Bookshelf

The Rise of the Japanese Corporate System

By Koji Matsumoto
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Many books have attempted to explain the Japanese economic miracle to the West. Their main contribution has been to invent and popularize the notion of "Japanese management." In a similar way, "American management" was invented and popularized after the rise of the American economy, especially after World War II. The fact is that neither Japanese nor American management started or exist in a vacuum. Yet few of the analyses look at the overall environment which gave birth to the characteristic patterns of management.

This is what *The Rise of the Japanese Corporate System* sets out to do. Its thesis is that the uniqueness of the Japanese system lies not in its managerial style, but in the whole economic system which has been developed. Koji Matsumoto demonstrates that this new system ("kigyoism") differs fundamentally from traditional capitalism as well as from traditional socialism. Nor is the Japanese system some kind of combination or mixture of capitalism and socialism.

So what is kigyoism? The word itself roughly translates, I think, as "corporatism." Assigning to it the principal role for creating Japan's competitiveness, Matsumoto finds at the core of kigyoism the simple fact of a particular kind of managerial autonomy, made possible by independence from capitalist control on the one hand and by the integration of labor into management on the other.

So kigyoism changes radically the meaning of words like company, shareholder, director, management, organization, labor, worker and labor union. Labor, for example, manages itself, and it is therefore naturally keen on developing its capabilities—for example through the well-known emphasis on job-rotation—though it is the exotic phenomenon of job-rotation which seems to strike Westerners rather than the fundamental fact of labor self-management.

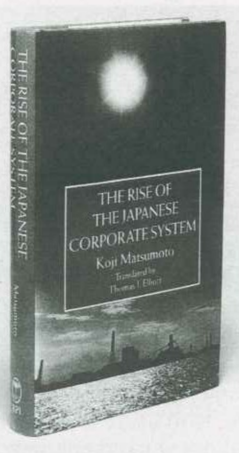
Once Matsumoto has made this observation, it becomes easy to see why Westerners take home the exotic phenomenon rather than the fundamental fact: accepting the reality of labor self-management would be much too threatening to vested interests and deeply rooted ways of doing things in the vast majority of Western companies.

Matsumoto's arguments are particularly persuasive because he does not confine himself to describing the Japanese system alone; rather, he contrasts it with American, Chinese, Yugoslav and other systems, and his comments are perceptive, penetrating and illuminating.

For example, he points out that company organization is regarded in the West as a structure incorporating a number of functions which are necessary to achieve management objectives. A collection of these functions constitutes a set of jobs: a systematic structure is created which is intended to link every job without any duplication or deficiency.

People are allocated to these jobs, though the people are more or less replaceable, and they are implicitly required to do their tasks in such a way as to preserve the schematic order of the organization as a whole, allowing it to move as precisely as a machine. This robot-like precision had enormous advantages in the past, but is now threatened—for example by the introduction of new technology, which can perform many of these tasks much faster and more accurately. No wonder the introduction of new technology is resisted by Western labor unions.

By contrast, Japanese corporations, with their less defined, more organic and initiative-centered approach to whatever needs doing, actually push for the introduction of the latest methods and techniques because the guarantee of lifetime employment means that they have no fear of losing their jobs. Again, this is too threatening a point to be accepted by Western observers of Japanese corporatism, and Westerners focus instead on the relatively superficial and marginal matter of company songs and exercises.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Translated by
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Drawing on Japanese and Western military history, labor history, entrepreneurial history and social history, the author anticipates and answers an enormous number of questions. However, there are questions which he does not tackle. For example, the engine for kigyoism has been the big corporations; they powered not only the whole economy but also the whole of society. Have the big corporations now reached more or less their maximum size? Will kigyoism continue to grow in influence or has it reached its apogee?

Further, will Japanese corporations be able to make the transition to genuine internationalism? The present system separates the way domestic operations are organized and the way that foreign operations are organized. Experience in other parts of the world shows that this works up to a certain point. But eventually all corporations reach the level where they have to start making foreigners senior executives and management board members. Then corporations face the challenge of managing cultural diversity at levels where understanding and working together is of the essence.

Japanese corporations seem to me to suffer from the illusion that their experience of managing individual differences within their corporations by means of equality, mobility and responsibility will enable them to manage global differences as well. However, people from other cultures have values that can be fundamentally different. It is also not clear to me that such Japanese personnel policies, which have enabled corporations to manage cultural differences in the relatively small recessions of the past 50 years, will be able to survive the current recession.

