

Socio-Cultural Aspects of Management in Japan: Historical Development and New Challenges

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THE OBJECTIVE of this paper is to review the mutual interactions between socio-cultural forces and the development of management in the course of the industrialisation of Japan over the past century. During that period Japan has emerged as a leading industrial nation in the non-Western world, with the concomitant development of professional management in an economy that is primarily based on free enterprise. From the outset Japan's industrialisation was characterised by unique socio-cultural conditions which in many ways contributed favourably to the rapid development of management resources and organisations. The process of industrialisation, however, has caused social and cultural changes, some of which confront Japanese management as challenges. In this respect Japan offers an interesting case of a cultural change which will shed some light on the issues of universalism and particularism in the process of industrialisation. The Japanese case seems to confirm the observation that management in essence consists of particularistic responses to given conditions, whereas technology has relatively greater universal applicability.

Both as individuals and as a collective body, management acts and counteracts in response to environment. In pursuing the maximum fulfilment of its objectives management decides on its course of action on the basis of its perception of relevant conditions, of which social and cultural factors are a part. A management action essentially seeks rationality in the Weberian sense; Parsons declares that—

Action is rational in so far as it pursues ends possible within the conditions of the situation, and by the means which, among those available to the actor, are intrinsic.

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sically best adapted to the end for reasons understandable and verifiable by positive empirical science.¹

Consequently, management principles and techniques in a given society are not only determined by universalistic demands of technology but also conditioned by demands of the socio-cultural environment. Since scientific inquiry into management behaviour started much earlier in the Western societies than elsewhere, our present body of communicable knowledge in management science is primarily limited to Western experiences. Furthermore, questions as to the relativity of management principles and techniques have not been raised as frequently as they should have been because cultural similarities have always outweighed differences between North American and West European countries. But if we accept rationality as the primary characteristic of management behaviour it becomes only sensible to suspect the presence of systematic differences in the patterns of management response among societies of differing cultural backgrounds. At least it is worth exploring the statement of Hagen that "interpersonal relationships which will be effective in economic activity in a given country depend on the country's culture. Principles of business administration are not absolute; they are relative to the culture of the society."²

The first section of this paper is devoted to a description of the development of management in the process of Japan's industrialisation. The early stages of economic development are reviewed, and then there follows a discussion of the background of business leaders of the period. Next, our analysis will shift to the changes that have occurred in the process of recruitment and development of management manpower. The present status of management and its development will also be the subject of brief comment.

The second section deals with how management came to terms with its socio-cultural environment in the process of Japan's economic development. Management impinges on society, yet is itself a product of its environment. The socio-cultural factors which were relevant in the rapid development of managerial resources will be analysed. In essence, management was ready both to capitalise and to create conditions favourable to rapid economic growth through industrialisation. In this process of interaction between management and society unique patterns of management have evolved in the Japanese industrial organisation.

Thirdly, an analysis will be made of the new socio-cultural challenges to management that have appeared as a result of Japan's industrialisation, which has propagated itself with vigour through the whole society.

¹ Talcott PARSONS: *The structure of social action* (New York, The Free Press of Glencoe, 1961), p. 59.

² Everet E. HAGEN, in the foreword to James C. ABEGGLEN: *The Japanese factory* (Glencoe, Ill., The Free Press, 1958), p. vii.

Some challenges have emerged out of the very factors that prompted rapid economic progress. Others are direct results of industrialisation itself and counteract management actions that once proved successful. Since industrialisation, once started, quickly becomes part of the context in which management operates, a discussion of this sort can deal only with long-term trends while leaving out specific incidents, however significant. Subject to this limitation, management responses to the changing needs of Japanese society will also be discussed whenever appropriate.

The final section—brief compared with the preceding three—will discuss the significance of interactions between management and socio-cultural factors on the basis of Japanese experience. The concluding remarks include a few general comments on the role of Western culture in the development of Japanese management.

Development of management during the industrialisation of Japan

It is generally agreed that Japan's fully-fledged effort of industrialisation began towards the end of the Tokugawa era (1600-1867) as contact with the West was officially reopened under both internal and external political pressures.¹ For the following two or three decades, however, 75 to 80 per cent. of the gainfully employed were still found in primary industries. Ohkawa suggests that the net national income, in terms of current United States dollars, may have been 60 to 70 dollars per caput annually. Although there are dissenting opinions he maintains that the economic development preceding industrialisation may be described as being close to the stage of "primitive stagnation".²

Industrial and mining production towards the end of the Tokugawa era had reached the point where large-scale mining and handicraft-type factory operations were not uncommon under the auspices of the Shogunate rule by military governors and local clan governments, and sometimes even private, commercial capital undertook such enterprises. A few efforts by the central and local governments had been successful in starting Western-style, power-driven manufacturing plants. But the bulk of finished products came from cottage industries and from individual craftsmen who belonged to guilds similar to those found in medieval

¹ Scholars differ as to the date. W. W. ROSTOW: *The stages of economic growth* (London, Cambridge University Press, 1960), p. 38, estimates that Japan's "take-off" occurred during the period 1878-1900; Everett E. HAGEN: *On the theory of social change: How economic growth begins* (Homewood, Illinois, Dorsey Press, 1962), p. 330, suggests that "the Japanese industrial revolution began not in the Meiji era but in the Ashikaga era" (1333-1468).

² Kazushi OHKAWA: *Nihon Keiza Bunseki: Seicho to Kozo* (An analysis of the Japanese economy, its growth and structure) (Tokyo, Shunju-Sha, 1962), pp. 7-8 and p. 139.

Europe. Such a guild system, apparently incapable of competing with factory production, was abolished shortly after the Meiji restoration (1868) as part of the over-all reform programme.

The young, reformist leaders of the nation, mostly of former *samurai* (warrior) class, saw clearly the need for economic development through industrialisation in order to protect national interests from potential political and economic aggression by the West. In addition to the modernisation schemes undertaken for the mines and factories confiscated from the Shogunate and local clans, the new central government built model factories under its direct supervision. The introduction of new technology was hastened by the temporary employment of engineers and technicians from Western nations and by universal and technical education, part of which was provided by sending students abroad. Although most of the government-owned industries were later sold to private groups, some of the new industries and public services were retained in the hands of the Government. In many respects the government policy of the Meiji era (1868-1912) resembled the mercantilism of the seventeenth to nineteenth centuries in England and France.

