

# Bookshelf

## The Japanese Firm in Transition

By Iwao Nakatani  
Published by Asian Productivity  
Organization  
1988, Tokyo  
102 pages; \$7.00 softbound  
(\$10 hardbound)

Until recently, foreigners who did not understand Japanese—outsiders who for reasons of their own chose to remain outsiders—may have been forgiven for thinking that Japan spoke with very few voices and all of them in English. Yet this is no longer true, for even illiterate outsiders now have access to a broad smattering of the many voices that enliven Japanese policy discussions and decision making. Aside from such “heavy” magazines as this *Journal* in economics and business and *Japan Echo* in social and political issues, even book publishers have gone beyond their karate, flower arrangement and artsy literature series to bring out a few serious books on Japanese thinking in the modern world. Much of the good work has been sustained by the academic press, but other publishers are now increasingly important in satisfying the growing global interest in contemporary Japanese business thinking.

There are, of course, many Japanese who are well-known commentators, and the list goes well beyond Okita and Morita. It includes such names as Nakamori, Takeuchi, Hasegawa, Ohmae and, more recently, Nakatani. The last, Iwao Nakatani, is professor of economics at Osaka University. He is also an astute, articulate observer able to identify significant patterns and to suggest their implications for the future. His first major work to be translated into English, *The Japanese Firm in Transition* is a welcome addition to the business library. Although the Japanese original was published about a year ago, events since then have reinforced rather than diminished the importance of what he says.

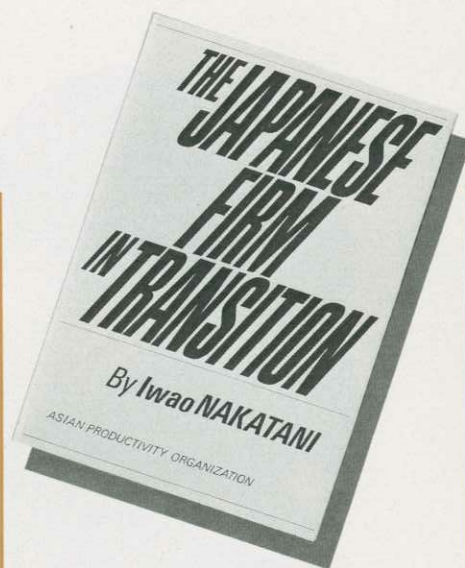
In this work, Nakatani defines the successful Japanese company as one that

fosters community. Promoted largely because of historical circumstances (e.g. the American Occupation's repudiation of capitalism), this emphasis on community in turn results in the lifelong employment and other features that are said to characterize Japanese management. Yet these traditional structures “will have to undergo radical change as they adapt to the emerging new realities.”

After explaining that the basic function of any organization is to reduce uncertainty—that organizations in other countries seek to mitigate market imperfections in different ways, but all are organized toward reducing uncertainty—he shows how this has developed into a high degree of internalization and corporate groupings in Japan. For example, hiring employees for life reduces the company's exposure to the vagaries of the labor market. And the close relations with banks and cross-holding of stock reduce exposure to capital markets. Likewise, the willingness of Japanese workers to accept lower wages in return for job security reduces the individual risk by spreading it across the entire labor force, and companies with strong ties to their banks pay for the security of group membership with higher debt ratios than non-group companies.

There are a number of pressures that are changing traditional Japanese management: the graying of the Japanese population, the information revolution and internationalization. Demographic trends are creating promotion gridlock. The information revolution is eliminating the need for middle-level information processors and paper pushers as work processes can be monitored and other data collated for transmission straight to the people who need it.

Internalization, stressed because it ensured continued access to capabilities, is becoming less and less important as the information revolution homogenizes technologies and technocrats. One of the very important results of the freer flow of information is to reduce the importance of internalized expertise. With the rapid changes, internalization and life-long employment may turn out to be disadvantages because of the need to first



deeducate employees and get them to unlearn obsolete technology and procedures before they can be taught the new technology and procedures they need. There is thus an increasing need to turn to outside, temporary help.

The industrial society is collective oriented, the information society individual oriented. As a consequence, there will be a major winnowing at Japanese companies. At the very moment when Japan has an abundance of middle-aged, middle-capable people, it does not need them. There is an increasing emphasis on the individual. Major corporations are openly hiring mid-career people, and headhunters prowl the executive suites. There is increasing emphasis on innovation and creativity, and creativity is, as Nakatani says, “the very antithesis of rank and harmony.”

At the same time, the successful companies are encouraging internal competition so that the bureaucracy does not stifle innovation. The organizational pyramid has given way to a loosely linked cluster of quasi-autonomous units. At Honda, for example, the team that developed the City was competing not with Nissan's March but with Honda's own Civic. Spin-offs and corporate networking are becoming increasingly important.

