Japanese management: Theory zero not theory Z

Masashige Matsuo
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JAPANESE MANAGEMENT

Theory Zero not Theory Z

by

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B.A., Nihon University (Tokyo, Japan), 1981

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I. INTRODUCTION

While in Japan, I did not realize Japanese Management was such a hot topic in business schools as well as in the real business world in the United States. Since Japan is a small country, with approximately half the population in one twenty-fifth as large a land mass as the United States,¹ I could not imagine that many American businessmen and business students would pay attention to the Japanese way of doing business.

STRUCTURE OF JAPANESE MANAGEMENT

Although Japanese Management has been partially influenced by the managerial techniques interpreted by the concept of American style "efficiency" adopted by Japan after World War II, Japanese Management is primarily based on Japan's more than 2000-year old traditional customs.

I have noticed that a number of publications about Japanese Management have been written by American authors but very few are written by Japanese authors for American businessmen or business students. Many reasons for this can be suggested. One possible explanation may be that Japanese businessmen are not good writers or too busy to write articles. But I believe a better explanation is Japanese culture. Japanese culture is called the culture of "hesitation." It is very different from the Western (Christian) culture,
even from Chinese or other Asian cultures. The Japanese believe that a talented person does not try to show himself off or advertise himself. When the Japanese say I can perform an activity "a little," it means I can do something almost perfectly as compared to the American manner of expression. The Japanese never say I "can" do it. This is one example of Japanese culture - Modesty.

Japanese people are apt not to speak out. Therefore, it is not easy for foreigners to understand what is really going on in the Japanese business world. Moreover, Japanese businessmen are too busy to express their ideas or thoughts, and most Japanese academics are too often disposed to look at a person contemptuously who studies practical matters in the real world instead of pure academic studies such as theory, history, and ideological arguments. Additionally, Japanese politicians have not made overt efforts to correct the world's misconceptions of Japan due to a lack of public relations efforts to inform overseas nations of Japan's attributes. For instance, some American statistics requested by a Japanese government agency showed many Americans did not know where Japan was geographically located. Worse, some Americans thought Japan was a part of China. Part of the responsibility for these misconceptions is Japan's.

Similarly, Japanese Management has not been introduced enough to the United States from inside Japan, especially from the real business world. Most American authors have written about it based upon external observations and results; but, I believe the success of
Japanese business today is not due mainly to "techniques" as interpreted by American efficiency philosophy. Rather, it is due to Japan's climate and poor natural resources, isolation and resulting cultural differences. In this respect Japan is a great contrast to the United States. Therefore, this paper will emphasize the style of management peculiar to Japan in order to cover material which might not be discussed in other publications.

First, I will describe the climate and culture of Japan and how they have affected the management philosophy. This will include traditional philosophy and religions, society, and behavior. Second, I will analyze the concept of Japanese Management which is composed primarily of people's behavior, not only of the businessmen but also the women behind its success. This will include the concept of zero (nothingness), decision making processes, employment and labor relations, human resource management, and financial controls and capital structures. Japanese Management is designated as Theory Z by William Ouchi; however, I believe that Japanese Management is different yet from Theory Z. Japanese Management cannot be measured by Western standards, just like the beauty of women at a beauty competition cannot simply be categorized by their sizes. To understand Japanese Management one must understand the Japanese "people" who behave by their "heart." The heart is the spiritual and philosophical acculturation of the Japanese people which results from their religions and traditions and which cannot be measured merely by outward appearances. Also, I will describe the life style of a typical Japanese
businessman. Through such a person, one may more easily recognize the differences between a more stereotypic American business style and so-called Japanese Management. Finally, I will discuss the opportunities and constraints on American firms adopting Japanese Management as their "technique" with the intent of improving productivity.

Hopefully this paper will clarify some perhaps unfamiliar aspects of Japanese Management philosophy as well as other more widely publicised aspects of the Japanese style of management.
II. Climate and Culture

LOCATION OF JAPAN AND ITS CLIMATE

Japan is an island neighbor of the United States, lying 5500 miles west of the United States across the Pacific Ocean. Although Japan stretches from the subfrigid zone to the subtropic zone, it has four distinct seasons. Approximately 70 percent of the land is mountainous, 15 percent of the land is used for agriculture, and only less than one percent of the land is utilized for industrial purposes. Average annual precipitation is relatively high in the temperate zone. The wet weather and mountainous features grow many different kinds of plants, trees, and flowers. The blossoming of flowers is not only a seasonal indicator but also a precise indication of the time of year for regular annual events.

INFLUENCE OF CLIMATE ON MANAGEMENT PHILOSOPHY

Flowers can also be likened to people's hearts. For example, the Sakura (Cherry blossom) represents the Japanese attitude toward life; that is, the way its petals fall while still at the height of their beauty has been interpreted as symbolic of resignation and grace in death. Let me interpret this into the Western language. This means a man should not retain a position in a firm if a younger man grows or develops enough to take over the position. The man who has been in the position opens the position for the younger man and the older
man can utilize his extra capacity and knowledge for other new objectives. This is the vitality of Japanese Management. SONY and Matsushita (Panasonic) are corporate examples of Sakura spirit.

Other plants can represent differences in Japanese life style. The *take*, a Bamboo plant which grows to its heights in a matter of days, is also loved by the Japanese because of the "clear" cut which can be made when it is cut vertically. This "clear" cut symbolizes for the Japanese a simple life style. It illustrates a fact that most leading businessmen or entrepreneurs in Japan are not as wealthy as American or Arabic entrepreneurs. Japanese executives are more concerned about satisfaction in their accomplishments than they are about money. A Japanese businessman works for and obtains his satisfaction in the performance of the organization, whereas a businessman in the typical organization in the United States works primarily for his own personal wealth and for the largest possible profits to be paid as dividends to stock owners. Since the Japanese way of business seems to be ambiguous to Americans, American businessmen may not understand Japanese businessmen. Satisfaction and motivation are not possible to measure in terms of money, whereas profits or sales volumes can be measured and assessed in terms of dollars. Thus, Japanese Management is less concerned with short-run objective measures than the typical American firm.

**MEANINGS OF NOTHINGNESS, SELFLESSNESS, AND NON-BEING**

Vladimir Devide' gives us some more hints on this contrast.
Yado no haru  
A hut in spring:
Nani mo naki koso  
There is nothing in it --
Nani mo are  
There is everything.

He explains that to the occidental mind, the sense of this famous haiku by Sodo is elusive, if not outright contradictory. But to the Japanese mind it is self-explanatory. This is so because the basic bias of Western philosophy and culture leans clearly in the direction of being.

The good, the beautiful, and the creative are all defined in terms of being. Thus their imperfection or privation is considered a kind of non-being. The basic bias of the East, on the other hand, falls on nothingness - not the negative notion of the West, but a rich, all-encompassing void that is full of meaning and possibility. Related closely to the Buddhist notion of "emptiness" its ideal of "selflessness", mu-shin (no-mind) is at the base of both the Japanese feeling of unity with all of nature and their calm resignation to fate. It looks for meanings in the empty spaces in paintings, in between the lines in literature, in the unspoken and unexplained aspects of communication. Similarly the spirit of mu-i (acting by letting go of action), is at work in such things as in the "effortless effort" of the Judo master who uses the force of an attacker to overcome the attacker. Through mu-shin and mu-i, Japan succeeded in transforming the rubble of war into the wonders of industry and technology that characterize it today. Through mu-shin and mu-i Japan preserves the timelessness and effectiveness of its many arts and traditions.

Being may be described as visible, tangible, and physical existence and non-being as invisible, intangible and non-physical existence.

Another comparison of being vs. non-being is: a corporation in the United States buys labor by money (being) and a worker sells his labor for money (being), and a corporation in Japan obtains labor by
its reputation (non-being) and a worker provides labor with his quality (non-being). How does non-being work? The following is a very simple example. Attracting money and women can be compared to water in a bath tub. When you enjoy a hot bath, try to move the water toward yourself. The more you want to move water toward yourself, the farther the water goes away from you as it sloshes towards the end of the tub. If you show excessive attention a girl, she may run away from you. If your heart is set on riches, money goes away from you because in seeking riches other aspects of your job may be neglected that would eventually cause you to lose money. In short, if one tries to be too greedy one may risk losing all; therefore, one should not be materially avaricious.

The essence of Japanese Management is that an ultimate objective of a manager is to have his section or organization be operated smoothly without him. In other words, he must cause himself to physically become nothingness in the organization. If the organization still needs him, he has not yet achieved his objective. This is the concept of Mu (nothingness) in Japanese Management. The outward appearance of Japanese Management is like the tip of an iceberg and most of its concepts are hidden under the water; therefore, it might be rather difficult for non-Japanese, even some Japanese people, to understand them.

TRADITIONAL PHILOSOPHY AND RELIGIONS

Japanese Management is greatly affected by the religious base of
the Japanese people. The reason I refer to the concept as religious base instead of religion is because the Japanese do not seem to be religious at all in the sense of a organized religion which worships a god. A majority of the people are not deeply devoted to a specific religion.

Yasuo Aoto points out several reasons for Japanese apparent non-interest in religion.