Although the Government's role in new economic activities was decisive, it was more or less a continuation of the pattern prevailing in the preceding period. In the Tokugawa era direct control of industries had been common for defence and revenue purposes both at the central and local government levels. Close working relationships between the Government and big merchants had also characterised the national and local economy of the time. In many respects the policy of the Meiji rulers was a logical and practical extension of past experience. But in those days it was unusual for a government to play a role in capital formation or for the question to be raised of the comparative merits of economic centralisation versus decentralisation, a private versus a socialised economy or a monopoly versus free competition; no socialist economy was yet functioning in the world. Consequently, as Lockwood says, "there was far less coherent long-range planning than any régime today would regard as the fig-leaf of respectability".¹

The political climate, however, was favourable to the private sectors of the economy ranging from the later *zaibatsu* (trust) enterprises to the thousands of small local businessmen. In the Tokugawa era profit-oriented trade and financial firms had already developed and acquired a controlling influence in the national economy—an economic fact which contributed to the disintegration of the Tokugawa feudal system from the inside. Entrepreneurial tradition provided a reserve of potential leaders who could ably meet the newly-arisen opportunity for economic growth through

¹ William W. LOCKWOOD: "Economic and political modernisation: A. Japan", in Robert E. WARD and DANKWART A. RUSTOW (eds.): *Political modernisation in Japan and Turkey* (Princeton, N.J., Princeton University Press, 1964), p. 120.

industrialisation. "Trained incapacity" handicapped some of the established merchants of the previous era and forced them out of the Meiji business scene, while new, aggressive successors hurried up the ladder of success amidst the turmoil of transition. Despite such reshuffling the new men of economic power were private entrepreneurs determined to improve their lot through the acquisition of material wealth. Tsuchiya declares that "a great majority of the businessmen of the time possessed 'the spirit of capitalism' which, as pointed out by Brentano and Sombart, makes the pursuit of profits and capital accumulation a *Selbstzweck*".¹ National interests have also been important in their motivation, but sheer patriotism can hardly account for the vitality of economic leaders of the Meiji and subsequent eras.

The development of management resources in the Meiji period seems to have been influenced by both merchant and *samurai* traditions. But of the two the merchant tradition played the more influential role in the long run and provided the basic scheme of management recruitment and development. Essentially the pattern consisted of resident apprenticeship starting in early adolescence and lasting for approximately 20 years, during which an apprentice (*kozo* or *detchi*) received promotion to assistant manager (*tedai*) and then to manager (*banto*). Although exceptions were not infrequent, a reciprocal, career relationship between firm and employees was taken for granted by both parties. While some employees remained with the firm either as resident or non-resident managers until retirement, others set themselves up in business on their own with permission to use their former employer's trade name.² The recruitment of potential managers was not limited to townsmen, and frequently able apprentices were hand-picked from families in farmer and even *samurai* classes. Training and promotion schemes were closely tied together and, in addition to conventional on-the-job training, self-improvement in one's spare time was much encouraged. The importance of managerial ability was well recognised, and when a competent heir was not available, a merchant might adopt an able manager as an heir or appoint an executive officer from among trustworthy managers.

Most of the business leaders in the early Meiji era had started their careers with some merchant family. It is also important to note that business leaders of the time came primarily from the commoners, while political leaders were predominantly from the former *samurai* class. This is significant because it was *samurai* who, together with court nobles, played the principal role in the Meiji restoration. Mannari reports that 55 per cent. of 189 top business leaders in the 1880s came from a townsman's background, and when those who had come from the farmer class

¹ Takao TSUCHIYA: *Nihon ni Okeru Keieisha Seishin no Hattatsu* (The development of management ideology in Japan) (Tokyo, Keiei Shobo, 1958), pp. 114-115.

² Hiroshi HAZAMA: *Nihon Romukanri Shi Kenkyu* (Studies in the history of personnel management in Japan) (Tokyo, Diamond-Sha, 1964), pp. 26-27.

are added, commoners accounted for 77 per cent. of the total. There was not a single business leader who was of former *daimyo* or court noble status. In contrast, commoners represented only 9 per cent. of the political leaders of the time, while *samurai* accounted for 79 per cent. Even in cultural spheres such as journalism, arts and higher education *samurai* represented 70 per cent. of leaders in the 1880s.¹ A similar finding is reported by Aonuma, who claims that commoners accounted for 75 per cent. of 420 business leaders in 1900.² It becomes clear from these figures that a business career did not appeal at first to the former *samurai* class as much as it did to commoners, particularly to those in the townsman class.

Business leaders early in the Meiji era had less impressive educational backgrounds than the political and cultural leaders of the time. Also, while many came from a business family background, surprisingly few top leaders had inherited their wealth and leadership positions. Mannari reports that, in the 1880s, 28 per cent. of the political leaders had received some form of higher education, whereas only 17 per cent. of the business élite had done so, and that among the 17 per cent. a majority came from a former *samurai* background. He further indicates that only 10 per cent. of the business élite of the time were heirs of wealthy merchants, while 57 per cent. built up their businesses as first-generation entrepreneurs.³ All these data suggest that the industrialising élites of the early Meiji era consisted mainly of persons who sought new economic opportunities on their own initiative, unaided by education or wealth when they started.

This picture changed considerably as industrialisation proceeded. The sharp rise in the socio-economic status of business leaders began to attract a greater proportion of the total population than before into business careers, irrespective of family backgrounds. In the case of large business and industrial firms formal higher education increasingly acted as an initial screening process for potential managers. Since peasants and low-income industrial workers had only limited financial access to higher education for their children, big business leaders for long came primarily from other sectors of the population. But management positions became increasingly accessible to those who could prove their merit through the competitive educational system. At present most of the business élite in Japanese industry are career managers who have come up the ladder since graduation from institutions of higher learning.

Since the Meiji era the relative proportion of business-founders and their kinsmen has declined among holders of top management positions. Mannari shows that career business managers increased from 20 per cent.

¹ Hiroshi MANNARI: *Bijinesu-Erito* (The business elite) (Tokyo, Chuo Koron Sha, 1965), p. 53.

² Yoshimatsu AONUMA: *Nihon no Keiei So* (The management class in Japan) (Tokyo, Nihon Keizai Shimbun Sha, 1965), p. 174.

³ MANNARI, *op. cit.*, pp. 55-63.

in the 1880s to 72 per cent. in 1960.¹ According to Aonuma nearly 90 per cent. of the top executives in large firms nowadays are essentially hired managers, and none of the 1,500 persons in the sample studied owns 30 per cent. or more of the stocks of the company.² He also reports that in 1900 the percentage of big business leaders coming from Tokyo and Osaka, the two major trade centres at the time of the Meiji restoration, was 55 and that the figure had declined to 22 per cent. by 1962. Furthermore, the place of business residence was not the same as the place of birth for more than 70 per cent. of the business leaders in 1962, although the comparable figure had been only 30 per cent. two generations before.³ All these figures point to the conclusion that the recruiting ground for management has expanded considerably during the past three generations.

The most important factor contributing to this widening of the recruiting ground seems to be the spread of general and technical education at all levels. By the turn of the century more than 90 per cent. of school-age children were receiving compulsory primary education; this prepared a very large proportion of children in that age group for education at the next higher level. Even university education quickly ceased to be a monopoly of the former *samurai* class, which had been known for its great appetite for education. For example only 25.5 per cent. of the students at Tokyo University were commoners in 1878, but the figure had nearly doubled by 1885.⁴ Mannari reports that the percentage of business leaders with higher education rose from 17 in the 1880s to 63 in 1920, and to 91 in 1960.⁵ At present nearly 70 per cent. of the young people who finish compulsory training of nine years receive high-school education for an additional three years. Since even top-ranking national universities give equal chances to all high-school graduates the recruiting ground for management seems to have further expanded.

The present management recruiting practice in Japanese industry recognises university education primarily as a form of selection. This policy is reflected in the high degree of selectivity in choosing specific universities for recruitment purposes. Although specialisations in technical fields are duly recognised, graduates in law, economics, political science, commerce and business administration are normally lumped together as a group from which non-technical management trainees can be drawn. Both selection and allocation processes suggest that professional training as given by non-technical faculties at the university level is valued by management chiefly as a basis for general management training. On the other hand, there is a growing tendency to recognise engineering and

¹ MANNARI, op. cit., p. 132.