Again, will the Japanese economy not come under shareholder pressures similar to those experienced in Britain and the U.S. as the Japanese economy matures and becomes more enmeshed in the boom-bust pattern of international business? An increasing number of mergers and acquisitions, particularly of hostile takeovers, in countries with many structural similarities to Japan (Germany and the Netherlands, for example) ought to make those concerned for the future of Japanese corporations sit up and take note.

And what of the new generation of Japanese? Brought up on prosperity, they have not experienced the stresses of the war and the trauma of the postwar period. Unlike the older generation, therefore, the younger generation is driven by consumerism. They are prepared to work only within certain limits, only for as short a time as necessary, and only so as to affect as small a part of their private lives as possible. The drive and ambition are lacking, and the effect this will have on the economy will not be helped by the widely sponsored attempt to shorten the number of working days and weeks, nor by the drive to increase consumerism and pleasure-orientation in Japan.

There is a Western saying in relation to family fortunes: people often go from rags to riches and back again in three generations. This needs to be kept in mind by Japanese people in connection with their country's fortunes: no empire, economic or military, lasts forever.

Matsumoto does not, like Marx, imagine new realities which have not yet come into being. Like Adam Smith, he describes the realities which exist today. The English translation keeps his Japanese turns of phrase, sometimes unnecessarily, but these do help to give readers an insight into the way the Japanese language works. Always careful to define his terms, Matsumoto has produced a scholarly work which is highly readable. If people from the West wish to understand Japan, they will find that his is probably the most important single book which has been written on the subject so far.

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Outing

Nanki: Current Of Change

Japanese history, culture, even the character of the Japanese people, have been shaped in part by the environment and climate created by the two major ocean currents that flow along either side of the 2,000-kilometer north-south arc of the Japanese archipelago. The warm Kuroshio or Japan Current originating at some point between the Philippines and eastern Taiwan stays close to the underside of the Japanese islands before veering off northeast of Tokyo to flow to the northern Pacific. The cold Oyashio or Okhotsk Current flows southward from the Sea of Okhotsk and the Bering Sea splitting at the Kuril Islands into two streams, one going into the Sea of Japan and the other into the Pacific Ocean.

The two currents have blessed the waters around Japan with an abundance of fish. It is no wonder that seafood is such an important part of the Japanese diet. How important is clearly evident in the great variety of fishing terms, the many different names for the same kind of fish used to distinguish its age, size, the location where it was caught, season and the like, and the colorful vocabulary of words concerning the sea that is an integral part of the Japanese language. As in other cultures, there is little to no waste of this major food source. Just as caribou are for the Alaskan Eskimos, sheep for the nomadic peoples of the Asian continent, or pigs for the Germans, fish for the Japanese are an indispensable part of the national diet and are eaten from head to tail with very little waste. A large fish such as a salmon, for example, can be prepared in nearly 200 different ways.

Vivid legends

More than simply providers of food, the Kuroshio and Oyashio currents have brought to the Japanese islands the people and cultures from the rice-growing regions of the south and the nomadic populations of the north. Vivid legends of the arrival of foreign peoples are still recounted in those parts of Japan where the currents come in closest contact. The legend of Xu Fu told in Shingu, now a city on the southeastern coast of the Kii Peninsula, is one example. Legend has it that Xu Fu was ordered by an ancient Chinese emperor in the 3rd century B.C. to seek out the elixir of immortality. Xu Fu's travels eventually brought him to Shingu, where he stayed to teach the natives various farming, fishing, whaling, and even papermaking, techniques. The legend says that people with superior technologies came over from the Asian continent to settle in Japan.

Jutting out from the main Honshu island, Kii is the largest pensinula in Japan. A part of the Kuroshio current called the Kumano-nada flows along its southeastern coast. The Kumano-nada is an abundant source of yellowtail, tuna and bonito, but many a ship has gone down in its rough waters. The Kii Peninsula itself is almost equally treacherous, most of it heavily forested mountain terrain. In the southern half of the peninsula, known as Nanki, some 500-meter-high hills march down to the sea to form a rugged ria coastline. The Kuroshio current keeps the end of the peninsula relatively warm, annual temperatures averaging 15 degrees Celsius, and there is a lot of subtropical foliage.

For centuries, small coastal craft provided the only access to the towns and