

# Japanese Management After the Lost Decade

## Can We Learn from Japan Again? The Revival of J-Management

By Parissa HAGHIRIAN

### The Enigma of Japanese Management

The global business world of the 1980s was dominated by the enigma of Japanese management. Until the bubble burst, Japanese companies seemed to be unstoppable, expanding overseas by acquiring Western corporations. The interest in Japanese management increased, the Japanese style of management was not only exotic, and it was also portrayed as a superior approach to managing a firm the Western way. Famous concepts, like just-in-time or *kaizen*, were copied by corporations all over the world and books on Japanese management became bestsellers. Japanese management became a symbol of modern and successful management.

However, the mystic image of Japanese management changed during the recession of the 1990s. Japanese corporations had problems adapting to the economic challenges and were slow in the implementation of reforms and restructuring measures. They were expected to develop more shareholder value and become more like their Western counterparts, which seemed to be more successful after all. Western observers and news reports criticized Japanese corporations and managers for being too consensus- and harmony-oriented, and not being able to deal with crises or rapid changes. At the same time new investment opportunities in China and India overshadowed the resurrection of the Japanese economy and replaced Japan and Japanese management practices as a topic of business news and international management research. Japanese management was suddenly seen as outdated and innovation-averse and had lost its media appeal.

### Did Japanese Management Change during the Recession?

The reasons for the changed interest in Japanese management are manifold. First of all, the discussion of Japanese management practices has always focused only on a few topics. First and most influential was and is Japanese production management. Japan has always shown a great process orientation, which led to cost-effective production processes and almost zero product defects. Since the 1980s Western manufacturing companies have adopted Japanese production processes, and *kaizen* and just-in-time management processes are standard procedures in many countries today.

The second prominent topic is Japanese human resource management, especially lifetime employment and the seniority system,

which were first considered the main promoter of Japanese business success until the 1980s. Lifetime employment and the seniority system stayed the most prominent topic in the Western perspective on Japanese management, even during the 1990s, and were further portrayed as the main reason why Japanese corporations could not recover from the crisis. Other aspects of Japanese management were hardly discussed.

The often very dramatic changes that Japanese companies experienced and the new strategies that were developed to adapt to economic challenges were ignored. At the beginning of the 21st century the Western discussion on Japanese management seemed to have ended.

But Japan and Japanese management did change. In many cases these changes were not as radical or as spectacular as Western researchers and managers had expected. Western suggestions and business models were not completely ignored, but many of them are not applicable in a Japanese context. Japanese companies did not adopt Western management styles. Japan and Japanese management changed in their special way, in a Japanese way. Many Japanese firms went through hard times during the 1990s and the ones that survived had shaped up and developed new Japanese management practices.

### The Revival of J-Management – Can We Still Learn from the Japanese?

Today, we are in the middle of the global financial crisis, which leaves us with a lot of doubts about whether Western (capitalist) management styles are as future-oriented as we thought they were. Again the West is looking for new ideas. With all the economic issues and turnover in Western companies, many people are clamoring for different ideas on how successful enterprises are run. Fresh perspectives are requested and the question whether Japanese companies and management styles can again provide inspirations and alternative ideas is becoming relevant again.

Being a Western researcher of Japanese management who has worked in Japanese organizations for more than a decade, I observe an increasing interest from Western researchers and journalists in Japanese management practices. The economic crisis and the discussion of how management styles have led to it are leading to a search for new approaches in management. Western management models do not provide answers on how to provide security and wealth any more. Now

that Western management processes seem to have failed, Japanese approaches may provide answers on how to create a long-lasting business success. Japanese companies that experienced the “lost decade” have learned hard lessons and have developed management processes and ideas which can also inspire managers in other cultures.

The question how Japanese companies survived their crisis and managed to restructure themselves leads to revived attention to Japanese management practices. And yes, there is still a lot to be learned from Japanese management practices. In the following section, I will outline a few aspects I find worth investigating.

### What’s New in J-Management?

One aspect that I find particularly important when talking about Japanese management is the long-term perspective of Japanese corporations. Business in Japan is not about making one profitable deal, but is about building long and often lifelong relationships with business partners, customers and employees. Money is important but by far not the most important aspect of managing a Japanese firm. Japanese companies have stability in mind, stability not only for themselves but for all their stakeholders. This attitude was seen as one of the major problems during the Japanese recession, where Japanese companies tried to keep their employees and found it very difficult to cut unprofitable but traditional relationships with expensive suppliers or distributors.

However, today’s economic crisis has changed all this. The long-term and people-oriented attitudes of Japanese firms are not considered naive and unrealistic any longer. Japanese companies managed to shape up during the 1990s, without dramatic layoffs and social uproar – a task that many Western firms will face in the near future and where the Japanese experience can be of great value. In this area, Japanese corporations can be a role model for Western firms again.

But for many Japanese firms, restructuring is no longer a major concern. They have moved further. They are in good shape and their new focus is market-oriented. Westerners coming to Japan are always amazed by the high quality of service they observe and experience. Japanese employees are famous for being very diligent in their operational management processes; their enthusiastic attitude is visible wherever services are performed. Japanese companies are famous for providing the best service in the world.



Photo: Michael Tiffany

This provides a lot of learning opportunities for Western corporations. Foreign enterprises in Japan usually have to change their service processes, too, if they attempt to be successful in the Japanese market. Most non-Japanese corporations in Japan undergo a learning process and manage to improve their standards in the Japanese market. Japan becomes a benchmark for many multinational corporations in the

Japanese market. Most markets have moved from price competition to quality competition and Japanese service lessons often provide a base for improvements of multinational corporations.

And finally, I would like to mention another aspect of Japanese business, which has so far hardly been investigated: Japanese marketing. Japanese marketing is famous for outstanding customer orientation, innovative marketing approaches and high efficiency in new product development. The rapidity with which Japanese corporations reacted to a new breed of consumers, such as “the New Rich” and the “Baby-boomers,” is remarkable. New marketing approaches, such as social network marketing and mobile marketing, provide inspirations and present an outlook into the marketing future.

### J-Management : Still or Again a Role Model for the West?

Modern Japanese management offers a lot more new ideas and inspirations for Western managers again. Once they move away from the idea that Japanese management is only about lifetime employment or production processes, they will discover that Japanese corporations still have a lot of new ideas and solutions to offer. Many of those have been portrayed neither in Western media nor in scientific publications. Examples can be found in marketing, where customer orientation and services are leading. General ideas of Japanese corporations, such as the long-term and people-oriented perspective they still hold, may bring further insights to Western firms. In any event, modern Japanese management practices are again worth investigating and will present numerous inspirations for Western management practitioners and researchers. **JS**

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