² AONUMA, op. cit. p. 140.

³ Ibid., pp. 92-94.

⁴ Ministry of Education: *Nihon no Seicho to Kyoiku* (Japan's growth and education) (Tokyo, 1962), p. 35.

⁵ MANNARI, op. cit., p. 124.

science graduates not only as highly skilled technicians, but as potential candidates for general management posts as well.

Most major business and industrial firms maintain well-defined training programmes for various echelons of management: usually these are of only recent development.¹ In addition many management associations offer short training courses, most of which are highly specialised and technique-oriented. Management journals are abundant in number but serve primarily the professional needs of lower-echelon management specialists. It seems that most top managers believe that on-the-job training provides the best opportunity for the development of managerial ability. In a recent questionnaire survey conducted by the Keizai Doyu Kai, a leading group of progressive businessmen, 66 per cent. of top managers agreed with the statement: "The only way to develop competent managers is to let them obtain plenty of experience in actual business situations".²

Management adapts to socio-cultural factors

Although Japan's industrialisation may appear to have gone through smoothly, in fact a number of obstacles were encountered. At one time or another the scantiness of natural resources, the late arrival of Japan in the world product market, technological backwardness and overpopulation have been said, sometimes with undue pessimism, to be impeding economic development. Numerous socio-cultural factors have also been blamed as "feudal remnants" retarding the full modernisation of industrial and others sectors of Japanese life. Even the lack of a tradition of "protestant ethics" or "rugged individualism" has been mentioned as a drawback.

Socio-cultural factors may assume different patterns in different countries. Even within a single nation such factors vary from time to time not only in their configuration but also in their significance for industrialisation. For example a sizeable population may be a drain on economic productivity at a developing stage, but as the nation approaches industrialism, it provides a valuable testing ground for product improvement and an indispensable market for mass production. Management must always respond to environmental factors by evaluating them intelligently in terms of their significance for its goals and the means available at the particular moment.

¹ A detailed account of the development of management training programmes in Japanese industry may be found in Fujiyoshi SAKAMOTO: *Nihon Keieikyoku Shi Josetsu* (An introduction to the history of management education in Japan) (Tokyo, Diamond-Sha, 1964). For company-sponsored programmes and their content see KEIEIKYOIKU KENKYUKAI (ed.); *Nihon no Keieikyoku* (Management education in Japan) (Tokyo, Chuo Keizai Sha, 1962) and Tatsuo KAMEI (ed.); *Keieikyoku no Riron to Jissai* (Theories and practices in management education) (Tokyo, Nihon Seisensei Hombu, 1962).

² KEIZAI DOYU KAI: *Keiei Rinen to Kigyō Katsudo* (Management ideology and business activity) (Tokyo, 1964), p. 77.

During the past 100 years Japan has changed not only in its degree of economic development but also in many aspects of socio-cultural life. Four sets of socio-cultural factors stand out among those that have a direct bearing upon the development of management in the course of industrialisation. These are (1) work, profit, capital and social mobility; (2) the family system and authority; (3) the role of competition and co-operation; and (4) innovation and technology.

Work, profit, capital and social mobility

As we have seen, the bulk of the industrialising élites in the Meiji era came primarily from the former merchant class engaged in commerce and finance. During the preceding Tokugawa period merchants had been assigned a fictitiously low social status by the Shogunate, but in practice their economic achievement enabled them to enjoy a substantially higher status, often competing with that of many *samurai* and even, in the case of wealthy merchants, *daimyo*. The acquisition of wealth was socially sanctioned, and it was a readily available means for aspiring townsmen to achieve upward mobility through their individual initiative and hard work. In fact, it was even possible for a commoner to purchase the title of *samurai* during the later years of the Tokugawa period.

Neither agriculture nor the skilled trades provided opportunities for mobility in those days. Agriculture depended on intensive, small-scale farming; the annual rice crop is estimated to have been 60 to 70 bushels per hectare, a figure close to the level found in many south-east Asian countries of today. Land taxes were heavy, since they represented the primary source of income for the ruling *samurai* and *daimyo*. Even when large farmers accumulated wealth there was no way to convert it into industrial capital. In the skilled trades of the cities the guild-type system of production prevented the development of factories and each artisan was also allowed to take only one or two apprentices during his career. Large-scale industrial production with private capital was obviously impossible in these circumstances.

On the other hand the Tokugawa era saw the development of large-scale commercial activities based upon a monetary economy. The leading merchants were concentrated in Edo (later Tokyo) and Osaka and engaged chiefly in finance and wholesale trade. The financiers serving the *daimyo* in particular accumulated tremendous wealth, with its accompanying social prestige.

Commercial and financial systems and organisational practices had already developed among merchants early in the Tokugawa period. A set of business creeds entitled *Chojakyo* ("The Millionaires' Gospel") published in 1627, only 24 years after the beginning of the Shogunate, discusses desirable business practices and codes of ethics of merchants. Emphasising the importance of such virtues as frugality, the habits of saving and invest-

ment, diligence, creativity, honesty and perseverance the author proudly expresses his optimism by declaring "even without a penny one can become a man of wealth".¹ Optimistic beliefs in mobility, an acceptance of the profit motive, and enthusiasm for capital investment continued throughout the rest of the Tokugawa period and became part of the accepted tradition of the Meiji business leaders.

It was therefore only to be expected that the opening of the Meiji era found a sufficient number of enterprising businessmen ready to meet the challenges of the new schemes of economic development. Also, it was not too difficult to recruit competent followers who would later become the leaders of the business organisations founded during this period. True, the former *samurai* class, particularly at the higher levels, often did not have sufficient interest and/or competence in business undertakings but for the time being at least over one million citizens of Tokyo and half a million of Osaka provided an excellent pool for the next generation of business leaders.

Although business life appealed to a growing number of ambitious young men in the Meiji era the relative advantage of government careers was recognised by university graduates for a considerable period of time. According to Aonuma, the ratio of Tokyo and Kyoto university graduates who went into private industry to those who chose government service was about 40: 100 during the early years of this century. The figure rose to 80: 100 around 1910, and during the First World War it went up to 140: 100.² The First World War, with its economic boom, marked a decisive point, and thereafter the business world started to absorb a greater proportion of ambitious university graduates than the civil service. Accordingly, a university education became the first hurdle to clear for those who aspired to achieve fame and wealth in leading business and industrial organisations.

The family system and authority

The family is one of the most basic forms of social group in any culture, and it has played an important role in Japan's industrialisation in several ways. Kawashima defines the traditional concept of the *ie*, or family, as "a lineage group which is accompanied by a belief that its identity will be preserved and continued regardless of changes in its membership through death, birth or marriage".³ It should be noted that the *ie* may be considered in both economic and social terms.

¹ Takao TSUCHIYA: *Nihon Keiei Rinen Shi* (A history of Japanese business philosophy) (Tokyo, Nihon Keizai Shimbun Sha, 1964), p. 125.

² AONUMA, *op. cit.*, pp. 112-113.