The Japanese people are by nature optimistic and concerned mainly about worldly affairs. Inhabitants of a country blessed with the beauty of nature and a moderate four-season climate, the Japanese have for many generations led an easygoing existence free from the threat of extreme natural disasters and the invasion of enemies. Perhaps because of this, they have not developed any deep religious yearning. Further, Shintoism, the religion of Japan from time untold, is polytheistic, and because of this the Japanese people have traditionally been tolerant of all religious sects. 5

However, paradoxically, I feel the Japanese are more religious than it appears. The Japanese believe that gods (kami) exist in everything. There are gods here, there and everywhere in Japan. This is in contrast to the monotheism which exists in Christianity, Judaism, and Islam. Let me give you an example. I live in student family housing on campus. Every resident closes his door very noisily without exception. If they were Japanese, they would never close the door so roughly. Such a rough action (though it might not be considered rough by Americans) is considered bad manners in Japan. The reason is that the Japanese sense a "soul" even in the door though it is just material and even though they may be
unconscious of doing so because the feeling of soul in every form of existence is common in Japan. The reason the Japanese feel a soul in everything and every phenomenon will be discussed later. This unconscious behavior is related to the high quality of Japanese products.

Another example is: I always feel thankful even for the trash I throw in the dump. The trash was not trash before it became trash. It had worked for me in some manner and had given me some service. I am thankful for its services when I dump it, but not to God in the Christian way.

The difference between Christian thankfulness and my thankfulness can be described by the following experience. When I was a college student in Japan, I went to church every Sunday to learn English. I was surprised to see that the American missionary and his family used their foot to move something on the floor instead of using their hand. You may wonder what is wrong with this; it made me feel the Christian God was a rough "god." From the Japanese perspective, hand-care is considered polite manners but foot-manipulation is not. The behavioral difference between hand-care and foot-manipulation appears in the quality of products. In fact, when I worked at an auto shop in Japan in the 1970's, we never put an engine from the Chevrolet factory in a truck without reassembling it. We did not trust in the quality of engine assembly work done in America.

The Japanese sense of love is not a "give and take" type of love but a "give and give" type of love. That is, it is not "I love you
so would you please love me," but "I love you even though you don't love me." Yasuo Aoto describes the oriental sense of selfless love. "According to Tamotsu Sengoku, the Japanese have what Dr. Arnold Toynbee calls the 'oriental sense of selfless love' and are in fact extremely religious. For this reason, the Japanese do not need any specific form of religion. 'Oriental sense of selfless love' means a love directed not only to fellow human beings but to the whole universe. It is based on self-sacrifice and self-abnegation."6

The major religions in Japan are Shinto, Buddhism, and Christianity (Confucianism is considered philosophy rather than religion). It is not uncommon for some people to accept all of them. Shinto is the natural indigenous religion of Japan. Shinto gods, or kami, are worshipped at shrines (jinja). All natural objects and phenomena used to be considered as having kami, so the gods of Shinto were uncountably numerous. Gradually Shinto practice extended to the worship of ancestors. Accordingly then, there were no specific leaders in the Shinto religion, nor any books of scripture.7

There are no gods in Buddhism. The emphasis is on ridding oneself of hate and jealousy through infinite love. Fanaticism is rejected; one should try to attain tolerance and equality. The Zen sect is one of the denominations of Buddhism. It has become the backbone of the samurai spirit, tea cult and ikebana or Japanese flower arrangement. It has exerted great influence on Japanese thought, culture and literally all aspects of Japanese life.8
However, I believe Shinto and Confucianism have more affected the basic behavior of Japanese people than Zen Buddhism.

Hunting is from the Japanese perspective fighting against nature and farming is harmonizing with nature. These approaches to life are very different from one another. Fighting is beating someone; consequently, the winner becomes relatively superior to others. But the winner does not necessarily improve himself and is at the same level as before (horizontal relation). Harmonizing, on the other hand, is competing with some one; consequently, the winner becomes absolutely superior to others. The winner must improve himself and gets at a higher level than before (vertical relation).

For example, Japanese automobiles have never fought against American automobiles but have competed with them. A part of the reason for the initial success of foreign automobiles in the United States was the reluctance of U.S. manufacturers to make a small and inexpensive product. The oil embargo simply amplified the long-term trend toward a shift to smaller automobiles in the United States. According to Lee Iacocca, former president of the Ford Motor Company, "the embargo didn't change the direction of the market; it merely accelerated the speed of the change in preferences. In the two years after the embargo, the small-car segment grew from 41 percent of the U.S. industry to 54 percent, a shift we had expected to see take place over 10 years."

Accordingly, American automobiles can not be sold in Japan under the philosophy of fighting. They must harmonize with Japanese
people, customs, regulations, and nature. This is not a political trade barrier but just a cultural difference. Similarly, a comparative-advertising campaign which attempts to gain customers by knocking competitors' products, is not workable in Japan. The Japanese would never buy your products if you advertised your products by speaking derogatorily of others' products. They would not believe your advertising, and probably worse they would hate you and all your products. It is simply because you used the fighting method instead of the competing method.

Buddhism prohibits the eating of meat from four-legged animals. Therefore, fish and whale meat have been the only source of animal protein for the Japanese for a long time. Because of the clean climate, the Japanese eat these foods raw as well as cooked. This eating habit contrasts significantly with that of the Chinese. The Chinese never eat raw food including salad. Because of their climate they must sterilize everything they eat by cooking it with high heat. In my opinion, the simple Japanese eating habits are related to the philosophy of Sakura and Take, previously discussed. Sweet and fat foods like Chinese and Western foods would never give birth to the philosophy of nothingness - Mu.

Zen has been introduced to the Western mind by many authors; but, the foundation of the Japanese attitude is much more affected by Confucianism than Zen. The unpainted face of the Japanese (the foundation) is mainly constructed by Shinto and Confucianism, and Zen Buddhism (the part of foundation near the house) is just cosmetic
covering over Japanese philosophy. Therefore, however much the philosophy of Zen Buddhism is adopted by American business, it is just cosmetic (not a really deep foundation) and may lead to confusion when it easily wears thin. This is the reason that I previously said that Japanese Management is different yet from Ouchi's Theory Z. For a better understanding of Japanese Management, one must probe more deeply into a foundation of the Japanese ethnic background. Thus, American business theory may often be explained by its results as measured by a lot of different numerical figures; however, the essence of Japanese Management is much more inside the "blood," and is fostered since ancient times by the Japanese people.

The doctrines of Confucianism and Shinto have influenced the discipline of every organizational structure in Japan. I believe that Zen Buddhism alone could not be effective for business unless the above disciplines were established as a foundation in these organizations. Confucianism teaches people to subdue their individual egos and Shinto's polytheism teaches the people tolerance of other religious sects. These doctrines exist in Japanese Management as its foundation. Therefore, it is said that the Japanese have less inventive genius because of Confucianism's teaching (the middle-of-the-road) but have very good innovative skills to create different and unique products by adopting others' ideas based on Shinto teachings (tolerance of others' idea).

Zen is sometimes adopted by Japanese businessmen to improve themselves. But, Shinto and Confucianism are more a fundamental part
of Japanese philosophy and work to improve relationships among the people and thus make the self-improvement techniques of Zen effective. Japanese Management not only focuses on individual improvement but also on comprehensive organizational improvement. Shinto and Confucianism have been common law and common sense for a long time in Japan. To respect one's elders and parents or husband is the example of this mutually understood common sense. One reason that the rate of divorce in Japan is much lower than that of the United States may be due to these philosophical differences. Therefore, Japanese Management is not just a technique but rather an assembly of Japanese common customs and philosophies. When the Japanese gather together they behave according to an awareness of the order and rank of each person within the group according to age and social status. The honorific forms of speech have been developed with a great deal of sophistication so that they fit themselves into the accepted "vertical" relationships.

VERTICAL SOCIETY

With few exceptions, human relations in Japan, particularly the formal and the professional, are based on superior/subordinate relationships between the people involved. There is, of course, nothing unusual about a society based on a hierarchical arrangement of inferiors and superiors. Most if not all societies are founded more or less on this kind of structure. The phrase "vertical society" was first used by Chie Nakane, professor of social anthropology at Tokyo
University's Institute of Oriental Culture, in her fascinating book, Tate Shakai no Ningen Kankei (Human Relations in a Vertical Society).

When the Japanese place themselves in a social position, they choose to give frame precedence over attribute. They identify themselves in terms of frame, as an employee of Company A or Company B, rather than in terms of individual attributes, as a journalist or an engineer. The group to which one belongs is seen not as an objective entity over against oneself but as a subjective entity: "my" or "our" group.

This particular form of group consciousness is typified by the traditional concept of ie, or household. The ie is a community in daily life. As in the case of farmers, this may be a managerial body; through its "household members," it constitutes a clear-cut social unit. In short, it is a social grouping within the framework of a residential or managerial body. Interpersonal relationships within this household (ie) group are considered to take precedence over all other human relationships.

Women marrying into a family thus have incomparably more importance than daughters or sisters who have married into other families. Even a brother who sets up a separate household considers himself then to belong to a different family."

