

Managerial Career and Stakeholders

By Robert J. Ballon

In Japanese enterprises, stake-holders in their individual and collective capacities are determined by complementarity based on capability and reciprocity, which in turn is based on reputation. They contribute to and benefit from this relationship, that consequently has the twin dimension of time (continuity) and space (face-to-face relations). (In the previous issue of this journal, an overview of stake-holders and Japanese enterprise was presented.) Such a context determines managerial careers.

Besides status, there is not much, even in large firms, to distinguish managers from other full-time employees: Exercise of authority is more in the nature of the coordination rather than the supervision of activities. The classic managerial career pattern promotes information sharing and problem solving within and outside the organization, and constant reassessment of the ever-changing business environment. The organization, whatever its size, from conglomerate to sole proprietorship, is participatory and cohesive. Participation in the organization is rooted in the expectation that every member is individually constant in performing the functions expected from them and that they are collectively supported by the other members. This cohesion is the "all

working together" syndrome that allows the organization to grow in relation to the environment. The competencies required from the firm (and its employees) are not individual but organizational, and they are not solely the preserve of management except in the case where top management provides the firm's overall direction and middle management generates participation and cohesion between "thinkers" and "doers." Four patterns of managerial careers are prevalent: standard, modified standard, entrepreneurial and personal.

Standard pattern

As the labor market evolved in the postwar years, the standard managerial career in large companies remained largely a male concern, although more recently women employees have shown growing interest. In these large firms (financial, industrial and commercial institutions employing approximately 20% of the labor force) the career path for the core workforce, including scientists and technicians, does not necessarily mean excellence in a given profession, occupation or skill; as a result, an entire career as specialist, say, in marketing or research, is exceptional. Managerial careers are based on a track record embodying performance and

continuity. Age or years of service in the company is the apparent gauge. The pursuit of a career is intensely competitive and exacerbated by lock-step promotion among peers (see box).

At any point in time, the corporation may have up to 10% of its regular workforce seconded to partners or involved in outside collaborative efforts in trade associations, chambers of commerce, even governmental organizations (some for up to three years), when they are replaced so as not to interfere with internal job rotation. This process is termed *shukko*.

The standard career pattern is not an automatic one. Over the years, the manager's stake in his company is developed and evaluated under relentless rivalry with peers at great cost of time



Japan's track-record-based managerial career pattern has been modified with the slowing Japanese economy, but more practical reform is required to create better managers.

An example of a standard managerial career

In his twenties, the new employee, upon graduation from university, formally joins a certain large company; it recognizes the reputation of the school attended but pays scant attention to his academic major. Training starts at the basic level of operations. In corporate R&D he does some support work in the labs; in a manufacturing company he may be placed on the production line; in a bank he collects deposits door to door. Every two or three years he is moved between departments and sections under titles such as senior clerk or first-line supervisor (*shunin*). He may also be active in labor-union activities.

In his thirties, he is promoted to *kakari-cho* (sub-section chief) and a few years later to *ka-cho* (section chief) in recognition of his capacity to coordinate various tasks.

In his mid-forties, he is promoted to *bu-cho* (department head) at least twice, first in one department and then in another, with the second appointment being to a department that has greater prestige. Interaction with stake-holders is a growing responsibility.

In his fifties, he is given the title of *torishimari-yaku* (director): in addition to his operational responsibilities he now has access to top management. At the mandatory age limit, operational responsibilities are terminated and the company president may nominate him for appointment to the Executive Committee (*Jomukai*). As a top executive he is heavily involved in cultivating contacts with counterparts in related companies and business associations.

and energy (too great a social cost as it is almost unavoidably detrimental to family life). A fundamental evaluation criterion used throughout is the skill with which *nemawashi* is handled: how the manager involves subordinates, peers and superiors in the "human" complexity of instigating and coordinating initiatives to the satisfaction of those around him. To strike an effective balance of interests can usually not be accomplished without some loss of immediate efficiency.

This managerial career pattern, common in large firms, is still far from open to full-time women employees, notwithstanding the Equal Employment Opportunity Law (1985). The pattern carries, however, great weight in society because of the prestige enjoyed by larger corporations; it is also the pattern followed in the public sector (where about 5 million employees are active and higher officials expect a second career in the private sector). It implies a stigma in terms of job hopping and it is commonly acknowledged that once an employee changes jobs, the likelihood of his subsequent mobility greatly increases.

Modified standard pattern

The Standard Pattern worked admirably during the high-growth period when the better firms doubled in size every two or three years. From the mid-1970s on, it had to be modified as promotion opportunities were reduced when slower economic growth and thus new values, resulting from growing affluence, emerged. In the wake of the late-1980s bubble economy, restructuring (*risutora*) targeted white-collar employees and more directly, middle management. Many modifications have been cosmetic, but not all.

