

**THE BEHAVIOR OF THE JAPANESE SALARIED
WORKER IN THE MANAGEMENT SYSTEM:
INNOVATION, ADAPTATION, AND MANPOWER**

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1. Introduction

Many books on Japanese management written by American as well as European researchers have been published in Japan since the late 1970s. Books such as, *Japan as No.1* or *Japanese Management*, both translated into Japanese, analysed Japanese Management realities and the meaning of the heart of Japanese companies called "Shafu" (Company Atmosphere). On the Japanese side, scholars and executives have made extensive evaluations into the character of "Japanese Management" and have come to realize that both the Americans and Japanese sides of arguments on the management system are seen from either the bright side or dark side.

The highly reputed "Japanese Management" has developed from the success of Japanese companies which have adapted well to the economic recession and the depression which followed the Nixon Shock and the Oil shock in the 1970s. Japanese managers accomplished the streamlining of their companies and created a miracle in order to recover from the depressed situation of the time. It is often reported that some of the good results were possibly due to intervention by MITI and the National Industrial Management Policy.

The unique characteristics of Japanese Management have been recognized as follows by Japanese scholars and workers and known to be the secrets of the Japanese success.

1. Seniority system
2. Life-time employment system
3. Ringi system
4. High-educated workers
5. Business unity
6. Keiretu financing
7. Subcontractor system
8. Workers diligence
9. Creation of the organization man

Since the summer 1991 the environment surrounding Japanese management has changed drastically due to the disruption of the so-called "bubble economy". Management strategy has changed in order to cope with the surplus labor force and some companies are restructuring under a standard which hopes to attain the average age of the employees at 30 and for 70% of revenue going to the main stream of their activities. The most important management efforts are to adjust themselves as quickly as possible. Therefore, generally speaking, the most crucial issues for management are as follows:

1. Collecting and analyzing information
2. Communicating with each other
3. Systematizing the adjustment and execution behavior of personnel working on the line and as staff

It is true that the role of middle management will become much more important to properly manage information in companies, but the elimination of middle management is now under way to reduce the number of employees due to the current structural depression in Japan. Nowadays, Japanese salaried workers are in a hardship situation for the first time since the 1960s. The purpose of this paper is to analyze the drastically changing Japanese management systems viewed through the following areas:

1. Adjustment to technological innovation
2. Expansion of overseas production (global management)
3. Environmental conservation and management
4. Manpower management
5. Unstable political and management fundamentals

1.1 Adjustment to technological innovation

Technological innovations such as LSI, robotics biotechnology, artificial intelligence etc., are changing the management environment in to new forms. The adaption to these innovations into production, distribution, information management and so forth drastically changed the economic and management structures. Due to these changes, our society is becoming more software service oriented. When Japan completes construction of the ultra hyper high speed bullet train as well as the creation of an Information Networking Society in the 21st Century, the current structure between parent company and its affiliates will drastically change in order to adopt such a new transportation system and new information fundamentals. Some of the current integrated office staffs will be allocated into electronic cottage in the near future. Even if Japanese companies adopt to a service oriented society, they must adjust themselves to the gigantic waves of information system, globalization, and a bubble oriented profit seeking society.

Globalization of companies operations are under way with drastic revaluation of the Yen in a decade with a current account surplus. Even though Japan has attained to be

No.1 in the net foreign assets position since 1985, Japanese real welfare did not come automatically to most of the Japanese salaried workers. Recent Purchasing Power Parity (PPP) shows that current foreign rate are quite far away from the Japanese image of the country full of gold.

High land price, relatively higher effective corporate tax rate and high wages and salaries in terms of dollar accelerated Japanese companies' foreign direct investments. The automotive industry and electronic industry have shifted their operations from Japan to the USA, EC, NIES which caused de-industrialization in Japan due to slack demand in the domestic market. Japanese globalization movements now come to the stage of a strategic business tie-up. Drastic globalization of Japanese management is now under pressure from the following barriers;

1. Acquisition of manpower in foreign countries
2. Adjustment of Japanese management to foreign operations
3. Barriers to communications
4. Culture and custom barriers

Japanese middle management is working very hard to conquer these obstacles and at the same time traditional rules on personnel management are changing drastically to cope with foreign operation and depressed economy in these days.