In Japan, it is the supreme order for a wife of the first son of the ie to have a grandson as early as possible in order to continue the direct family tree. Vertical blood (grandfather-father-son-grandson) is superior in the importance of the ie to horizontal blood (brothers and sisters).

Alfred Scholz describes group characteristics of the Japanese as follows.

"Western man is indeed a lone wolf - or to put it more charitably, independent. It is up to the individual whether he succeeds - or falls flat on his face. But Japanese men lean on each other more, seeking ties
in the form of an oyabun-kobun (patron-follower, senior-junior) relationship. I like to call this phenomenon the 'oyabun complex,' for it is symptomatic of a certain emotional weakness. Yet this heavy dependence on others has its advantages. If a single Japanese were matched in battle against a German, the German, I feel, would emerge victorious. But let a hundred Japanese fight a hundred Germans, and the Japanese would win hands down.\textsuperscript{12}

In other words, the Japanese would behave more effectively in a group than individually; on the other hand, Westerners would generally behave more effectively singly.

THE JAPANESE SMILE

Another important characteristic of the Japanese is the concept of "hesitation" or "indirection." Boye DeMente describes it from his perspective as a Westerner. "The Japanese language actually can be spoken much more directly and therefore much more effectively than it is by most Japanese, but for a Japanese to do so is regarded as a serious breach of etiquette. Foreigners who have good command of the language are able to communicate ideas more quickly and more clearly than the Japanese, since they are not forced by habit or Japanese propriety to speak in esoteric circumlocutions. In doing so, however, they run the risk of seriously offending whoever they are talking to, so it is necessary for them to exercise caution.\textsuperscript{13}

The Japanese usually hesitate to say "no" or sometimes do not say "no" when they mean "no." I believe this phenomenon must be related to the concept of hesitation. They always think of what others feel or think of them. They do not want to conflict with anybody. Some-
times they may even just smile. This could cause difficulties in communications between Japanese and Westerners.

Thomas Walker explains the Japanese smile as follows.

A smile is just a frown turned upside-down, goes a current pop hit. Had the lyricist perhaps spent some time in the mysterious Orient? A Japanese businessman dashes for a train, only to come up seconds late; the greengrocer informs you that he has no good tomatoes today; a student makes an embarrassing mistake in the classroom: common scenes of everyday life in the city. In Japan, however, these people do not show an expression of regret, disappointment or embarrassment; more probably, in the place of a frown, grimace or whatever else would seem appropriate, there is a smile. An imperturbable, even cheerful smile. Why are they smiling? The reasons may be buried deep in the Japanese psyche, but few would claim that the smile is felt, or, if felt at all, is connected to any emotion which a Westerner would associate with smiling. And this is the point: The Japanese smile, when it signifies anything at all, is often a sign of embarrassment, regret, discomfort, or even anger.¹⁴

Lafcadio Hearn, an English man of letters who adopted Japanese citizenship and lived in Japan from 1890 until his death in 1904, wrote the following in his essay, The Japanese Smile:

A Japanese can smile in the face of death, and usually does . . . There is neither defiance nor hypocrisy in the smile; nor is it to be confounded with that smile of sickly resignation which we are apt to associate with weakness of character. It is an elaborate and long cultivated etiquette. It is also a silent language. But any effort to interpret it according to Western notions of physiognomical expression would (not be successful).

(The) first impression is, in most cases, wonderfully pleasant. The Japanese smile at first charms. It is only at a later day, when one has observed the same smile under extraordinary circumstances - in moments of pain, shame, disappointment - that one becomes suspicious of it. Its apparent inopportuneness may even, on certain occasions, cause violent anger.
To comprehend the Japanese smile, one must be able to enter a little into the ancient, natural, and popular life of Japan.

The Japanese child is born with this happy tendency, which speaking to a superior or to an equal, and even upon occasions which are not pleasant; it is part of deportment. The most agreeable face is the smiling face; and to present always the most agreeable face possible to parents, relatives, teachers, friends, wellwishers, is a rule of life ... Even though the heart is breaking, it is a social duty to smile bravely." (Glimpses of Unfamiliar Japan)15

Another reason that the Japanese do not feel uncomfortable with selflessness is explained by descriptive geography. In contrast to Westerners who are more likely to express their opinions openly in a self-asserting way, Japanese tend to speak and act only after due consideration has been given to the other person's feelings and point of view. Furthermore, there is a habit of not giving a clear-cut yes or no answer, a habit based on a long tradition of avoiding unnecessary friction. The fact that the Japanese behave in this way and take these attitudes for granted in their dealings with each other can be partly explained by their homogeneity and long period of isolation from the rest of the world. These factors are also behind the tendency of Japanese toward self-indulgence with increasing familiarity.16

The anatomy of dependence is based on a feeling of complete trust in person-to-person relationships. Trust in the relationship is a very important aspect of Japanese Management. Once you are trusted you may not lose business even though your competitor offers a better
deal. You, however, must be careful that they also expect you to take the same action to their competitor as they do. Takeo Doi, one of Japan's leading psychiatrists, calls this behavior *amae*. The word *amae* has a relatively unmanly meaning in the real world in Japan; though dependence, trustfulness and helpfulness to each other are also fundamental characteristics of Japanese Management.

The Japanese put a great deal of importance on harmony between man and nature. Even in the design of buildings and gardens, an effort is made in Japan toward preservation of the natural form. Florence Kluckhohn, the American sociologist, observed "Americans and Russians think that man should conquer nature. Mexican peasants think that man should bow to nature, but Japanese think that man should maintain a harmonious balance with nature." In conclusion, Japanese Management is not a technique. Japanese Management is a philosophy affected by Japan's climate, culture, customs and religions. The Westerner will understand much better the concept of Japanese Management if he really understands the effect of the climate and culture of Japan on its people.
III. Japanese Management - "Theory Zero"

What is Japanese Management then? Japanese Management is the comprehensive "thought" including not only the management philosophy but also the workers' will to become successful. Current management thought has been cultivated especially since the Imperial Restoration in 1868 - the end of samurai rule. But this does not mean that the spirit or culture was changed drastically at that time. Thought has still been based on mu or nothingness. So I prefer to designate Japanese Management as "Theory Zero" rather than the concept of "Theory Z" as proposed by Ouchi. (see Figure-1)

CONCEPT OF ZERO

I believe Japanese Management is like the parts or structure of house. One part is the outward appearance as a result of Japanese Management (the house) and the other the part invisible from the outside (the foundation). The former is the tip of an iceberg; but, the latter is under the water and is the major part of the iceberg or structure. It is essential for an American businessman to understand the hidden parts and their differences from those of American business in order to be successful when an American firm adopts Japanese Management.

Japan imports most of its raw materials and even its foods. Japan has almost no resources except for human resources. Therefore,
it can be said that Japanese Management was born from hunger—desire to feed the people by utilizing them. Japan is quite densely populated and contrasts greatly with the United States, which has vast amounts of natural resources in a vast land mass where a relatively smaller number of people live per square mile. People in Japan must work first to survive before they can contract terms and conditions of employment, whereas Americans contract first in terms of money before they start working. This is the difference between a resource poor country and a resource rich country. Japan is still poor in many ways and needs to be strengthened economically. Unlike
the United States, Japan would not be capable of supporting unproductive population segments.

The Japanese people have been engaged for more than two thousand years in a system of agriculture centered on paddy-field rice cultivation. The small scale of the land has severely restricted the use of oxen and horses, so the amount of human effort has been high. As a result, shirking work has usually meant reduced harvests, whereas working hard has been rewarded by increased harvests. In feudal times, land taxes (in kind) and tenancy rents were high, and farmers working their small plots of land needed to increase their harvests, no matter by how little. With clothing, too, they had to be almost self-sufficient, and the women had to spin the yarn as well as weave the cloth. Thus, if the farmers did not put a lot of effort into their work they could not sustain their livelihood, and it is probably from this kind of necessity that the custom of working hard arose.19

This custom was not restricted just to the farming community; there was an increasingly strong social consciousness that work itself had an ethical value. Another important factor, however, was the social revolution, following the Meiji Restoration, that swept away the old rigid social orders. This meant that those with ability could attain a high social position just by virtue of their own efforts. Because of this it became general practice for government officials, members of the military and company employees to put a lot of effort into their work.20
Even though the samurai government was discontinued in 1868, the Bushido spirit still exists today in Japanese Management. Bushido is the moral code of the samurai class. Based on Confucian ideas, it originated in the 1100's and governed all Japanese rules until 1868. Bushido emphasizes loyalty, self-sacrifice, justice, a sense of shame, refined manners, purity, modesty, frugality, martial spirit, honor, and affection. Martial spirit and honor prevail over the others. As discussed in the previous chapter, this does not mean simply winning over others by physical force and obtaining a relatively higher position. Rather in Bushido one is encouraged to pursue spiritual training for the purpose of conquering oneself, for only by conquering oneself is it possible to conquer others and obtain an absolutely higher position. Chivalry, developed under the influence of Christianity, had much in common with Bushido, but is different from Bushido in that the relation between a knight and his lords was contractual while Bushido stressed absolute loyalty.

