Editorial

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Has Japanese Enterprise Changed?

Have Japan's enterprises and management systems changed? In this special supplement of *ABM*, four in-depth analyses seek to identify whether Japanese management has changed since the end of the bubble economy in 1990, and if so in what areas and to what extent. This issue has already been much debated, and we also consider here the implications for Japanese business and management in the longer term.

In 1990, at the height of the 'bubble economy' period, Japanese enterprise was overwhelming the world; it was thought that the Japanese economy was becoming the 'locomotive' for the world economy. Yet by the end of that year, this appraisal was already beginning to waver in the face of threatening economic circumstances — then recession set in, and it was only 10 years later, in 2000, that an emergence from recession was officially declared. Looking back over the 7 years since then, we can consider whether confidence has been restored in Japan's enterprises and economy.

So what have the last 17 years meant for Japan in business terms? Seventeen years might seem a considerable hiatus, but with Japanese companies striving to recover the high competitiveness they enjoyed in the international arena up to the 1980s and the Japanese economy embracing structural changes to adapt to a new world economic climate, can we look forward to sustained growth in the future? In the 21st century, will the revived Japanese enterprise model regain its previous standing? For the 120 million citizens whose stability of livelihood depends on the application of accumulated assets in an increasingly ageing society, these questions are of huge significance. However, given the rate at which the main players are going global, the state of their future international competitiveness is also a matter of concern for consumers and shareholders the world over. In particular, if some new business model produces a desirable prototype, this may have major implications for the future state of world business. Such critical issues are the themes underlying this special issue, an edition exploring the question 'Has Japanese enterprise changed?'

The quest to ascertain what has and has not changed in Japanese enterprise, and reasons why, is akin to dissecting Japanese enterprise itself. The

relationship between these changes and company performance in such matters as international competitiveness thereby becomes clearer as a matter of course. The four articles presented here take theory — and data-based approaches in their analysis of organization, human resources and governance in Japanese enterprise, as well as of changes in management employment strategy through the 1990s. They can be introduced briefly as follows.

Firstly, Miyamoto and Higuchi analyse the effect of changes in the treatment of personnel, based particularly on the idea of results-oriented assessment, in terms of corporate performance and personnel expenditure. As a result, it is clear that reducing personnel expenditure, accompanied by appropriate labour–management communication, has a positive effect on corporate performance.

Nakata and Miyazaki then investigate whether there have been changes in ‘lifetime employment’, which could be considered the main characteristic of post-war Japanese enterprise. Their results show that despite much talk in recent years about large numbers of regular employees losing their jobs, famous companies going bankrupt and the enforcement of early retirement for regular employees in slumping companies, long-term stable employment for regular employees has been sustained; meanwhile, and much less discussed, the rapid rise of non-regular employment and reinforced cooperation with consolidated subsidiaries demonstrates a substantial rise in the employment adjustment ability of Japanese enterprise as a whole.

The paper by Fujimoto and Nakata examines whether, in a climate of environmental change and shifts in corporate internal and external systems, there have been changes in the mentality of Japanese employees — conventionally seen as highly motivated in their work and fiercely loyal to their companies. A survey targeting changes from 1994 to 2005 affecting employees in 10 major companies from the electrical machinery and equipment industry revealed increased motivation and loyalty, due to such factors as the ageing workforce and extended tenures. Furthermore, the move to results-oriented personnel assessment systems has also strengthened motivation.

The final paper, by Colpan *et al.*, analyses changes in corporate governance in Japanese enterprise and how they affect company performance. The indications are that although the rise in ownership of foreign investors and trust banks and such institutions has raised profits in the short term, smaller board sizes have had no statistically significant influence, and the introduction of executive officers has had a negative effect.

So how should we respond to the question posed in this special edition? In response to ‘Has Japanese enterprise changed?’, the answer must be affirmative. The personnel system that was the basis of Japanese human resource administration has altered and the focus of employment adjustment has shifted from a regular to a non-regular employment and from stand-alone

parent companies to consolidated entities. In addition, the accompanying standards of employee motivation, together with a rapport between the evaluation of various policies of human resources and motivation, have changed. Moreover, the components of corporate governance have undergone great transformation. In this respect, we can reply positively, with conviction.

But how about the effect on company performance, in particular in recent years with regard to the recovery of business results? This we cannot answer with such conviction. Indeed, results imply the existence of various — direct or indirect — positive effects, but at the same time the analysis also yields negative results. In this respect, the results are neither necessarily pessimistic nor optimistic, and it would seem that further investigation is required. What is noteworthy is that in our analyses here there have emerged effects with various changes not covered by the original suppositions, such as who will bear the various risks, conventionally borne by the company, that are generated by changes in the external environment — in other words, the changes in risk dispersion? In both Miyamoto and Higuchi, and Nakata and Miyazaki, from the company being the main driving force in external environmental change, there is a perceptible shift towards a system whereby employees are forced to take a non-negligible degree of risk. The question of whether the new-found international competitiveness of Japanese enterprise, born of reduced risk, will continue to increase in the future is surely an interesting theme in business management; but in social terms we should all be aware that this inevitably gives rise to an extremely important research theme, viz. how this will affect the long-term well-being of workers made to shoulder this added risk.

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