctional approach, based on a participative strategy. One of the areas in which japanese managers use this process of kaizen is quality control, which has been the hallmark of success for many japanese industries.

Kaizen is also japanese culture and customs, the way they think- you don't have to invest large sums of money in your company, but to pay attention to small details.

After 1991 the japanese management, including kaizen, have suffered some important changes. In the recession period big companies fired employees, set wages on contribution and performances, reduced the retiring age and modified the evaluation scale. All these have created, probably, an even more competitive economy than before 1991. Kaizen is different because:

- Every employee contributes
- All organization's activities are included
- It's continuous
- It's more than management, it is a life style

Japanese companies that operate in other countries have borrowed different management styles, far from japanese tradition.

What do we know about japanese leadership? One executive, who had worked ten years for japanese companies said that a key to japanese style success is "to take many small steps, consistently, every day".

Leadership refers not just to the manager-subordinate relationship, but to the important task of running the whole company. Japanese leadership is highly participative contrary to what sometimes appears to be authoritarian leader-subordinate behavior.

In this participative context, managers often look to subordinates for advice and managers are expected to be transformational- that is, to raise the aspirations of subordinates and to secure their respect and faith.

For some time, american managers and theorists have examined japanese management practices in an attempt to explain and emulate japanese economic miracle.

Recently, increased global competitiveness and further exposure to western culture and managerial practices, have led japanese firms to adopt more american practices.

The partial blending of management practices indicates a trend towards convergence of leadership styles. Nevertheless, management processes, while ostensibly similar, will usually manifest themselves differently as a function of the entire cultural context in which they are enacted.

Can the japanese style be successful elsewhere? Because japanese companies have had considerable success in managing their US operations and their american employees, the answer is apparently yes.

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