Conceptions of contracts in Japanese Management are very different from those of American Business. As mentioned in the previous chapter, Japanese Management is primarily based on Confucianism and Shinto. People believe in each other based on the idea that nobody would do anything greatly out of the ordinary. Therefore, things are sometimes done without a contract and only with an unwritten understanding each other. Japanese Management is primarily effective in Japan where there is a common psychological background. Contractual ceremonies such as baptism do not exist in
traditional Japanese religions. Christianity, on the other hand, is a contractual religion. Christian baptism seems to represent the origin of Western contractual philosophy.

I was asked to teach the Japanese language to a young American who recently got a job in Japan. His first question to me was how much was I going to charge him for the instruction. Most Japanese would not charge anything for just a month long lesson. Moreover, most Japanese would not imagine setting the "contract" first before teaching. If the instruction is satisfactory, at most the young Japanese pupil may (or may not) give the teacher some small gift after lessons are completed. The teacher would never expect any reward. The expectation of reward after something is done, explained as Japanese Management in Ouchi's Theory Z, is not actually representative of Japanese Management in Japan's real business world. The only expectation is an achievement of the assigned objectives. Similarly, an applicant to a position in a company will never ask at the interview how much a company will pay him if hired. The applicant's interest in that company is to become an employee regardless of what kind of job he will perform or the amount of salary. This is a feature of the vertical society in Japanese companies.

Therefore, in Japan a company can hire anyone whom the company wants to hire. There are no restrictions on hiring such as discrimination codes regarding sex, race, age, religion, and color. There is no ERA or EEO. There are no immigrants who cannot speak
Japanese. There are labor unions but they are not organized by occupation rather on a company by company basis. The company hires younger high school graduates and trains them as the company likes for its most efficient manpower distribution. Those aspects comprise the backbone of Japanese Management in Japan. Therefore, an MBA degree, taken personally, is not so meaningful as in the United States; rather, in-house training is superior in the system of Life-time employment to degrees in the long run for the majority of employees. A manager in Japan has more of a free hand to hire employees but is less free to fire them than a manager in the United States.

Detailed characteristics of Japanese Management processes are described in the following section.

DECISION MAKING PROCESS

Decisions in many Japanese companies are reached by a collective decision making process. In a Japanese organization, a meeting takes place at all stages of the decision making process though the purpose of the meeting itself is not just for decision making but also to develop better communications; such a meeting is always conducted in a face-to-face manner. Westerners may be surprised at the frequency of such meetings and the amount of time spent on them (often the better part of the working day); however, a meeting in a Japanese organization functions like a lunch meeting or cocktail party in an American organization. Also, day time constitutes the usual working
day for Westerners, but the working day often continues into the evening for Japanese businessmen. Japanese businessmen have an after-5-o'clock time for business while American businessmen go home at 5 o'clock or whenever office hours are over. Therefore, this communication and decision making process - Kaigi (meeting) - does not interrupt their routine jobs but is a part of them and sometimes the communications after "office hours" are more important in Japanese Management than those during office hours.

Some may criticize the lack of leadership or identity of a leadership personality in Japanese Management. That may be true in reference to the Western conception of leadership. But why must leadership identify individuals who carry out the objectives of an organization? Leadership has been digested in the process of decision making-in the Kaigi. Japanese Management prevents anyone from grandstanding and showing himself off. One of the UAW's (United Auto Workers) leaders declared on ABC's 60 Minutes in January, 1983, that the UAW would never give up organizing workers in the Nissan plant (manufacturer of Datsun cars) in the United States. He claimed that Japanese Management was based on short-term strategies and the UAW's strategies were based on long-term objectives. He did not define how short- or long-term were measured by him; however, I felt he completely misunderstood and had a reversed concept of Japanese and American management strategies. On the contrary, American business thought emphasizes short-run tangible effects for stockholders whereas Japanese Management makes a "dead" investment in not
only plants and equipment but also in human resources, not to become effective soon but hopefully in the long-run. For example, I visited one of the leading manufacturers of electric generators in Houston, Texas, in 1981. I was surprised at the fact that it was such an old-fashioned factory. Future investment to my way of thinking is quite underutilized and undervalued in American business theory. American managers are reluctant to spend money for the future since future effects are not immediately measurable. A manager in American business works for his own appraisal by stockholders whereas management in Japan works for future effects. Therefore, a fairly long time is required to evaluate the results of Japanese Management.

Decisions by consensus are one feature of decision making in Japanese Management, the Ringi system is another. In the Ringi system the person in charge draws up an original plan in written form and obtains the approval of his seniors in ascending order. The approval of officers in related departments is obtained before the final executive decision on the plan. An entire organization is involved in a certain project, so that there is not a hero or a star in a ringi system. This is an example of the absence of leadership identity, unlike the Western system of decision making.

Yet another aspect of Japanese decision making is Nemawashi, an informal discussion. Its literal meaning is "to make sure the roots grow." Japanese businessmen usually discuss an issue with the concerned informally before they hold the official Kaigi or meeting. In this process, they spend a lot of time discussing issues un-
officially; therefore, they do not hold the meeting (Kaigi) until they are completely sure the outcome is agreeable to the majority. In Kaigi, therefore, their discussions focus on how the objective should be accomplished instead of focusing on a Yes-No decision. These informal discussions are done in many ways, in an office, while playing golf on Sunday, in a pub, at the dinner table at home, or even in a sauna bath. People can often discuss more frankly in an informal discussion than in an official meeting. They call this type of discussion an "open-heart talk" or a "talk between men." Japanese Management is sometimes not as much a logical theory but more a reflection of the will to succeed. Nemawashi is quite important in Japanese Management with respect to the involvement of all employees concerned in a certain objective.

Who is responsible for the decision? Usually a person in the highest position among those who are involved in the decision takes responsibility if a problem arises. However, if it is successful, both the person who is in charge and his work group together would receive recognition. Workers usually do not receive a special bonus after they succeed like a seal does when it is fed a fresh fish after it performs a trick in a show; however, the superior will often buy the work group a beer after all is done. Japanese Management tries to treat workers as human beings not trained seals. There is not short-term joy in a job well-done but long-term satisfaction. A "leader" who has ostensibly no leadership in the decision process can have leadership and become responsible only when the plan is not
successful. This is the moral of leadership in Japanese Management, which was also the spirit of the samurai. (The Japanese emperor was not a samurai; therefore, it was historically rare for him/her to have taken leadership or responsibility in governing the state).

A manager is needed for handling a crisis or for preventing it and a follower works hard so as not to push his manager into a crisis situation. It is impossible to explain in terms of money or in mathematical figures since most of the concept of Japanese Management is based on the spirit of the people instead of a technique.

EMPLOYMENT AND LABOR RELATIONS

Lifetime employment is the norm in Japan although official statistics do not adequately measure its existence. Lifetime employment is characterized by an unwritten agreement between employer and employee that the employee is hired as a permanent employee unless otherwise contracted as a part-time worker. The lack of a written contract for lifetime employment is consistent with the Japanese style of "contract" (unwritten agreement - p.24); therefore, the statistical figures may be misinterpretations and cause Westerners to think that lifetime employment is a benefit only in a small number of companies in Japan. For example, part-time workers may not be measured as lifetime employment in statistics; however, most part-time jobs are secondary and voluntary. The majority of these workers are seasonal laborers such as farmers and carpenters from heavy snow areas who are primarily lifetime-employed by secured government
policies. Housewives may work as part-timer employees not for a livelihood but for leisure; therefore, some statistical artifact must be considered. It is not uncommon even for a small grocery store to have employees who work their "lifetime," especially in country side even though the retirement benefits are much less advantageous than that of a large corporation.

Salary and promotions accrue according to age, seniority, and ability in most Japanese companies. There is no built-in layoff system in Japan as in the United States; however, a company can layoff its employees with the guarantee of at least 60 percent of yearly salary. (Some companies have laid off their employees with 100 percent salaries to save facility expenses for the period of low product demands.) It is quite difficult to dismiss personnel in Japan. This is so both because of Japanese Labor Law and Japanese Management philosophy. Therefore, labor represents fixed cost rather than variable cost in Japan. The stability of employment and income is advantageous for both an employer and an employee. Low labor turnover costs a company less and stable income leads to workers' loyalty to the company.

Many American authors have discussed the advantages of Japanese Management's Lifetime Employment. However, there are disadvantages of this system. Employment inflexibility and a lack of stimulus for the employees' self-development are disadvantages in this system. Even though they represent a very small number, some employees who cannot perform assignments in their organizations may become radical
labor movement agitators or, on the other hand, some who take advantage of lifetime employment may become unmotivated and non-productive. Japanese Labor Law protects even these unfavorable employees. Therefore, a company cannot dismiss them; worse a company must pay salaries to "employees" who do not work. Mado-giwa-zoku (window-side-employee) is the designation of this category of employee. They are assigned a desk near a window, which might be the best place in the general office space, and they only come to the office to read a newspaper every day. Believe it or not, they have a title and it is the best compromise for both a company and the "employee" under the current Labor Law.