Looking at globalization, Nakatani suggests that Japanese companies have too often gone overseas willy-nilly without really thinking their strategies through. They have responded to short-term events without thinking the long-term ramifications through. With the yen's appreciation



and the emergence of lower-wage industrial powers, Japanese companies are clearly unable to rely on price competitiveness. Yet what is to take its place? Some companies may have made a conscious decision to shed their Japanese-ness, but for most others, he says, it has been a happenstance that may prove fatal. In support of this, he cites the fact that Coca-Cola is identifiable as American and Daimler-Benz German. Yet he ignores such other international successes as Nestlé (Switzerland). He is quite right to say that the global company is one that is able to manipulate resources worldwide to best advantage, but I feel he is on very shaky ground indeed when he claims that companies have to maintain their national identities.

Yet whether you agree with him or not on particulars, Japanese management is clearly undergoing major changes, and the Japanese business press is full of stories every day about the new international imperatives and how best to cope with them. This book by Nakatani is part of that debate—a welcome window on Japanese thinking—and the Asian Productivity Organization is to be commended for making it available to non-Japanese who will be profoundly affected by the Japanese response.

Frederick M. Uleman  
*Japan Research Inc.*

## Japanese-Style Management —An Insider's Analysis

By Keitaro Hasegawa  
Published by Kodansha International Ltd.  
1988, Tokyo  
162 pages; ¥3,200

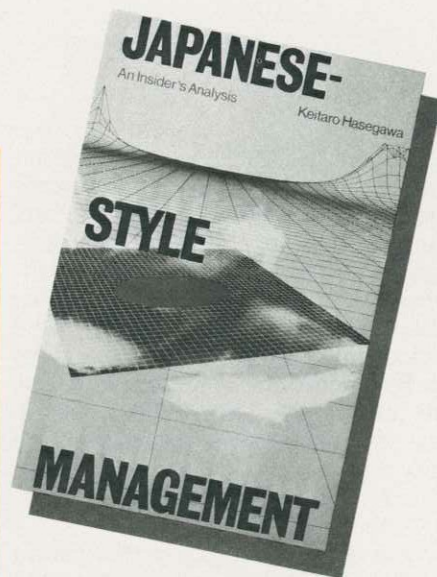
Keitaro Hasegawa has written on a timely subject. Any insight the Western manager can glean from a Japanese expert on management is invaluable, and Hasegawa is an expert. As a consultant with close ties to the Japan Federation of Employers' Associations and the Federation of Economic Organizations, he was for a number of years an independent security market analyst.

In the first five chapters, in particular, where the author deals directly with cultural, societal and historical influences of Japanese management methods, there are many rewarding insights.

Hasegawa is clearly a patriot and a strong believer in Japan, the Japanese people and the Japanese system. I am not sure, however, that "Japanese workers work harder than workers elsewhere in the world," as it is stated in the preface.

The author demonstrates that the Japanese worker is efficient, loyal to his company, and spends many "extracurricular" hours for the benefit of his company and fellow employees. The difference in disposable income between worker and management is said to be the narrowest in the world. This and other factors such as the lack of distinction between the white-collar worker and blue-collar worker, a result of post-World War II unionization phenomena, result in an egalitarianism in Japanese labor which produces superior results.

Managers are developed from within the company and typically are not brought in from outside. Therefore, theoretically, each worker has the opportunity to become a manager. Furthermore, the top executive of the corporation typically personally guarantees the corporation's loans, thus making plain to all his associates his total commitment to the welfare of the company.



Another factor is the subtle combination of seniority and merit systems which give the worker a sense of comfort and self-worth, and as each worker moves up the ladder, though leadership emerges with time, the small salary difference between the promoted and non-promoted worker minimizes resentment.

The author points out that the *ringi* system of decision making—again a reaffirmation of the egalitarian spirit—stems from the bureaucracy of the Tokugawa period (1615–1868). He defends this system as giving middle management the power to test its mettle. Though this may cause a delay in reaction time, as during the oil crisis when it took from October 1973 to March 1974 to reach a consensus, once the decision is made and put into effect, action is swift and thorough. Certainly, the world marveled at how successfully the Japanese nation recovered from that crisis.

Hasegawa, an authority on that oil crisis, is convinced that by passing through the white-hot fire of that challenge, Japanese management and labor developed the skills necessary to make consistently high quality products in a mass-production setting.

The book deals extensively with the strength of the young manager of a Japanese corporation. This man will have reached a plateau in the leadership trail. He will be highly motivated to perform and excel. He is a lifetime employee of his company, and is tied to it through privileges such as low-interest loans for his home. He is fully dedicated and commit-