³ Takeyoshi KAWASHIMA: *Ideorogi to Shite no Kazoku Seido* (The family system as an ideology) (Tokyo, Iwanami Shoten, 1957), pp. 32-35.

In economic terms the traditional *ie* implied first of all a depersonalised concept of ownership. It did not acknowledge property ownership by any living individual: thus family property as well as the family business belonged to an abstract entity, and neither the family head nor its members could claim individual shares in ownership. The members of a business family assumed collective responsibility to the *ie* for the maintenance and development of the business under the guidance of the family head. In practice the family head was the key man in the success of the family business, and if he made a fortune it benefited himself and the whole family; if he was unlucky as a businessman he could also bring bankruptcy to the family. In difficult situations the concept of the *ie* often provided a rationale for remedial action. The adoption of an able man as the heir of a business family, for example, was justified on this basis. A hired manager was often given the custody of the business by a dying founder whose son was enjoying himself elsewhere. Even the keeping of a mistress by a childless husband was justified on the ground that discontinuance of the *ie* should be avoided at any cost.

The loyalty of hired employees was directed both to the business of the *ie* and to the "owner". Likewise the authority of hired managers was often institutionalised on the basis that they were organs or agents of the business firm. Consequently the authority of hired managers in merchant families was at times substantially greater than one would imagine. "Loyal insubordination" frequently characterised the behaviour of managers trusted by the family. An extreme example may be seen in the case of Saihei Hirose, who became a hired manager of the later Sumitomo *zaibatsu* towards the end of the Tokugawa era. He accused Tomochika, the family head of the time, of extravagance in spending 1,000 yen on an antique teacup. When Tomochika's wife intervened, Hirose is reported to have firmly confined her in a room.¹

On the other hand management obligations to employees in merchant families in the Tokugawa era also went beyond normal contractual requirements. It was an accepted obligation of the firm to provide employees with food and shelter for so long as they remained resident. Non-servant "business" employees normally expected trade education, regular promotions, career security and assistance at the time of retirement in addition to wages and salaries. A common type of recognition given on retirement was to assist the retiring employee to set up his own store and to designate it a branch of the original family business. Frequently the reciprocity between *on* (downward giving) and *hoko* (upward giving) included implied obligations between employee's family members and the firm.

This pattern of long-term, many-sided involvement continued to characterise the relationship between management and staff employees in business and industrial firms in the Meiji era. At about the time of the

¹ Shuko SHIRAYANAGI: *Sumitomo Monogatari* (The Sumitomo stories) (Tokyo, Chikura Shobo, 1931), p. 264.

First World War certain privileges formerly reserved for staff employees only were extended to key workers on the shop-floor, including career security of employment. Both the shortage of skilled labour and the rising labour unionism of the time gave impetus to the development of what was later known as *keiei-kazoku-shugi* (management-family-ism). This extension of the concept of the *ie* stressed the identity of interests of the company (the *ie*) and of its workers (members). In practice it resulted in career tenure for regular workers at all levels, annual wage increases, systematic promotions, diversified fringe benefits, and service programmes for workers and their families. With the resurgence of enterprise-based labour unionism after the Second World War these practices became firmly embedded in unionised firms as negotiated workers' "rights".

The family system played another important role in the economic sphere. When there was little geographical mobility the *ie* provided the basic unit of production and consumption among small merchants and farmers. As industrialisation expanded employment opportunities, younger family members took up jobs outside their homes and villages. Thus industrial workers in the early days of industrialisation consisted mostly of migratory, auxiliary and unmarried workers of both sexes. Early in their employment wages were low because of the surplus labour in village labour markets, and rose only gradually as they settled down and raised their families in industrial towns. This practice gave a special advantage to those textile mills where women worked only until their marriage. When a depression hit the economy the extended family system in the home villages could absorb the surplus workers, and thus serious unemployment problems were avoided in industrial cities.

The family as an authority system deserves some examination. In the *samurai* and big merchant classes the family head held formal authority because he represented the primary source of income and prestige. Among farmers and small merchants other family members also participated in gainful activities, and consequently decisions were shared by all the family members in a more informal manner. Status distinctions and seniority rules were also more strictly enforced in *samurai* and big merchant homes. As industrialisation proceeded the formalistic traditions tended to survive among officers and staff employees in large corporations. Production workers, on the other hand, preferred informal and paternalistic working relationships with their superiors. These two different attitudes reflected the difference in the traditional family discipline practised in the upper and the lower sectors of society, and conditioned the way in which authority was exercised in business and industrial organisations.

One approach used by management in the exercise of authority was analogous to the emphasis of the *ie* concept in family discipline. Reference to such concepts as *ie*, *han* (clan), firm and state had one feature in common—the acceptance of symbolic, abstract authority. For example, management's authority was justified on the theory that it represented the will of

the organisation as an eternal entity serving important public purposes. In this connection one may recall the myth of the Imperial Family cultivated during Japan's militaristic expansion of the 1930s and 1940s. The essence of this approach has survived until the present day in many sectors of industry. First, a group of top executives takes a decision which is then transmitted downwards as the will of the organisation. The middle management, which in practice recommends the action in the first place, communicates the order down the line in the name of the top executives. This simple case exemplifies the difficulty involved in defining the locus of authority and responsibility in a Japanese organisation. The depersonalisation of decision-making, however, makes the decision readily acceptable.

Another approach that has also played an important part in the exercise of authority is the reliance placed by management on particularistic mutual relations with individual employees; this approach has a distinctly paternalistic tinge, which also colours off-the-job interactions between management and workers. Nowadays, such particularistic authority relations are becoming increasingly difficult to maintain as the industrial setting grows steadily more complex in its organisation on a functional basis; yet the face-to-face authority relationship between a superior and his subordinates often fails to work smoothly in the absence of personal human bonds. Indeed, a management that too literally demands and acts upon its contractual rights, and that openly objects if employees violate written rules, frequently meets with resentment and insubordination on the grounds that it is being too "rationalistic". The universalistic concept of authority by virtue of office thus finds little applicability in a Japanese organisation, because of its collective decision-making process and this prevalence of particularism.

Role of competition and co-operation

In any society a proper balance between competition and co-operation is sought by both individuals and groups. Unless competition encourages and rewards the achievements of able members their initiative will become stifled and will stagnate. On the other hand an organisation will fall apart unless the initiatives of all of its members are co-ordinated towards common objectives and goals. The job of management is to create and maintain the desired balance between the two elements within the limits of the cultural climate of the organisation and society. In essence the strategic demands of a given situation will determine which of the two opposing elements management should emphasise.

Contrary to the belief of Westerners, individual competition is not a very rare feature of Japanese society. There is ample evidence of competitive factors in the history of Japan's industrialisation. To business leaders times of turmoil have meant above all new and challenging opportunities for success through competition. In established organisations, also, indi-

vidual merit has normally been carefully evaluated, recognised and rewarded sufficiently to bring about the maximum contribution of individuals to the organisational goals. In Japanese organisations, however, individual incentives must be judged not over a short term but by the net amount of total remuneration and rewards over the span of the business career of an individual.