Articles written by American authors may give you an impression that the labor union in a Japanese company is organized one union for one company and is all cooperative with the company; however, in fact, there are two ideologically different types of labor unions in Japan. One is the union controlled by communist/radical-socialist parties or their political groups (type [I]), and the other is governed by personnel who are usually college graduates and might be future managers in the organization (type [II]). Type [I] unions (radical unions) tend to be heavily influenced by communist and radical-socialist philosophies and membership contains many individuals who are failures in the organization. Type [II] unions (cooperative unions) are more likely to be successful under the concept of Japanese Management. The former is in the majority in public corporations, national government, and small generally
unsuccessful companies. The latter is represented in the majority of large private corporations and some good small companies and is almost always anti-communist. There are generally both types of unions in a large number of major organizations.

<table>
<thead>
<tr>
<th>Category</th>
<th>Corporate type</th>
<th>Union Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Major corporations</td>
<td>Minority or none</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Majority</td>
</tr>
<tr>
<td>B</td>
<td>Small/successful companies</td>
<td>Mostly none</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Majority or none</td>
</tr>
<tr>
<td>C</td>
<td>Small or large companies</td>
<td>None</td>
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<td></td>
<td></td>
<td>None</td>
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<tr>
<td>D</td>
<td>Foreign owned companies and local government</td>
<td>Major, minor, or none</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Major, minor, or none</td>
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<tr>
<td>E</td>
<td>National government and public corporation</td>
<td>Majority</td>
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<tr>
<td></td>
<td></td>
<td>Minority</td>
</tr>
<tr>
<td>F</td>
<td>Small, unsuccessful companies</td>
<td>Majority</td>
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<tr>
<td></td>
<td></td>
<td>Minority</td>
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</tbody>
</table>

Most workers who are under communism's control are very ideologically tough. Japanese courts are generally reluctant to punish disturbances or laziness in the workplace unless they can be proven to be criminal. Police also cannot act unless criminal disturbances occur. So workers can do almost anything they want against management except commit some obvious crime such as murder. Also, some judges are communists themselves even though they are supposed to be
neutral. Since Japan is a free and democratic state, communism is legal. So communist judges insist they are legal in the judicial world. In some companies, mental and physical disturbances by communist labor unions are not uncommon. They are guaranteed the right to do so by Japanese Labor Law which was originally drafted under the supervision of General Douglas McArthur.

The majority of Japanese, however, do not agree with communism or similar political doctrines; therefore, the type [I] union in a small organization, usually with one type [I] union and no type [II] union in the organization in this case, hides its identity in order for workers to solidify themselves. The type [I] union is supervised and instructed by communist/radical-socialist political groups by means invisible to regular union members to find out any "problem" or to make up any problem in order to bring the matter to court. That is, the more they bring cases to court the more possibility they would win in the cases and the more the communist/radical-socialist attorneys can obtain judgements (usually money from a loser). The two major sources of funds of the communist/radical-socialist political groups are the judgement and publications.

A type [I] union is organized not only by pure communists or socialists but also by people who are failures in an organization. A failure usually claims that capitalism makes him a failure; then, the communist union protects him. Some American journalists have misunderstood this structure and interpreted the failure's claim as a competent report on Japanese "bad" management. A failure's claim
is a typical example of the disadvantage of Amae - interdependence - in which the group must support a weak individual.

Unions, both type [I] and type [II], are not organized by occupation but with a corporate organization. Also, the unions are federated by industry. (e.g., all of automobile manufacturers, electronic producers, etc.) For example, the representatives from each union have a meeting for their policies as a whole as an industry's. Management and executives were all previously members and some were even leaders of type [II] union. I was a union leader before I got a management position in Japan. Therefore, management is well aware of the significance of labor unions and will attempt to respond to justified union requests as far as the company's circumstances allow. On the other hand, most union members, who become members automatically, have an underlying trust in the company and usually consider the general welfare of the entire company before they present their demands. Both management and union stand on common ground when it comes to the prosperity of the company upon which the future of both is based. In contrast, a communist/radical-socialist union's final goal is to defeat capitalism and build a communist society; therefore, this type of union is always in a position of opposition. The typical example of an organization ruined by a communist/socialist union is the Japan National Railroad (JNR). JNR is a huge public corporation in Japan, and has its service routes all over Japan. Ironically, the government owned corporation which agrees with a communist idea is the most in-
efficient organization in Japan. Japanese Management does not work in this organization. The reason will be discussed in a later chapter.

For a better understanding, I will distinguish between the two unions: type [I] union and type [II] union. Type [I] union is, from my and probably most businessmen's perspective, composed by workers similar to those who are categorized in McGregor's Theory X, and type [II] union is composed by workers similar to those who are categorized in Theory Y. In other words, although the lofty ideal of communism is not so, type [I] union is, as a matter of fact, composed by people who dislike working, must be coerced, and avoid responsibility. Type [II] union is, on the other hand, organized by people who know the meaning of work, can work without control, are responsible, and desire to satisfy self-actualization needs. Table-1 represents my personal perception; not supported through empirical data.

Another unique system of Japanese labor relations is "female leave," which is special leave with full pay for women who have difficulty working during menses. Working women in Japan can take an extra two to four days per month off without using their sick leave and vacation accumulations. The spirit of this labor law is to protect the body of a potential mother; however, this leave is generally taken automatically especially in public corporations and government offices where type [I] unions are in the majority. A female worker who is able to work during her period is forced to take the leave by other female workers and sometimes by the labor union.
Sometimes even pregnant women take it. It is obviously against regulations but management can only warn her verbally. The union claims equality under the law. These unproductive workers are in the minority though.

Yasuo Aoto explains differences in the seniority system of Japanese Management from those in American business. Seniority ranking of most Japanese companies is the customary practice of having salary and status rise in accordance with the length of service. Therefore, it is different from that of American companies where seniority primarily is used for layoff purposes with the last-in first-out procedure. It has been a tradition of Japanese society to respect those who are older. (In most cases, the first-in is older than the last-in). In the world of business, too, it is thought that ability increases with the length of service, and therefore the contributions one can make to the enterprise also increase the longer one works. However, this does not necessarily mean the position of those without ability will rise in the same way as those who display greater talents. Of a group of employees who entered the company at the same time, it is those who show greater ability or achievement who are promoted to higher positions. It is a fundamental principle of company policy in Japan to view everything connected with employment in the long-term. This means that, rather than reward an employee only for merit, his length of service within the company is also rewarded. Individual ability and skill are highly valued, of course, but the emphasis is on being a member of
the whole group.22

"The adoption of a seniority wage system is made easier in Japan by the racial homogeniety of the Japanese people and the uniform educational standards used throughout the country since a company is able to assure that, by and large, people with like educational backgrounds will have the same capabilities, which can be further developed through experience and training within the firm."23

HUMAN RESOURCE MANAGEMENT

Most employees are hired directly from school (in fact, before their graduation from high school or college). Regardless of their major in school, they can apply to a company, not for a position or a specific job but just for a job in that company. For example, the current president of SONY Corporation was not an engineering major nor a business major but a music major. A larger corporation has an employee training school and new employees are usually trained there not only in technical matters but also receive "spiritual" training during the first few months. The new employees, for example, are taught the company philosophy. Most companies, both large and small, have their own company philosophy or "reason for existence." Company philosophies are usually irrelevant to the profit of the business or the growth of the company, but they teach mostly the development of an employees' character in conjunction with daily work. The workplace, thus, is the place workers improve themselves as well as the place they produce something. The training school is also used for
older employees to periodically "refresh" themselves.

The company may be compared to a church. The company is not just a building but is also an assembly of employees like the church is not just a building but a community of believers. Japanese businessmen have a feeling that they are all members of a family which is the company. The Japanese companies under Japanese Management are assemblies of people (employees including executives).

Since employees are not hired for specific jobs, they usually move from one corporate section to another every two to three years. In a large corporation, they must move not only all over Japan but also all over the world. These transfers can be considered part of an employee's training to gain knowledge and a variety of skills for future managerial jobs. It includes sending employees to MBA programs at American universities. In my own case, in contrast, I worked for a relatively large American company for 14 years but unfortunately had no chance to have training like this even once. If it had been a Japanese company, I would have been sent to an MBA program at company expense with full pay. IBM Japan, for example, is a subsidiary company of the IBM Corporation, and the company is operated by Japanese staff. The company sends its employees to the United States for executive training every year. So do Mitsubishi Corporation, Mitsui & Co., and many other companies. An MBA in a Japanese company is created by a company whereas an MBA in American business is hired. Therefore, it would be unlikely for me to get a job in a Japanese company even when I have obtained the MBA degree.
A training center in Japan is usually in a hot-spring or resort area. High productivity and the quality of products or services begin at these centers. As mentioned in the introduction, Japanese Management is partly affected by the American concepts of quality control and efficiency introduced to Japan after World War II. These ideas have been developed in Japan as QC (quality control) group activities and ZD (zero defect) circles. This basic training is performed at training centers before new employees are assigned to their work places, although QC and ZD do not immediately result in business profits or growth of the company.