2. The Current Characteristics and Subject of Japanese Companies

2.1 Group learning and team leader

Usually, Japanese companies favor learning and group action rather than individually motivated behavior. Some of the main characteristics of Japanese companies are based upon diligence and good human relations. Once he or she graduate from school or university, they are trained in OJT under the instruction of a team leader in or out of the company, such as joining a year-end drinking party and travelling by bus or train with the team from the company. Even in QC circle, section leaders teach younger generations how to write proposals and documents.

2.2 Conservation of natural environments

Japanese companies have been asked to preserve the natural environment which is considered as one of the social responsibilities for the companies. It is reported that environment auditing rules are to be considered by the government in a couple of years or so.

2.3 Foreign exchange risk management

How to adopt to new field of business is also important to Japanese companies. Recent drastic growth in foreign operation of the companies increased the foreign

exchange dealings, which sometimes cause windfall profits or unintentional losses. Therefore foreign-exchange risk management operation for the company is a most urgent and important subject to be solved. Human capital formation for this field is a necessity, but Japanese companies owe much to US and European bankers in this field during the present circumstances.

2.4 Employees' sudden death

A recent issue surrounding salaried workers is the fear of 'Msudden death' due to hard work. The Japanese government and companies are making efforts to reduce working hours with holidays and vacations. Unfortunately for the middle management, it is difficult to enjoy longer vacations compared to the younger generations due to the work ethic of hard work without vacations. They are apt to stick to hard working even though it is after 5 o'clock in the evening. They join various study groups, Sunday training schools such as computer programming and even Karaoke singing bar entertainment with their customers. Also, workers over 40 years of age depend their lives heavily on the companies they belong to. They are usually called "KAISHA NINGEN", i.e. personnel with company royalty.

2.5 Working ethics

Middle management often sacrifice their families by working from early in the morning untill midnight, even on Sunday leaving their golf widow at home. This situation made for hard times after they retire from their companies to which they had dedicated so much. They were unable to adjust to the situation of the ordinaly life of retirement. They sometimes lose their objectives of life without belonging to their companies. Sometimes divorce happens due to the rebellion from their wives who assume that they paid too much time and effort to their work. Now they need to find a new working style and sense of happiness managing both their job and personal family life in cordination.

2.6 Information systems and management

Recent management depends so much upon the information processing systems. But Japanese management depends so much on human communications. Some middle management have difficulties in adjusting themselves to highly sophisticated computer without the human atomospher. Gaps between middle management and younger generations on the method of information communication causes irritation to management personnel. Middle management sometimes invites younger personnel to "THE KARAOKE BAR" to communicate while drinking, singing and discussing business matters.

2.7 Cost saving and customer service

Due to economic slow down companies sales have reduced dramatically. In the boom situations they produced and marketed with much time and money associated with their

products. But now cost conscious operation of the management have changed marketing strategy to intensify their lines of products, reducing diversifications and stocks. Japanese companies are now accused of using time and money consuming chains of distribution. Japanese consumers are also asking to cut these extra expenses. Even if revaluation of the YEN reduces import price, slow price responses to the downward movement of price levels gave a sense of unfairness to consumers. Therefore, Japanese companies are also working hard to construct efficient marketing channels to compete with foreign companies.