Competition between individuals in the Tokugawa era started early in childhood through the formal educational process. Dore points out that even among *samurai*, who were often described as highly group-centred, teamwork was not a conspicuous feature of their early training experience.¹ Education was openly competitive, and opportunities to obtain it were not limited to upper-class children, although *samurai* were apparently more disposed, both psychologically and financially, towards education than the other social strata. In general, however, parents willingly sacrificed their own comfort to send their children to school, since education was already accepted as a promise of a better opportunity for upward mobility. In fact, as Dore remarks, "the growth of education in the late Tokugawa period is in itself a symptom of growing mobility aspirations" in Japanese society.²

Individual competition was thus accepted, and even encouraged, as a way to success and mobility, but there was another feature of the training process that deserves special mention. It is a fact that a person's pursuit of self-interest was considered justified if it simultaneously contributed to the achievement of the goals of the group or institution of which he was a member. His rewards were justified in proportion to his contribution to group objectives—preferably not only to the objectives of his immediate group but to those of broader groups such as the company, industry or State. For example, generous rewards for businessmen were justified on the ground that they were serving such public interests as national security, acquisition of foreign exchange and industrial development. Such rewards were generally *ex post facto*: schemes of remuneration were liberally slanted towards the end of a career rather than emphasising short-term contractual exchange of work and compensation.

The apparent emphasis on *wa* (harmony) in Japanese organisations may deserve some comment here. The competitive element encouraged by the school system remains conspicuous among managers, particularly among those in the same or adjacent school-year groups. Rivalry between managers is further strengthened by departmental groups which expect their respective managers to represent their interests to higher management. Management policy tends to emphasise co-operation and to reward not only innovation but group-maintenance as well. In a way this emphasis

¹ Ronald P. DORE: "The legacy of Tokugawa education", in Marius B. JANSEN (ed.): *Changing Japanese attitudes toward modernisation* (Princeton, N.J., Princeton University Press, 1965), p. 126.

² *Ibid.*, p. 103.

is in itself evidence of competitive elements among certain individuals and groups in Japanese industry.

Innovation and technology

Another socio-cultural element which contributed to the rapid industrial development of Japan in the Meiji era seems to have been the earnest desire, shown in the general orientation of the political and economic leaders of the time, to shake off the past and accept Western civilisation.

Japan was neither the first nor the only non-Western nation to come into contact with Western civilisation. Hagen, who suggests that the basic social change began before the Tokugawa era, summarises the source of innovative behaviour of the later Tokugawa and Meiji periods as follows:

Japan did not develop merely because of her contacts with the West, for she had to draw those contacts, so to speak, through the narrow mouth of a bottle, while other major Asian countries bathed in them. Relevant major differences between Japan and other non-Western societies, I suggest, were both freedom from the negative effects of colonial disruption and the repeated long-continued withdrawal of expected status from important groups in her society which drove them to retreatism, caused them to emerge alienated from traditional values and with increased creativity, and, when other means of regaining self-assurance seemed not available, led them to technological progress.¹

The technological progress in the Meiji era was a continuation of the trend that had started during the preceding period. Even though contact with Western technology in the Tokugawa period was artificially restricted (mostly to books), scientists and engineers had already absorbed Western scientific knowledge in metallurgy, shipbuilding and other branches of industrial operations by the time the nation was reopened to the West. Nation-wide enthusiasm for adopting technologies from the West, pressed mostly for defence reasons, began to appear towards the end of the Tokugawa rule, and continued to grow after the Meiji restoration. Technological skills were brought in by Western engineers and technicians and by specialists sent abroad for that purpose. But it should be noted that the first persons within power groups to push vigorously for the introduction of Western technology were the political leaders in the new Government rather than élites in economic circles, partly by reason of their interest in basing the national defence on Western technology.

Many merchants took a decade or two to recognise the potential economic value of industrialisation to their own interests. Such conservatism suggests that their primary preoccupation was with trade and finance, particularly under government patronage. Just as *samurai* would not easily make good merchants, merchants were difficult to convert into

¹ *On the theory of social change*, op. cit., p. 347.

industrialists. When the Government decided in 1880 to sell its unprofitable model mines and factories, business leaders were not very anxious to take them over. It was after such merchants as had purchased them had improved operations and realised profits that enthusiasm for industrial ventures began to spread in business circles.

Merchants in the Tokugawa era, however, were by no means uninterested in innovation. Within the limits of the available scientific and technological knowledge, new products, processes and managerial practices were developed. For example the Mitsui introduced in 1683 a series of innovations in marketing methods including cash sales, mass purchase, fixed prices and a policy of small profits and quick returns. Tsuchiya suggests that the adoption of such policies was probably the first of its kind in the world's business history.¹ In 1772, according to Sakamoto, the Mitsui also started the world's first suggestion system.² Although these events tend to show the universal nature of some management principles and practices they also point up the difficulty of tracing the cross-cultural spread of management knowledge and experience.

The industrialisation and the scientific progress of the Meiji era were achieved mainly through study and assimilation of those elements in Western civilisation. Dependence on the West for knowledge and skills meant in many respects a complete break with Japan's own traditions of the past, and the forces of institutional and technical change overcame sporadic cases of resistance. It seems, however, that there was much less receptivity towards Western experience in areas where sophistication was already sufficiently developed. In the field of management, for example, this was true of such management functions as organisation and personnel. Changes were attempted also in these areas, but those introduced from the West frequently failed to function properly, or the patterns of social relations outside the factory quickly permeated and transformed them. In fact a sense of self-sufficiency prevailed among management in regard to knowledge and experience of organisation and personnel functions. The attitude towards innovation in the socio-cultural field that was held by the leaders of the time was well expressed by their favourite slogan of *wakon-yosai* (Japanese spirit and Western skills).

Since the Meiji era, as knowledge and experience accumulated in the West and spread throughout the industrialised world, successive attempts have been made by both Japanese and Westerners to introduce scientific management, Fordism, rationalisation, human relations and other theories and practices. In general, however, the attitude of business leaders towards initiating Western experience in management has been highly selective, if not half-hearted. It is true that enthusiasts experienced frustration when their recommendations did not receive attention, but there was also

¹ *Nihon Keiei Rinen Shi*, op. cit., p. 182.

² *Nihon Keieikyoku Shi Josetsu*, op. cit., p. 10.

frustration when ill-judged proposals were given a trial. The general attitude of management is exemplified by the present policy towards study in foreign countries: technical trainees are still being sent abroad in large numbers, but non-technical management trainees are given such assignments only sparingly. Even in the case of those who study abroad on non-company funds doubt is often expressed by management regarding their ability to readjust to the Japanese socio-cultural climate if they stay away for more than a few years.

All this seems to suggest that management in Japan has traditionally drawn a line between the technical and the non-technical sides of management in Western civilisation in terms of their respective values to the Japanese industrial scene. As a source of innovation Western technology has always been recognised and highly valued. But in Japan management has not necessarily accepted new non-technical developments in Western management as sources of ready help. A study of management in Western nations is not considered unimportant, but its impact on management behaviour seems far less significant in non-technical than in technical subjects.

New socio-cultural challenges to management

In the industrialisation process of the past century socio-cultural characteristics have also undergone significant changes in Japan. New challenges have presented themselves which did not exist before, or which had been only latent. Many of these have been tackled successfully in so far as they have arisen within individual firms. Structural changes in society, however, lend themselves less easily to management's remedial action. But they are none the less real and determine the framework within which management must operate and seek its goals.