Against the background of the specifically Japanese phenomena of strong group consciousness, company loyalty, high educational level, and unique employment system, small group activities aimed at solving various problems in Japanese companies are flourishing on the basis of voluntary worker participation. At Nippon Steel Corporation, a leading Japanese steel company, for example, there are approximately eight thousand such groups engaged in JK (Jishu Kanri--self-management) activities and organized according to the following ideas:

(1) Every employee can find fulfillment in his work through the proper use of his own creativity to increase his skill and knowledge.

(2) A brighter working environment can be created through mutual respect and cooperation.

(3) The welfare of the company can be promoted and a contribution made to society as a whole.24

Based on these and similar concepts, improvements are vigorously and continuously carried out with very considerable effect. If an
American worker in an automobile factory were asked what he was making, he would answer he was making an engine. He is an engineer and may be proud of it. On the other hand, if a Japanese worker was asked the same question, he would answer he was making an automobile instead of only part of the automobile. The Japanese worker is also proud of his job like the American worker is; but what is more, he is proud of "his" company.

FINANCIAL CONTROLS AND CAPITAL STRUCTURE

Banking is a large business in Japan. Major banks are nationwide and worldwide. They are not regulated by local governments as in the United States; therefore, a nationwide firm can control its funds any time anywhere without unnecessary handling charges between bankers.

Ouchi describes the relations between a bank and a firm, stating that these form bilateral monopolies which result in great productivity as each side learns over time to coordinate smoothly with the other. "Although Zaibatsu were legally dissolved after the war, the relationships continue. This is due largely to the dependence of all companies on a closely-knit network of allied banks for their financing. The banks see to it that no one firm takes advantage of a trading partner, and so the spirit of the Zaibatsu survives."

Consequently, the ratio of borrowed capital, especially from banks, is larger than that of owned capital. Therefore, the American financial analysis of the liability ratio cannot apply to Japanese companies. The reason the liability ratio of a Japanese firm is
higher than that of an American firm is that the tax laws of Japan treat interest paid on loans as an outright expense. It is more advantageous for a firm to borrow money than to increase its capital. Moreover, it was necessary for a firm to invest heavily in plants and equipments after the war. The average net worth ratio of Japan's principal in 1978 was 16.8 percent while those of the United States and West Germany in 1973 were 52.1 percent and 31.1 percent respectively.  

In addition, the capital gains tax rate is zero percent in Japan and 28 percent in the United States. That is, if we assume the rest of the tax rates are the same in both countries, 54 cents out of one dollar of profit can be retained under Japan's tax law whereas only 39 cents can be retained under the U.S. tax law.

The attitude of management of a Japanese company towards spending company funds is, therefore, different from American business philosophy. In the United States, the greater the liability ratio the less the control of a firm's operations by its owner. In Japan, however, the greater the liability ratio the more free a firm is from an owner's short-sighted ego. A Japanese company is generally operated by a group of managers through a banking system instead of by an owner who usually attempts to seek a tangible short-term profit rather than to invest in future operations. I personally feel this part of American financial theory makes the whole production system in the United States old-fashioned and less competitive in the world market. Managers have to show high profits in financial statements
for stockholders in order to receive a good appraisal. Because of this, American managers are reluctant to spend company funds for future investments which reduce current profits in the financial statement and would contribute to someone else's future profits.

On the other hand, in a Japanese company, bankers encourage a firm to borrow funds for future investments. Managers do not have to be so concerned about an owner's appraisal. Usually, the major stockholders are bankers or investing groups instead of individuals. This is one reason why there are so few very rich people in Japan. In fact, according to Yasuo Aoto's report, the vast majority of Japanese belong to the middle class. Moreover, most Japanese consider themselves as belonging to the middle class. For instance, in a survey, ninety percent of the salaried men in Japanese cities classified themselves as "middle class."27

In addition to the capital structure, Japanese accountants or bankers sometimes spend their time and money for what might appear to be "inefficient" efforts. For example, let's assume that a one yen (approximately $.23) discrepancy was found when a bank teller was closing the daily work. She and her supervisor would stay even until late in the evening to find the discrepancy. This might seem a waste of time and money; however, it is not so because the value of finding out the source of the error is not worth only one yen. Yet, a discrepancy of one yen is as important as that of one million yen in Japanese Management philosophy. This is one simple example of Japanese Management in financial matters.
LIFE STYLE OF A TYPICAL JAPANESE BUSINESSMAN

There are clear differences between Japan's climate, culture and management and those of America and the West. Now I would like to introduce one typical Japanese businessman in order to illustrate these differences more concretely. Let's call him Ichiro Takeda. He is in middle management in a large trading company in Tokyo. Ichiro is 35 years old and a graduate of Nihon University, the major and the largest private university in Tokyo. His family includes his wife, one son and one daughter.

Ichiro just came back from playing golf and it is almost midnight on Sunday. He plays golf with customers on the average of twice a month. The golf is not just play but is also an important tool for conducting business smoothly with his customers and subcontractors. His company pays some of the expenses but sometimes he must pay the miscellaneous costs himself. He is off duty, of course, because it is Sunday and the company does not pay him an extra salary. Playing golf is expensive in Japan and it costs more than $100 for one day's play including transportation. His children are already in bed and his wife is knitting and waiting up for him. She prepares a hot bath and a snack for him. While Ichiro is drinking a beer and eating his snack after the hot bath, his wife serves another beer. (In Japan, the consumption of alcohol is always combined with eating meals.) This short period is the only chance for Ichiro to talk to his wife. He did not come back home for dinner even once last week, so he has
not talked with his children for two weeks. The children, therefore, consult with their mother instead of their father about any important matters. A father or husband is only a money-making machine and a mother or wife is the decision-maker in the family and a "golf widow" or "business widow."

His company provides dormitories for single employees and houses for married employees. These facilities are near the company. But Ichiro needed a wider space for his family so he bought a house 40 miles away from central Tokyo last year. So it takes more than two hours by bus, train, and subway to get to his office. In the major metropolises of Japan, the main modes of commuter transportation are publicly and privately operated trains, buses, and subways. The use of private cars is relatively small because of traffic congestion and the difficulty of finding a parking space. Moreover, since population concentration in cities is great, commuter trains, buses, and subways are often terribly crowded.

Ichiro gets up at 6:00 the next morning in order to make office hours starting at 9 o'clock. His children usually get up at 7 o'clock, so he has not seen them for several days. He catches the 6:20 bus for the nearest train station, gets on the 7:00 a.m. train and arrives in downtown Tokyo at 8:20. Then he changes subway lines and finally arrives at the office at 8:50. A female clerk serves a cup of hot tea as soon as he arrives and he holds a five minute meeting on today's special topics and routine jobs with subordinates. In the morning, he has two meetings (Kaigi): one with the
manufacturing division and the other with the marketing division. In the afternoon, he goes to see governmental authorities to obtain some information on imports and exports. He comes back to the office in the late afternoon and checks all documents and memos. A female clerk serves him a cup of hot tea while he is reading the documents, then distributes and files his papers. After 5 o'clock, he finishes today's work and prepares work assignments for tomorrow. Usually male subordinates also remain in the office late to finish their paperwork. Ichiro then takes them to a pub and drinks with them. This is the most important time for him to communicate with his subordinates. Of course, he has communications with them in the office but they generally disclose their true intentions better outside the office. As discussed earlier, individuality and identity are not necessary in a firm; however, the after-5-o'clock hours make up for the disadvantages of relative anonymity in an office. These expenses are mostly from his pocket. Eventually he leaves Tokyo at 9:00 p.m. and arrives at home just before midnight. His wife prepares a hot bath, a cold beer, and a snack as usual.

In Japan, wives usually receive their husband's entire salary and redistribute the cash to individuals in the family. (Checkbooks are not common in Japan.) Ichiro, therefore, does not have to worry about miscellaneous home expenses. His wife takes care of them. She also informs him about the children and other family news while he is drinking his beer. His wife is the last to go to bed and the first who gets up in the family. This pattern repeats itself every day.
Recently, teachers at the school arranged a "fathers' day" to have children see fathers in the class. The lack of communication between a father and the rest of the family sometimes creates social problems; however, neighbors would consider him an unimportant person in a company or society if he regularly came home before dark. This social pressure helps to perpetuate the system.

The experiences of female workers differ from Ichiro's. Equality of the sexes before the law is guaranteed by the Constitution. In fact, the percentage of girls continuing from junior high school on to senior high school surpasses that of boys. However, a woman who wishes to function socially in the same way as a man is still severely handicapped. The vast majority of women work for several years after graduation, then get married. The turnover of female labor is high but a company can keep its average labor costs low by paying lower wages to new employees. Almost all of them stop working just before marriage or before the birth of their first child. Ichiro is expected to promote social contracts for his single employees, not only female but also male, so that they can get married as early as possible. Sometimes Ichiro's wife serves the function of match-maker by looking for a mate for each single employee in Ichiro's office.

Under existing social conditions and aside from occupational roles which only a woman can fulfill, for many women teaching in a school is one profession where they can fully exercise their capabilities and in fact 57 percent of all elementary school teachers are
female. However, there has been a gradual increase in the number of areas where a woman can function actively in Japan. Now more women are becoming judges, administrative and executive officers, school principals, and politicians, though their numbers are still very few.