2.8 Infrastructure problem

Unstable Japanese political situations came from political scandals to finance the election campaign. Japanese political leaders are not so much accustomed to global negotiations. The character of the Japanese self defence army became vague due to the collapse of the USSR. Now Japan has to stand by herself, but she relies heavily on a US military presence in this globally complicated political unstable situation. The Japanese government as well as Japanese people are not accustomed to discussing publicly the meaning of self defense and protection of Japanese national interests as seen in the case of GULF WAR and present PKO issues under the command of the United Nations. The lack of these political infrastructures as a whole and the Japanese inclination to hesitate to express personal opinions in public might be crucial deficiencies to Japanese management systems.

3. The Yesterday and Today of White Collar Workers in Japan

3.1 The Japanese understanding of companies

Since the Meiji era, the Japanese have considered companies as follows:

1. Enterprises, as organizations seeking profits, that devote themselves to rational management
2. Enterprises, on regarding their employees as members of a community, who conduct
3. Employees do not work simply to earn money, but rather to be satisfied in the community of their working place. Thus, they call the company they work for "our company"
4. Employees learn human relations and improve their skills and ability through their job

3.2 The Japanese View of the Company from the Historical Viewpoint

The background of the establishment of the seniority system and the life-long employment contract in Japan are like "NOREN" which is the symbol of a merchant's credit, the logic of inherited business, and one of the four social ranks of the Japanese feudal society in the EDO period.

1. Rising from an apprentice, through a salesclerk and from a chief clerk to a senior chief clerk was the system applied to master a skill in the EDO period, which corresponds to the present promotion from a freshman through an ordinary worker and then to a section chief and on to a managing director. The system leads to one where the personnel and labor management take care of employees throughout their working life.
2. Blood relationships served as the fundamental system for social rank in Japan, especially for the BUSHI, the Samurai warrior class which was the dominant class in the EDO period, who regarded blood relationships as very important. The social discipline of the BUSHI effected the philosophy of life in the other ranks also. Samurai warriors developed human relationships based on loyalty, whereas the townspeople laid stress on duty and human warmth. While the Samurai respected the family name, merchants emphasized the accumulation of money. Merchants also made thrift and frugality their principles in their family business and attached great importance to unselfishness and disinterest, from which the origin of their management ethics was created.

The ethics of protestantism, introduced after the MEIJI era, was integrated with the management ethics established in the EDO period and morals based on Buddhism and Confucianism were adopted to form a view on the work of management and employees in Japan.

3.3 Recent Aggravation of the Management Environment and the Measures taken by Enterprises

The result of stock-holder meetings in 1993 showed that 75% of the enterprises suffered from business stagnation. Enterprises promoted the withdrawal from unprofitable business areas, the reconsideration of R& D investment, and the streaming of management. Representative plans for employment adjustment adopted by these enterprise were as follows:

1. Discontinuation of recruiting seasonal workers and the partial suspension of the assembly line at the Tahara plant (Toyota Motor Corporation)
2. Closedown of the assembly line at the Zama plant (Nissan Motor Co., Ltd.)
3. 10% work force reduction in the administrative departments in two years (Marubeni Corporation)
4. Lay-off 3,000 employees (Toyobo Co., Ltd.)
5. Reduction of 15,000 employees by 1996 through voluntary retirement or job changes (NTT)
6. Work force reduction of more than 3,000 employees by Autumn, 1995 (Sanyo Electric Co., Ltd.)
7. Integration of 500 departments and sections into 350 (Minolta Camera Co., Ltd.)

8. Work force reduction of 3,000 by 1996. (Honda)

In the present slump after the collapse of the bubble economy, unlike the recession induced by the oil crisis in the 1970s, dismissals which management said were to be the final measure must be introduced. The conventional employment practice has been drastically changing through the transfer of employees and retirement recommendations to younger employees.

The situation for office workers has shifted. That is to say, while it used to be natural to work for the same company until retirement age, workers have recently been easily changing their jobs to earn more. There is also a trend toward shorter working hours, and extensive employment adjustment has resulted from the necessity of work force reduction, productivity improvement, and a shift from domestic production to overseas production due to the appreciation of the yen.

Since the number of middle-aged office workers recommended for retirement has been increasing rapidly. Office workers complain and implore "What have we devoted ourselves to our company for?"

