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Satoko Watanabe

# Japanese Management for a Globalized World

The Strength of the Lean, Trusting and  
Outward-Looking Firm

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## PREFACE

Global interest in Japanese management reached its height during Japan's high-growth years and then faded as the Japanese economy stagnated in the early 1990s. Recently, however, amid growing concern that corporate management has put too much emphasis on Anglo-Saxon free-market liberalism, economists and management specialists in the United States, Europe, and Asia have once again begun to look at the positive aspects of Japanese corporate management.

This book provides a comprehensive analysis of the changes that have taken place in the systems and practices of Japanese management over the last quarter century, identifies the positive and useful attributes that ought to be maintained, and clarifies the behavioral principles that form the groundwork of their strengths. Observing the changes in the business environment brought about by the forces of intensifying globalization, the book presents a highly effective management model that builds on the superior aspects of Japanese-style management while overcoming its weaknesses. It is a multilayered human-resource management model that combines the mutually complementary aspects of the Japanese and Anglo-Saxon systems, incorporating the strengths of both. This hybrid model is aimed at increasing workplace motivation, promoting the creation of new value, and enhancing performance and can be used successfully in many countries around the world.

My discussion, based on data and case examples taken from surveys and interviews I had conducted at companies in Japan and other countries in recent years, draws on theoretical frameworks and

methodologies from sociology, psychology, and economics along with the concepts that have been developed in the field of management science.

The content of the book may be summarized as follows.

Chapter 1 looks at the changes in the employment environment and the competitive pressures of globalization that are profoundly connected to these changes. They are the most significant factors that have given rise to the aforementioned renewed interest in Japanese management. Levels of workplace motivation have shown a downward trend in many countries over the past several decades. The analysis of empirical evidence of global trends on motivation, presented in this chapter, shows that the trend is closely related to changes in the employment situation brought about by structural changes in the global economy. These changes in the business environment form the backdrop in the search for effective alternatives to management models exceedingly market-principle-oriented that have become increasingly influential worldwide. The merits of Japanese-style management, which emphasizes the human side of the organization, are again drawing attention.

Chapters 2 and 3 trace the changes in Japanese management systems over the last quarter century, analyze the current situation, and assess the future directions they will take. How has management in Japanese companies changed during the dramatic upheavals of the last twenty-five years, from the collapse of the bubble economy in 1990 and the prolonged recession that followed, through the global economic crisis triggered by the Lehmann Brothers collapse in 2008? What did Japanese companies learn during this time? Chapters 2 and 3 investigate this process, examine the current state of Japanese-style management, and give a view of what it will be like in the future. Chapter 2 looks at personnel and employment systems and the internal decision-making structure of Japanese companies. Chapter 3 analyzes uniquely Japanese systems of intercorporate networks centered on “keiretsu” and corporate governance practices.

Chapter 4 analyzes the management principles that form the foundation of Japanese corporations’ strengths and identifies the ideas and principles of behavior that deserve to be preserved. In Japan, it argues, the organizational principles and the structures of social relationships that originated in the traditional *ie* family system went beyond the level of the actual family unit and were transferred into modern corporations,

and that the trust cultivated and reproduced in this process was accumulated as “social capital.” This Japanese-style social capital that combines the collectivism characteristic of the traditional community and the rationalism characteristic of modern organizations gave Japanese corporations a solid foundation and helped them to develop.

Looking at several specific examples, Chapter 4 focuses on four particular strengths of Japanese management born of Japanese-style social capital: (1) trust and the norms of reciprocity, (2) a human relations approach that satisfies employees’ social needs, (3) egalitarianism and on-site management that emphasizes the experience and input of workers on-site, and (4) innovations created by enduring R&D projects and long-term commitment. It shows how these qualities have helped fortify Japanese companies today.

Chapter 5 discusses the transferability and adaptability of Japanese-style management to overseas operations. This chapter focuses on automakers that have transplanted Japanese production and management methods into their overseas operations, analyzing the management of overseas subsidiaries particularly with regard to lean production methods that are at the core of Japanese-style manufacturing. In spite of the keen interest shown in these systems by organizational scholars and the public, not much work has been done on the human aspects of the production floor—how employees work on a daily basis, their attitudes to working in teams, the way they feel about the wider organization, and how they produce high-quality products. Looking at these aspects of the workplace, this chapter elucidates the way lean production has been successfully functioning as a sustainable system in the overseas operations of Japanese firms.

Chapter 6 analyzes the motivation patterns of the major position groups within the organization and presents the hybrid human resource management model most effective for each group. Since the factor having the greatest impact on motivation patterns is the position held within the organization, as has been shown by past research, motivation patterns and work-related values are analyzed for four major position groups: (1) executives, (2) gold-collar employees (managers, professionals, entrepreneurs, consultants, etc.), (3) blue-collar, clerical, and service employees (permanent employees), and (4) blue-collar, clerical, and service employees (nonpermanent employees). The hybrid model presented on the basis of this analysis combines the mutually complementary aspects of the Japanese and Anglo-Saxon styles of

management to make the most of the strength of both. Although the two styles are often thought to be diametrically opposed, the proposed hybrid system, incorporating effective practices from both, can be successfully applied in many countries of the world.

This book maintains the comparative perspective throughout, comparing the management systems of Japan and the West. It shows how Western and Japanese corporations can overcome their respective shortcomings and learn from mutually different systems for further improvement of their management. It further discusses what Western managers, academics, and human-resource professionals can learn from Japanese practices as well as what Japanese companies should learn from Western practices in order to improve their management.

Here I would like to thank the people who have helped me in the preparation of this book. I am particularly indebted to Anthony Giddens, Michael Useem, Parissa Haghirian, Mari Sako, Hajime Ohta, Arthur Francis, and the late Joji Watanuki for their invaluable support and insightful comments. I take this opportunity to express my deepest gratitude to them all. Acknowledgements are also due to the many managers, team leaders, and employees at companies in Japan, Europe, and the United States, who helped me in the research for this book by readily accepting my interviews and responding to them generously, or by allowing me to conduct employee surveys.

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Tokyo, Japan

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