Ichiro's wife in her daily life assumes responsibility for household affairs. Before World War II, it was rather common for families of the middle class and above to employ a maid to help with the household chores. Though it cannot be denied that the pay was low and the work hard, it was often considered as a means for girls from the countryside to learn manners and deportment before marriage. As the economy developed and the labor shortage increased, wages rose steeply, with the result that the ordinary household became unable to afford a maid. So now, a woman is hired only when illness of the housewife makes it absolutely imperative. Therefore, Ichiro's wife must do her own household chores.

Since Ichiro's wife has a washing machine, a vacuum cleaner, and an automatic rice cooker, her work is much lighter than that of women in the past. Nevertheless, raising her children remains a major responsibility. By the time the youngest child enters school, her duties as a housewife begin to decrease, she has more time for social activities and for pursuing her own pastimes and interests.

It is not a custom in Japan to invite business clients to one's home or to include family members in business-related social gatherings except for company-family parties. From olden times,
Japanese have had the custom of not bringing their business affairs into the home; also, except for family operated enterprises, it was considered a womanly virtue for the wife not to become involved in her husband's business. In the course of business, if a Japanese man feels the need to establish some rapport and friendship with his business client, he invites the client to an establishment that serves food and drinks, such as a restaurant.

A formal Japanese dinner needs so many dishes or plates that Ichiro's wife alone cannot serve it. Moreover, Ichiro will not help her in the kitchen and his wife does not expect his help either. Therefore, they would be very hesitant to invite an important business customer to a family dinner. Besides, in Japan, there are no babysitters to take care of the children on such occasions. Sometimes, however, Ichiro does invite his subordinates or superiors to his home; but usually for such occasions as a housewarming party upon the completion of a new house and informal meetings.

If we look back on Japanese history, there is hardly any record of an emperor or shogun visiting the home of his ministers or vassals. This again illustrates the fact that Japanese society is vertical. In fact, it was so unusual that on the very rare occasions when it did happen, it was recorded as a historic event.31

Ichiro or other Japanese managers, when invited to people's homes in the United States, would like to return the courtesy extended to them abroad when these American businessmen visit Japan. However, in comparison to Americans' homes, Ichiro's home in Japan would seem
shabby and cramped. As a result, he becomes painfully aware of the fact that it would not be possible for him to invite such people to his home.

Especially when inviting foreigners to their homes, Japanese feel overly concerned and uneasy because their wives generally cannot speak any foreign language, nor are they accustomed to socializing with foreigners and dealing with differences in customs and etiquette involved in social dinners. They can serve Americans in the Japanese style but the Japanese generally think it is most courteous to serve them according to their perception of the American style. Ichiro's wife would not sleep all night because of thinking how to make an American style breakfast if an American stayed.

It is not unusual for a husband to live temporarily apart from his wife for business reasons. When Ichiro went abroad for a short while on business last year, he went to the United States without his family. Even when he was sent abroad for a long period, his wife remained in Japan for the sake of the children's education.

If the children were to go to school abroad, their education would be handicapped by their deficiency in the foreign language, and upon their return to Japan it would be extremely difficult for them to catch up with their classmates. This has become an increasingly difficult problem. Not only when a man is sent abroad, but even when he is assigned to a post elsewhere in Japan, it is common for the husband to go alone to avoid disrupting the children's education.

In my case, our family moved from the northern part of Japan to
the southern part when I was in junior high school because of my father's business. However, when my father had to go back to the north, my mother remained with the children in the south because the children (my brother and myself) attended good schools there. My father moved to the north alone and I have seen him once a year at most since then. Thereafter, we never lived together again. I feel Japanese wives generally think children are more important than a husband and husbands also do not complain about this idea.

In Japan, a woman obeys her father and brothers when she is a child; she obeys her husband when she gets married; and she obeys her sons when she gets old. This behavior has been affected by the philosophy of Confucianism and we can still see these behaviors not only at home but also in an office, though people have become considerably Americanized or Westernized in recent years. Therefore, housewives have important roles in Japanese Management even though nobody has discussed the importance of women before. The reason girls quit their jobs and stay at home is to behave as a good wife should be for her husband and his company. In fact, a woman is still looked down upon in Japan; though ironically, women's efforts obviously are a major factor behind the success of Japanese Management.

An American businessman should note in Japanese Management that there are still a lot of invisible aspects of the Shogun era behind the thin veil of the industrialized society of high technology and high productivity. (The TV movie "Shogun" was a fairy tale; the
Shogun in the movie does not represent samurai behavior and is a Western conception of a Shogun. His behavior was modernized and Americanized.)

In summary, the Japanese Management (1) concept of "zero," (2) decision making process, (3) employment and labor relations, (4) human resource management, and (5) financial controls and capital structures (6) life style of a typical Japanese businessman have been discussed. All of these concepts in Japanese Management are primarily based on nothingness, selflessness and non-being, which are different from American business. Thus, outward appearances are just the tip of an iceberg and Japanese Management itself is based on more internal thought and, in fact, is "Theory Zero" (i.e., nothingness, selflessness and non-being).
IV. Implications for American Organizations

Under Japanese Management, the effective and favorable outcomes in business will occur when both a manager and his subordinates work on common ground. Neither the manager nor the subordinate can effectively achieve this objective alone.

Not all Japanese companies, therefore, enjoy effective management in their organizations. Table-1 (page 33) contrasts the types of unions which are more characteristic of Japanese Management and thus more likely to be successful in Japan (Type [II]) with those less likely to be successful (Type [I]). One of the most important antecedents of the success of Japanese Management is the type of people and their union which exists in the organization. The Type [II] union is most common in the major corporations and some small, successful companies in Japan. The Type [I] union is rare or nonexistent in these organizations. Japanese Management was born and has worked best in environments typically associated with the Theory Y people or the union organized by Theory Y people.

EFFECTIVENESS OF JAPANESE MANAGEMENT

Japanese Management is the assembly of the management philosophies existing in organizations not dominated by the Type [I] union or Theory X people, as in the A, B, C and some of D in Table-1. Organizations in the E and F categories may have attempted to adopt
Japanese Management; however, it does not work effectively since a manager and a subordinate are not on common ground. For example in the JNR (Japan National Railroad), the attitudes of managers and subordinates are incompatible with Japanese Management philosophy. In such an organization, Japanese Management does not work.

What is the "common ground" and how does Theory Zero work in the real business world? The common ground is the teamwork of a manager and his subordinates. If subordinates move in a different direction from a manager's, the total effect of the energy vectors is smaller than that of vectors moving to the same direction. (Figure-2)

\[
\begin{align*}
\text{Case I} & \quad (M) \quad (M+S) \\
(M) & \quad (\text{Manager's vector}) \\
(M+S) & \quad (\text{Total vector [I]}) \\
0 & \quad (\text{Subordinates' vector}) \\
\text{Case II} & \quad (M+S) \\
(M+S) & \quad (\text{Manager's vector}) \\
(S) & \quad (\text{Subordinates' vector}) \\
(M+S) & \quad (\text{Total vector [II]}) \\
\end{align*}
\]

Note: Vector [II] is greater than vector [I].

Figure-2 Effects of teamwork

The total effect of vector [Case II] will not only be greater than that of vector [Case I] but will also be accelerated by Theory Zero. For instance, the manager's Zero spirit (e.g., Sakura spirit) and his subordinates' will to succeed will be combined; accordingly, the successful manager will attempt to become physically zero and his
subordinates will support him in his efforts. The manager's goal is peak productivity from his team even in his absence. The main points in this stage are: (1) the manager must personally (without compensation) train subordinates so that the manager can become "zero" at any time; (2) subordinates respond to this movement with their will to succeed but without expectations of compensation for achievements. To be successful in this stage, both the manager and the subordinates must have understood the meaning of work and the value of nothingness. It is the most essential expression of gratitude for a subordinate to "rob" his boss of the position and to expand his own responsibilities.

Steers and Porter give four reasons for the meaning of work: (1) money, (2) social function, (3) status, and (4) the personal meaning for the individual. Of these reasons, the most important for adopting Japanese Management is the personal meaning that work has for the individual. Theory Zero, becoming physically zero, requires personal improvement through routine work. Therefore, the above ranking should be (4), (2), (3), and (1) in Japanese Management rather than (1), (2), (3), and (4).

In 1868, Meiji Restoration, Japanese society was changed from Horizontal structure (class society) to Vertical structure (non-class society). Thus, the structure of Japanese companies has been vertically organized. A disadvantage of vertical organization is the tendency of clan creation and the lack of communication among these clans. However, a strength of the vertical organizational movement
Vertical Organization
(bilateral)

<table>
<thead>
<tr>
<th>Manager</th>
<th>Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Subordinates</td>
<td>Subordinates</td>
</tr>
</tbody>
</table>

(VERTICAL free communication)

Horizontal Organization
(bureaucratic)

====================================
Manager ........ Manager
====================================
Subordinates ... Subordinates
====================================

(HORIZONTAL free communication)

Figure-3 Japanese Management and Western Organizational Structures

is bilateral communication between a manager and a subordinate, which is neither top-down nor bottom-up as in horizontal organizations. (Figure-3) For instance, if a person took over a new position and failed, the ex-manager who trained him would be responsible for a certain period even after the ex-manager left that position. Therefore, the vertical chain of people continues forever. The chain of people substitutes for the chain of command.