I would like to make specific suggestions to cope with such circumstances as these from the following viewpoints:

1. How should we deal with them personally ?
2. How should we deal with them as an enterprise ?
3. How should we deal with them as a nation ?

4. The New Generation of Office Workers

4.1 From Company-oriented to Job-oriented

I would like to consider the factors which bind office workers to their companies, even when the life-long employment system in Japan after World War is collapsing. The first factor is the amount of money they can earn by working for the company. The second is the degree of self-satisfaction and the social evaluation obtained through the prestige of the company. The third is the degree of satisfaction achieved from their own job.

Recently, a strong tendency can be observed in that some managements have adopted a policy of employment adjustment in which employees who do not contribute greatly to the company's profit are fired. Under such circumstances, what protects the worker's job security ?

On the other hand, if office workers are always working at the risk of dismissal, it is quite natural that an increased number of them will lay stronger emphasis on loyalty to job (specialty) with which they can promote themselves to other companies than loyalty to one company. This leads a great change from company-oriented employees to job-oriented employees. That is, workers are going to be armed with specialties in order to proceed with future favorable negotiations with various companies.

4.2 Changes from Organization Members with Companies to Social-human Relationship-oriented People

People have been able to enjoy their whole life peacefully without any special anxiety thus far if everything has gone well in their companies. Family consciousness in company housing (where the border between an individual and a group is ambiguous) and the expanded application of ranking in a company to outside society have exercised great influence. Recently, however, the number of worker moving to new companies has increased. Therefore, it is necessary to have an individual identity accepted in society as follows:

The first is to increase appraisal as a person in society independent of the company to which he or she belongs. The second is to acquire specialties with which workers can promote themselves to other companies at any time and which are generally approved. That is, people must shine, not only in a particular company, but also over the whole of the business society. Thus, company-oriented people must be converted into society-oriented people, where they are required to be able to live in society independent of any particular company.

(1) What is the New Type of Company Image ?

The Roles of Management and Office Workers: Since companies must exist in a framework of laws in society, they have to dynamically keep up with new social environmental changes. Managers who have definite responsibility and power on the management of the companies they belong to are required. There must be management types who are sensitive to the trends in society and can change the direction of their management, and must be workers who carry out their jobs in various sections efficiently under such management.

Management specialists of the American type(CEO), who are specialists for a selective job and are excellent at conducting work, people who interact between organizations to promote efficiency, and people who can adapt companies to society are necessary.

Now, companies require members of society who trade on their expertise and who are independent of any company, and those who can make judgements from comprehensive viewpoints, rather than as company-oriented people.

(2) The New Type of Company-faithful Workers

At the same time, workers faithful to companies, those who want to be devoted to the tradition of companies are, of course, needed. Even these people, however, no longer devote themselves entirely to their companies.

Since companies have to keep up with the trends of the age to make profits, the fluidity of people in these companies is extremely important. Companies always need to maintain a strong staff to compete with other companies. Quick determination and behavior are essential, and at the same time, a fundamental doctrine based on global strategies is required. This is the meaning of company policy today.

Companies encourage independence from them as an individual and place great importance on physical training and mental counselling. Probably because they want to

be predominant over other companies in term of competitiveness through promoting the outflow of unnecessary workers and the inflow of excellent talent by appealing to the corporate image of putting great value on their workers. I think that the new type of company-faithful workers are those who can be independent of a company at any time, trade on their specialties, and be able to enter other organizations; that is, those who cannot ignore the appeal of companies that place a great value on their workers.

5. Conclusion

First of all, the business have become the game. The only game to play. Business men have become facinated with the foreign exchange game. It's a specurative money games. Manager and worker have lost their first dream to produce new goods. They have discovered it can bring quick returns without the need to invest in a productive enterprise. But we should not forget that a business enterprise's real assets are its members-the good will, their enthusiasm, and their creativity.