Some of the social challenges in the Japanese scene directly confronting the business élites of today have had a longer history than others and may have undergone modification in the meantime. Some problems arise from the very conditions that once contributed to progress in economic development. Management's responses to these challenges will be discussed and evaluated wherever relevant in our examination of such topics as (1) economic Machiavellism, (2) the de-emphasis of the past, (3) the enterprise and class egoism, (4) the disintegration of the family system, and (5) the pathology of bureaucracy.

Economic Machiavellism

Acceptance of the fact that mobility may come through the acquisition of wealth, while having acted as the primary motivating force in industrialisation, has also resulted in conditions that have often aroused

criticisms against "economic Machiavellism". Such criticisms are by no means limited to Japan but, despite the improvement in the living standards of the general public, the Japanese private enterprise system has apparently failed to convince intellectuals that the present economic system deserves their wholehearted support. The rise in educational levels, the development of mass communication and the disastrous aftermath of the Second World War have all added to this discontent. Marxist traditions have also played a significant role in public opinion and have continued as a part of economics education at the university level for more than 40 years. Consequently, business leaders, while admitting that the Japanese economic system is not perfect, have not been successful in impressing intellectuals with the relative merits of the present system over a socialist one. The stable occupancy of one-third of the Congress seats by the Socialist Party may be good evidence of the magnitude of dissatisfaction with the economic status quo. The beliefs that a socialist economy is intrinsically superior to a capitalist one and that a shift from the former to the latter is a historical inevitability are held by not a few people. One survey showed that even among top business executives 13.4 per cent. of the respondents agreed with the statement "History will some day prove that a society inevitably turns from capitalism to socialism".¹

Since the evils of economic Machiavellism were first pointed out during the latter half of the Meiji period, management has devised various strategies to cope with such unfriendly comment. At one time self-criticism characterised a group of conscientious managers who helped to improve the lot of the working class. At about the time of the First World War a popular management approach was a kind of paternalism based on the family concept. As for the Government, its measures have ranged from the suppression of labour movements to the present day's basic recognition of labour unions. About one-third of the employed labour force is now organised into unions; this figure has remained relatively constant for the past two decades since the revival of labour unionism after the Second World War. The present structure of unionism in the private sector of industry is based on the enterprise as the primary unit of organisation, but the ability of such "enterprise unions" to make effective protest must not be underestimated.

The enterprise union commonly found in most large-scale firms seems, as a form of workers' organisation in the Japanese setting, to be a natural compromise between the dictates of industrialisation and the basic orientation of management, which itself consists mainly of career employees. Management, for its part, readily accepts the "social responsibility of business"—meaning management's obligation to its regular employees, or (in more accurate terms) the mutuality of interests between such workers, the managers and the enterprise, sometimes even at the

¹ KEIZAI DOYU KAI, *op. cit.*, p. 19.

expense of the other interest groups. Such a policy, which is claimed by management to be a result of union pressures, seems sufficient to discourage those workers who have the protection of life-long security from becoming ardent advocates of working-class solidarity. On the other hand, the complexity of business and industrial organisations and their increasing depersonalisation and formalisation have convinced the workers of the necessity of having their own elected representatives to deal with management. The lack of inter-firm mobility and the increasing availability of personal comforts may also have provided an additional impetus to the workers' dependence on their employer for higher wages and fringe benefits.

At present a real challenge to business leaders seems to lie in the question of what proportion of the national product can safely be invested in social security and other social development programmes without causing economic retardation. Unless such programmes are substantially improved, it will be difficult for business leaders to convince critical intellectuals of the superiority of the present system. With the increased ease in world communications the relative imbalance between the economic and the social sectors of development in Japan is becoming an issue of growing importance among responsible citizens. The goal of a "Welfare State", as is contemplated by anxious business leaders, may well be an answer to this challenge, but so far no blueprints have appeared.¹

De-emphasis of the past

Notwithstanding their apparent success in industrialisation, the Japanese themselves do not readily admit that they appreciate their country's past achievement. Their desire to disparage the past partly stems from Japan's defeat in the Second World War, but a more important fact is that such feelings of self-deprecation and inadequacy seem to be just the reverse side of the desire for change that has underlain the continuous progress towards industrialisation since the Meiji era. True, continuity with the past exists in every sphere of life, but only through a denial of the past do the Japanese seem psychologically able to justify the value of their activity. In the contemporary Japanese vocabulary such words as traditional, conservative, feudalistic, pre-modern and backward are almost synonymous, so derogatory are their connotations.

It is true that Japanese society still has a long way to go before it can reach the level achieved by Western industrialism in material standards. But also in the matter of social relations one frequently hears expressions of opinion that Japan lags behind in comparison with (idealised images of) Western models. Prevailing management philosophy and practices are

¹ KEIZAI DOYU KAI: *Atarashii Keiei Rinen* (The new philosophy of management) (Tokyo, 1965).

repeatedly condemned as being obsolete and no regard is had to their positive value in substance. As a result a puzzling discrepancy is found between what is said and what is practised in Japanese management. The inconsistency has developed from the dilemma in value judgement on the perceived difference between Western models and the Japanese status quo in management. On one hand, there is latent in the mind a mechanism for rationalising the present lag as a necessary product of compromise with unique socio-cultural forces. On the other hand, there is a persistent sense of failure and anxiety about the inability to reproduce the ideal type of Western management on Japanese soil. The net result is the natural tendency to condemn current practice as being undesirable and at the same time to carry on with it in fact.

Although it is easy to accuse management specialists bemused by Western textbooks of being over critical of current practice in Japanese management, it must be admitted that they are also merely responding to their audience. Both are the product of a society that has undergone bewildering social changes in every sector of life during the short period of one century. Particularly in the past two decades changes have been impressive; an annual G.N.P. increase of 9 per cent. is in itself an eloquent indication of both the magnitude and the pace of recent dynamic social changes. Under such circumstances it may well be extravagant to expect a smooth, orderly transition in value systems.

A real, although slightly overstated, socio-cultural challenge has been faced by management in the past decade. The problem of "generation gaps" in industry arose from the perceived division between the value systems of different age groups of workers: previously effective managerial and leadership practices appeared to some people to have lost their rationality. The apparent difference was in part a product of the sudden increase of young workers in expanding industries. In 1961 workers of 24 years or younger accounted for 45.7 per cent. of all workers in manufacturing; the comparable figure in Great Britain was only 22.9 per cent.¹ Because of management's reluctance to hire experienced workers from outside, first-line supervisors were promoted within the firm, and their inexperience sometimes resulted in confused conditions at the place of work. In the ranks of management, the abundance of junior staff members resulted in many cases of "loyal insubordination" for some of them bluntly accused top management of being too traditional and conservative. As time passed, however, management gained experience in dealing with young workers, and the issue has now become of less significance. But at its peak, criticisms were primarily directed against "old-fashioned" management rather than the value system of young workers—another indication of the denial of the past.

¹ Ministry of Foreign Affairs and Ministry of Labour: *Wage problems in Japan* (Tokyo, 1962), p. 16.