A Horizontal organization needs a chain of command either for a manager to place an order from the top to the bottom or for subordinates to respond to the order from the bottom to the top. Vertical organization, on the other hand, does not necessarily need a specific form of chain of command. Objectives and wills penetrate through routine work. Therefore, Japanese Management does not work properly in a bureaucratic environment.

The vitality of Japanese Management is a pulling up of subordinates by a manager and pushing up of a manager by subordinates. This movement accelerates job rotation in Japanese organizations.
OPPORTUNITIES AND IMPLICATIONS

Schein points out the strengths and weaknesses of U.S. society. One of the strengths is flexibility (ability to learn) and one of the weaknesses is impatience and a short-run orientation. This leads to fads, a preoccupation with instant solutions, a blind faith that if one put in enough effort and money anything is possible, and an inability or unwillingness to see the long-range consequences of

Table 2. Culture, tradition, and behavior

<table>
<thead>
<tr>
<th>United States</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Individualistic</td>
<td>1. Collective</td>
</tr>
<tr>
<td>2. Independent</td>
<td>2. Dependent</td>
</tr>
<tr>
<td>3. Authoritative decision making</td>
<td>3. Participative decision making</td>
</tr>
<tr>
<td>5. Style: Confrontation</td>
<td>5. Style: Compromise</td>
</tr>
<tr>
<td>6. Quick decision making but slow</td>
<td>6. Slow (due to consensus) decision making but quick implementation</td>
</tr>
<tr>
<td>7. Direct</td>
<td>7. Indirect</td>
</tr>
<tr>
<td>8. Short-term view</td>
<td>8. Long-term view</td>
</tr>
<tr>
<td>9. Communications are one way and</td>
<td>9. Communications are interactive and open</td>
</tr>
<tr>
<td>10. Efficiency oriented</td>
<td>10. Effectiveness oriented</td>
</tr>
<tr>
<td>11. Management is control oriented</td>
<td>11. Management is customer oriented</td>
</tr>
<tr>
<td>12. High job mobility and low loyalty</td>
<td>12. Life employment and high loyalty</td>
</tr>
<tr>
<td>13. Incompetence is fatal</td>
<td>13. Shame is fatal</td>
</tr>
<tr>
<td>15. Relaxed and casual in attitude</td>
<td>15. Tense and formal in attitude</td>
</tr>
<tr>
<td>16. Enjoyable</td>
<td>16. Serious</td>
</tr>
<tr>
<td>17. Specialist is valued</td>
<td>17. Generalist is valued</td>
</tr>
<tr>
<td>18. Freedom and equality</td>
<td>18. Reliance upon order and hierarchy</td>
</tr>
</tbody>
</table>

Source: Warren J. Keegan, Multinational Marketing Management
some of the quick fixes which one tries. Additionally, many Americans have grown up with a tradition of bureaucracy, of strong bosses, of hiring people as "hands" to provide certain activities in return for certain pay and benefits.  

For a better understanding of the differences in behavior of typical people in the United States and in Japan, Chikara Higashi of the World Bank describes and contrasts them. (Table-2) I do not think that all American managers and organizations and all Japanese managers and organizations can be dichotomized into either one category or the other as in Table-2; rather, they may show variations or combinations of the characteristics described. Therefore, if one finds a problem in his business, he may be able to find some insights from the table into traits compatible with successful adoption of Japanese Management. For example, if one has a communication problem with subordinates, his behavior may be bureaucratic and has only one way information flow.

Hatvany and Pucik introduce Cyert and March's observation: "An organization is unique when we fail to develop a theory which would make it nonunique." Accordingly, I believe that to adapt Japanese Management to non-Japanese culture, we need to understand the foundation, the hidden parts, of Japanese Management. Therefore, I will say that this is Theory Zero, the value of nothingness.

Hatvany and Pucik also point out the dominance of craft based unions in the United States (versus enterprise-based unions in Japan) as a constraint to adopting Japanese Management. In fact, I
personally feel unions are the largest constraint to business activities in the United States. However, Theory Zero clearly explains that the problem is not whether or not an organization is unionized but what type of people organize the union: Theory X or Theory Y.

Productivity of an organization depends upon the people who compose the organization. For instance, the British economy has declined because of the so-called British Disease. The British Disease was caused by McGregor's Theory X type people becoming dominant in English labor movements. Whether Britain can return to its former glory or not mainly depends on her people, not on techniques or technology.

The Nissan Corporation (the Datsun automobile manufacturer) was reluctant to build its factory in England despite Prime Minister Thatcher's visit to Japan to solicit an English site for a Nissan factory. It would be difficult for Nissan to hire enough Theory Y type labor in England to be able to meet its quality standards. Similarly, DAIEI (the largest supermarket chain in Japan based in the Osaka metropolitan area) did not expand to Tokyo until DAIEI hired Theory Y type employees enough for their operations in the more competitive Tokyo market.

Schein raises two serious questions: (1) whether U.S. economic organizations can claim moral involvement in American society (as some Japanese firms apparently do); (2) whether such levels of involvement are even desirable in American culture. Theory Zero
suggests cultural and business environments would not be changed nor improved unless each manager changes himself to improve himself. The starting point for improving something is always in the individual himself. Theory Zero seeks absolute improvement (vertical, within-oneself) but not relative superiority to others (horizontal, comparisons with others).

In summary, the three important keys to being successful with Japanese Management in any cultural environment are:

(1) Do not adopt Japanese Management as a short-run "technique," and avoid bureaucrat behavior and organizational structures.

(2) Promote the existence and development of Type [II] unions and workers. Help subordinates to improve themselves.

(3) Change oneself before trying to change the environment. Refrain from finding fault with others. Concentrate on self-improvement. As a result, the environment may change in a manner advantageous to the company.

Japanese Management may not become unique when a manager understands and practices the values of zero.

Everybody may contain within them both McGregor's Theory X and Theory Y characteristics. Neither has only X or Y. Japanese Management can work everywhere through Theory Zero in different cultures; it is more universal than unique. When a manager makes an effort to practice Theory Zero, he becomes more a Y type person and as a result the environment may become more favorable for him. Then, the outward appearances which are the results of Japanese Management
will occur. Without the process of Theory Zero, the favorable productivity outcomes of Japanese Management would not occur even in Japan.
V. Conclusion

Japanese Management discussed in this paper consists of two parts: (1) a foundation and (2) the house. The foundation illustrates the invisible aspects, which are the true basis of Japanese Management, such as culture, religion, customs, tradition, climate, and other aspects of the overall atmosphere in Japan. The house represents the visible aspects, the results of Japanese Management, such as the second largest GNP in the free world, high automobile production, quality cameras, new computer chip technology, quality electronic products, and high productivity.

People are attracted by this second aspect (the house) of Japanese Management and think that the success of the Japanese economy is due to high technology. High technology is only part of the answer behind Japan's success. Rather, Japanese Management focuses on the foundation instead of the house. It is impossible to build a good house (a good management) without a concrete foundation (spirit of humanity). Therefore, this paper emphasized the fundamental structure of Japanese Management, titled "Theory Zero" to distinguish from other descriptions of Japanese Management which focused on the house.

Japanese Management would not be unique and would work effectively even in non-Japanese culture through the process of Theory Zero. Theory Zero starts with one striving for nothingness and
improving himself. This complements the vertical integration of the work force and may be universal in any cultural background.

I anticipate, therefore, the more the Japanese are Americanized, and the more their living standards increase, the less effectively Japanese Management will work in Japan. Nothingness means materially zero but spiritually full. However, the more Japan becomes materially rich, the less people will realize the value of "zero."

In short, Japanese Management is inside the people.
Endnotes

   Area 378,000 Km² (146,000 square miles)
2. Haiku, also known as hokku, Japanese poetic form of 17 syllables
   arranged in three lines of 5,7, and 5 syllables each.
   (Encyclopaedia Britannica, 1974 – Vol.IV p.839)
3. Sodo - Haiku author in Edo period (1641 - 1716)
6. ibid.
    Guides to Japanese Culture. pp.80-81.
    pp.120-121.
15. Aoto, pp.304-305.
16. ibid., pp.296-297.

18. Aoto, pp.296-299.

19. ibid., pp.298-299.

20. ibid.


23. ibid., pp.122-123.


25. *Zaibatsu* are large capitalist enterprises of Japan before World War II, similar to cartels or trusts but usually organized around a single family. The four main zaibatsu were Mitsui, Mitsubishi, Sumitomo, and Yasuda. (Encyclopaedia Britannica, 1974 - Vol.X p.856)


28. ibid., pp.94-95.

29. Classnotes of "Tax Influence" in the class of FIN681 instructed by Dr. Clifford F. Thies in Winter Quarter, 1983.


31. ibid., pp.162-163.

32. ibid.

33. ibid., pp.164-165.


37. ibid., p.602.

38. Schein, p.611.
Bibliography