Have we entered the era of post industrial society? The most important foundation of the economy is used to be manufacturing. Is it still? And constant innovation should characterize a competitive industry. "Competitiveness" has recently become something of a political catchword. We must examine what it means. The US-JAPAN relationship has matured to a point where the two nations are mutually dependent. The US-JAPAN relation look like the two wheels of a cart. The Japanese recognize how to make good friendship conquering differences such as culture, language and customs.

Everything goes well only if believed by our friend. In coping with the progress of the information society and the internationalization age, a corporation would be obliged to strengthen and extend its organizational structure and management system, in order to effectively carry out its management strategy. In a bureaucratic organization and/or under a stiff management system, it is very difficult to realize self-actualization. Workers will not have the oppotunity to perform their creative tasks individually and without self-realization, their diligence will rapidly diminishing.

5.1 What is common sense to the Japanese is truly nonsense internationally ?

From the viewpoint of Japanese history and cultural background, deligence itself is taken as a national ethic. Deligence in the Japanese conception is similar to religious practice. Historically, Japanese have an ethic of hard work and thrift. Therefore, workers are motivated to work hard for their company without any efficient leadership and management.

But workers have changed, especially young worker. They have lost clear direction in the life time employment system. Management has a profound impact on the lives of employees at every age. In today's business society, people regard the company as important as their own personal lives. Promotion and a wage structure based on the seniority system are being rearranged and rationalized into a system based on meritocracy. However, one problem was arisen. Because both managers and workers are not always satisfied with this new meritcracy. Recently, as the organization has been

enlarged, management based upon "job descriptions," has revealed it difficulty in evaluating personal ability and achievement impartially.

Since 1969, when NIKKEIREN(Japanese Federation of Employers' Associations) adovocated the meritocracy principle, many enterprises changed over to this principle from their own seniority system. However the most important factor is communication between workers and managers. This communication, in fact, involves many difficult problems. There is a peculiar system of unity intentions in a company. The so-called "RINGI" SYSTEM is expedient in a acheiving consensus in spite of communication difficulties.

5.2 My Company Spirit

Workers are not always satisfied with their human relations at work. The latest trend is a high turnover rate of the newly employed. Not withstanding the fact that they are comparatively well paid. Gradually worker mobility is in creasing. Since we are now living in an affluence access to all kinds of information, we can easily find new employment. As a result, the motive for serving one company with loyalty and patience, having a long-term vision, has already disappeared. The quality of loyalty itself, both in individual loyalty and group loyalty, is also changing. The Japanese are a very realistic people. The so-called vertical society, where people work hard relying on protection of the company, is now rapidly disappearing. Kazuo Koike(labor economist) said : "the Japanese work hard not because they are loyal but because they are keen to improve their skills".

For example, Soichiro Honda, the former president of Honda Motor Co, as well as former vice-president Takeo Fujisawa did not conceal but rather exposed their weakness to their employees. Ordinarily in the case of Honda, employees are given jobs which seem far more difficult than their ability. But employees always responded to the leader's humanistic attitude. They have called their president SHOICHIRO HONDA "Oyaji"(same as Big boss in english). This is the begining point of behavior and in business. Many Japanese manager would like to behave like Soichiro Honda. He usually said, "Action without philosophy is a lethal weapon; philosophy without action is worthless."

Now Honda is engaged in business activities on a global scale.

Nobuhiko Kawamoto, the president of Honda Moter Co., said 'Mit is a philosophy which serves as the basis of our business endeavors now and in the future". Honda wants to remain a company on the leading edge and seeks challenges and takes risks.

Japan's economic success can't be attributed only through mysterious institutions of lifetime employment, seniority system,etc.

Important factors are follows:

1. The active role of the KACHO(section chief)
2. Quality improvement activities
3. Adoption of amoeba-type organization

We cannot forget that a business enterprise's real assets are its people with their goodwill, their enthusiasm, and their creativity.

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