It is disheartening to note that management textbooks written in Japanese generally disapprove of the management ideology and practices of contemporary Japanese industry. In fact, most of them are highly critical of the traditions of Japanese management and advocate following United States experience. Apparently this approach appeals to many readers, but its net result is the creation of an intolerable gap between knowledge and practice, if not between aspiration and reality, because some United States practices are not readily applicable to Japanese situations.¹ While foreign practices will provide useful clues in certain management fields, an objective, critical evaluation of them seems to be the first step to take. More acutely needed, however, is a scientific review of Japanese practices from the Weberian viewpoint of rationality. It appears to be an important task of both management and social scientists to bridge this gap in knowledge so that a meaningful continuity can be established between the past and the future of Japanese managerial practice to provide a sound basis for management education and development.

Enterprise and class egoism

Unlike the nations where middle-class ideology prevailed Japan began her industrialisation with a government subsidy of selected industries and enterprises in a class-conscious society. At various times the allocation of capital, technology and manpower has been artificially regulated by government instead of being left to the logic of the open market. Leading firms have sometimes been grouped together to protect their mutual interests, although not necessarily within the same industries. Meantime, small-scale firms have been either left on their own or bundled together under the direction of "parent" firms. Small-scale firms have always remained at a disadvantage in terms of technology, finance and manpower requirements. Hierarchies developed among industrial and business firms of differing sizes both in productivity and wage levels. In Japan productivity and wage differentials discernible on the basis of firm size are far greater than in Western Europe and in the United States. Although in the past decade wage differentials have tended to narrow because of the tightness of the labour market, a "differential" or "dual" structure still characterises the economy as a whole. Simple evidence of this is the preference of job-seekers for applying first to large, established firms and for descending the scale only as they keep failing entrance examinations. This behaviour pattern is quite natural, since employment in a large firm means greater security, higher wages, better fringe benefits and higher social prestige to the worker for the rest of his career. Since recruitment directly from school is the normal pattern of hiring in large firms the chance of

¹ See, for example, Arthur M. WHITEHILL, Jr., and Shin-ichi TAKEZAWA: *The other worker: A cross-cultural study of industrial relations* (in press) (Honolulu, Hawaii, East-West Center Press, 1966).

getting a job with one becomes very slim once a worker has already started in a small firm.

The preferential status of large-scale firms as regards both remuneration and security seems to be protected by both management and enterprise-based unions. Unions are naturally concerned with the security, wages and fringe benefits of their members, but these are found almost only in large firms. Since the leaders of large enterprise unions are elected from among the enterprise's workers they are basically concerned with maintaining the privileged status of their own rank-and-file rather than with the labouring class in general. On the other hand, managers in large firms (most of whom are employees) apparently assume that the higher labour cost entailed by such *noblesse oblige* commitments can be offset by the quality of the labour if not by the firm's technological and financial advantages. This "enterprise egoism" is justified on the grounds that the workers should have a share in the company's profit, which they help to realise. But perhaps a more basic social sanction comes from the fact that both managers and workers in large firms were once selected on merit as demonstrated by educational achievement. Here again we find evidence of the principle of reward *ex post facto*. Since companies of a similar standing in the same industry pay comparable wages and fringe benefits, differential conditions seem also to be justified by a form of class consciousness. Assertions are often heard that Company A should pay more because it is a large firm, or that Company B is paying unduly highly for its "status". These arguments apply only to the wages and bonuses of managers and workers, of course, and not to purchases of equipment or material.

Close identification of the workers with the enterprise was once the goal of management under the influence of the traditional *ie* system. However, once developed, a deep sense of involvement has also become a burden on management. At present Japanese management is beginning to be caught between the workers' high expectations and the logic of a competitive economy that must be accepted in both the domestic and the world markets. The hiring of top-level workers is no longer justified for many factory jobs because of increasing mechanisation. As wage levels in Japan approach those in other industrial nations the commitment to further annual wage increases tends to undermine the competitive position of the company. As has happened before, it may be possible for the management of large firms to pass the burden down the line to dependent subcontracting firms and/or domestic consumers for some period of time. Any attempt by management to curtail the "vested security" of the regular workers will surely meet strong union resistance. But management may well have to face the problem some day, at least for certain categories of workers in the present workforce. The issue is still only latent and will remain so for some time, but it will mark a turning point in Japanese management if it is ever raised.

Disintegration of the family system

The most conspicuous effect of industrialisation on Japanese society is the disintegration of its family system, which had more than once helped the growth of industrialisation itself. This disintegration is the result of population growth, increased geographical mobility, and higher income per household and per individual family member. The population has nearly trebled during the past century, but the increase has been absorbed mostly by secondary and tertiary industries. Young men and women have moved to large cities and industrial sites and have settled down, married and raised a family. Both geographical separation and economic independence have reduced the ties with their families left in the village, and within one or two generations the institutional *ie* relationship has lost its significance. It was not until after the Second World War, however, that the *ie* as a legal concept was finally abandoned. At present a family is defined in legal codes as a conjugal unit, but it is not yet uncommon, even in cities, to find three generations living together. It is normally expected that unmarried workers will stay with their parents if commuting is possible and that retired parents will live with their first son's family as his dependants.

Even though children's economic dependence still continues, their psychological dependence on their parents has diminished considerably—another gap caused by the rapid social change taking place in Japanese society. In addition to this psychological separation young workers are also seeking economic independence from their parents. This aspiration has also intensified their desire for wages higher than those paid under the customary wage system. Thus the age-based wage scale, which was once geared adequately to the varying financial needs of workers in different age groups, has lost its validity for young workers. At present management is striving to level the wage curve, which now rises sharply as a function of age and seniority within each broad job category. In this operation the Western concept of “job rates” is providing a convenient rationale for the revision.

Just as the nature of the family has changed so has the worker's conception of management undergone some modification. In large firms the image of management has changed in the worker's mind from a patriarchal source of genuine assistance to a less friendly figure. The influence of trade unionism cannot be underestimated in this shift of the workers' conception. Here again, the gap between economic and psychological needs places the worker before a dilemma. While economic dependence on the employer is increased by the decline of mutual assistance through the *ie*, the worker has become less disposed openly to admit this dependence.

Consequently, management now has to resort to a dual approach. On the verbal level it must officially accept the “modern” contractual

nature of employment relationships, condemning paternalism and the *Gemeinschaft*¹ ideology. On the action level, however, it must respond to the workers' deep-rooted needs for many facets of protectionistic assistance from the company. Union leaders well reflect this conflicting psychology of the workers, and while denouncing *ie*-conscious paternalism they frequently demand "every conceivable employee benefit in the world", as one manager remarks.²

The dilemma of the workers' changing image of management as the repository of authority manifests itself also in their conception of particularistic relationships with managers. Ideologically they reject such relations with superiors as being "feudalistic and backward". But if managers take this rejection at its face value they will be condemned as being too "rationalistic" or cold-blooded.

When the following question was posed to two nationally representative samples of 2,254 adults in 1953 and 1,449 adults in 1958, 85 per cent. and 77 per cent. respectively preferred item (b) of the question.

Supposing you are working in a firm. There are two types of department chiefs. Which of these two would you prefer to work under? (a) a man who always sticks to the work rules and never demands any unreasonable work, but on the other hand never does anything for you personally in matters not connected with the work; (b) a man who sometimes demands extra work in contravention of the work rules, but on the other hand looks after you personally in matters not connected with the work.³

The fact that this question was conceived in the first place and that item (b) was chosen by a majority of the respondents seem to be suggestive of the transitional difficulty encountered in this aspect of social change.

Pathology of bureaucracy

Pathological phenomena are commonplace in any bureaucracy, and in Japan neither business nor industrial organisations are exceptions to this rule. One problem frequently faced by management is the conflict between the person-centred organisational hierarchy and the functional needs of an institution. This conflict seems to be unavoidable once management accepts career security of members as its commitment. In particular, the tenaciously surviving factors of education and seniority tend to become the dominant determinants of the hierarchy among managers and workers. Such factors are, of course, not necessarily

¹ German for the word "community" used in the sociological theories of Ferdinand Tönnies.

² KEIZAI DOYU KAI: *Keiei Rinen to Kigyo Katsudo*, op. cit., p. 152.

³ Research Committee of the Study of Japanese National Character, Institute of Statistical Mathematics: *Nihonjin no Kokuminsei* (Japanese national character) (Tokyo, Shiseido, 1961), pp. 236-238, 491 and [17]. The English translation of the question was prepared by the Research Committee.

justifiable on the basis of the technical demands of an organisation. Ever since the Tokugawa days management has realised the disadvantages resulting from undue recognition of social factors, and several corrective measures have been undertaken with varying degrees of success. Most measures, however, are essentially compromises and require constant revision to meet the demands of changing situations. Particularly when manpower requirements shift rapidly, as in times of technological innovation, those social factors which were once even technically meaningful quickly become unjustifiable in the light of organisational demands. In many companies the problem of reclassifying managers and workers on the basis of their competence has become one of the major management issues. Since labour unions tend to advocate maintaining the status quo the reclassification seems to be a very gradual process. Furthermore, many managers themselves have a vested interest in seniority-based promotion. Consequently top executives, who are also hired managers, do not seem able to enforce a change without laying themselves open to the opposition of both subordinate managers and trade unions.

The next problem occurs in the decision-making process in Japanese business and industrial organisations. It is due to the collective nature of decision-making that is characteristic of most major decisions at all levels of management. The problem is not, as might be supposed, the difficulty involved in tracing individual responsibility—in fact Gutenberg maintains that Japanese firms have been successful in co-ordinating the principle of individual responsibility and that of pluralistic, collective responsibility.¹

The real problem in decision-making seems to be how to deal with the enormous amount of executive time required for each decision presented for group action. Even though both conferences and the *ringi* system (written recommendations circulated for approval) have their merits, they slow down the process of decision-making and result in a costly waste of executive time. Management has taken some steps to improve the situation, with limited success. Individualised decentralisation, an obvious answer from a Western viewpoint, does not always seem workable, since both the structure and the social climate of Japanese organisations resist individualised allocation of authority. It seems that the problem of the time element in decision-making will have to remain unsolved for quite some time to come in Japanese industry.

Last but not least important there is the question, not unrelated to the orientation of Japanese management towards collectivity, of how men of innovative ability can be retained and developed in the conformistic climate of Japanese bureaucratic organisations. The area of recruitment of management trainees is limited to a small number of

¹ Erich GUTENBERG, translated into Japanese by Yujiro Sinoda: *Nihon no Kigyo* (Japanese enterprises) (Tokyo, Diamond-Sha, 1961), p. 26.

universities. Interfirm mobility of managers is almost extinct among large, established organisations. More than ever, Japanese business and industrial organisations seem now to face the danger of developing a homogeneous group of in-bred managers. It is true that "loyal insubordination", as encouraged by some aggressive companies, may be an answer. A systematic rotation programme may be still another solution. But unless deliberate efforts are continued, Japanese industry may one day lose the amazing adaptability that has characterised it over the century.

Conclusions

At times modernisation as a goal has been synonymous with westernisation to many Japanese—as well as to Westerners. The idealised image of the West was flawless, and progress meant a wholesale introduction of Western civilisation. In the development of management, however, Western experience has apparently played a less influential role as a source of assistance than in the fields of science and technology. True, management is not the only area where the Western image has not been reproduced; in politics and religion also one can find but few traces of Western influence. But why have management principles and practices of the West not affected Japanese management as its science and technology have done? Obviously the question is not simple to answer, but it is nevertheless an important one in the contemporary world, where the universality of industrialisation and the particularism of socio-cultural variables pose a meaningful dichotomy in management development in many nations. Two equally feasible answers to the question may be examined in the light of Japanese experience.

First, an answer may be sought both in the nature of management as a function and in its relationship to socio-cultural factors in the society. The task of management in industrialisation is the creation of welfare values for the society through the maximum utilisation of available resources. Engaged in its task, management comes to recognise that certain patterns of its behaviour, individual or institutional, tend to be more conducive than others to the efficient achievement of organisational and social goals. Management principles and practices are, in essence, such patterns of management behaviour in response to environment, tested and recorded as future guides. Consequently, management principles and practices are necessarily conditioned by the environment of the surrounding society. Socio-cultural factors, which are a part of the environment, may vary among different societies and thus effective patterns of management behaviour cannot be the same in all of them. Socio-cultural variables, particularly internalised human values, are generally formed in childhood and are not transferable among cultures like machinery or buildings. Furthermore, they tend to persist from one generation to another since they are passed on and sanctioned in the

training of children. Consequently, management principles and practices embedded in personal value systems are bound to take different forms in different societies. If this theory is correct Japan could not adapt certain Western management principles and practices because they would be incompatible with the existing value systems.

There is, however, another point which should not be overlooked in an analysis of Japan's industrialisation. This concerns the relative values of foreign and of domestic resources in terms of their relevance to goal-achievement. In seeking the optimum combination of possible management principles and practices, management must choose, consciously or subconsciously, what is relevant to its goal. If there are no readily available alternatives at home they will be brought in from abroad, in the same way as capital or technology. Nationalistic preference or some other motive may influence the choice at times, but eventually sheer necessity determines the flow of resources. In other words, when there is self-sufficiency, adaptation does not take place because there is no need for it. Therefore the fact that a unique pattern of management has persisted in Japan means that from the beginning of industrialisation Japan was not forced to adapt Western experience. Otherwise Western management, as represented by its principles and practices or by its individual managers, would have taken deeper root in Japanese industry.

Both theories are acceptable (and they do not contradict one another) to account for the development of Japanese management patterns which are different in many respects from Western ones. In other words Japan both could not and was not forced to adapt Western principles and practices because it was self-sufficient in non-technical management fields. But if such self-sufficiency still prevails, why is there so much eagerness in Japanese industry for new principles and practices in Western management? Part at least of the answer seems to be found in the fluidity of social change in Japan, which has made it both difficult and impractical to make generalisations on management principles and practices meaningful for any extended period of time. The absence of such valid codes of behaviour has increased the sense of insecurity of anxious managers, who then turn to Western management for dependable models. Here is an important field of study for social scientists, who have long neglected to investigate the behaviour of Japanese management.

Coming to terms with socio-cultural factors is a never-ending process for management. As we have seen, Japanese management at present faces a number of new challenges. While many problems are uniquely Japanese, some bear universal features. Industrialisation is a universal force in the world of today. In this context the concept of rationality seems best to provide a useful criterion in determining the balance between the extremes of particularistic isolation and universalistic idealism in Japanese management.