Already at the entry stage, the name of the school attended is purposely overlooked, supposedly shelving the school clique tradition.

Some titles are abolished and the managerial hierarchy flattened. A new (temporary) working title is coined: project or group leader (not manager). Some middle-aged regular employees are switched to a side track with a new

(and likely final) title of "specialist."

At some given age (usually 40 or 45), practicing managers have to undergo an internal examination for which merit and demerit points are given.

Outplacement to related firms is a common occurrence. Not infrequently, a substantial premium over and above the separation allowance is offered to managers who agree to early retirement (i.e. before the mandatory age of 60).

Many firms have introduced what they call Management By Objectives (MBO) whereby managers set for themselves annual targets that are then reviewed (again with demerit as implicit consideration). Ideally, in an as yet tentative development, "annual" salaries for managers would thus be determined.

However, all these measures and more are not enough. Intensified international competition and technological innovation strongly emphasize the need for more reform. Some critics are even advocating the wholesale demise of the standard pattern together with the lifetime dimension of employment in large firms. New approaches to managerial career development are sought with considerable uncertainty.

Entrepreneurial pattern

An entrepreneurial career pattern is, as one would expect, characteristic of sole proprietorships. (These account for 4 million out of the 6.5 Japanese million business establishments, where family workers are active and where a substantial portion, if not all, of the employees are hired on a part-time basis). In densely populated Japan, small businesses in general are locally oriented; business relations and practices are thus hardly distinguishable from the social norms prevailing in the community. Much resilience to business fluctuations results from support and promotion by local governments and lobbying by dedicated associations. Quite a number of workers who have honed their skills in a large or small enterprise, have thus been motivated and able to start a business on their own.

The postwar record confirms that

numerous small enterprises have grown to midsize, and eventually to large firms, due to the entrepreneurial drive of one or more individuals determining a niche market, and through skillful cooperation, if not also complementarity, starting and expanding operations through interdependence with other stake-holders. Many of the technological breakthroughs for which Japan is famous were thus made. "New" enterprises have been fostered by large companies as well, pursuing diversification by spinning off a particular line of products of an existing internal capacity. The initial staff is then transferred from the parent company. Thus in manufacturing, the expansion of subcontracting nurtured many entrepreneurial opportunities.

The entrepreneurial pattern is a collective pattern with the founder at its core: s/he often becomes a manager by necessity rather than by avocation. A primary concern of management will be that managerial promotions that follow, as the size of operations expands, may follow the standard pattern with subsequent loss of organizational flexibility. An alternative exists, especially in high-tech enterprises, whereby the founder surrounds her/himself with other professionals with explicit disregard of managerial routines, while outsourcing corporate functions as much as possible with other stake-holders, or calling on "manpower companies" (newly permitted by the Dispatched Workers Law of 1985) to provide the necessary skills under contract. This type of development is being closely watched throughout industry as it may assist in providing clues to a non—or less—traditional approach to managerial career.

The participation of women in the entrepreneurial career pattern is limited but significant in the small and midsize enterprise sector, especially in services, often in the context of a family business, for example when a widow succeeds her deceased husband.

Personal pattern

A professional career may require joining an organization (medical doctors in

hospitals, or lawyers and certified accountants in partnerships), when some professionals perform managerial functions but with little interest in a managerial career. More generally, however, business organizations at some stage of development need to acquire and integrate technical capacities not anymore available internally. The situation is bedeviled by the growing labor shortage in Japan. The number of entrants into the labor market actually decreased from the mid-1990s on, and as was seen in the 1980s, the demand for new skills (financial specialists, specific R&D personnel, scientists in "pure" science, etc.) far outran supply. As a result of this there is thus an urgent need for professional "specialists," which raises the delicate problem of accommodating their managerial promotion. Two instances are noteworthy: career women and mid-career hiring.

Career women

So-called career women are usually distinguished from "working women," as they are highly educated and professionally qualified (as a group, they could relieve much of the current shortage of technicians and scientists). Both categories suffer from discrimination, but for working women this is a problem in society at large, whereas for the career woman it is more directly personal. For the latter, in both the public and private sectors, discrimination relates to the opening up of managerial careers to women (a policy that under current circumstances would have to be decided—and implemented—by men). Progress has been made but it is lamentably slow. It is estimated that between 1981 and 1991, the share of women in managerial positions, from *kakari-cho* to *bu-cho* increased from 2.3% to 3.6%.

Following the 1985 Equal Opportunity law, many firms confirmed a two-track entry system: a clerical track excluding possible transfer to different locations, supposedly preferred by female applicants, and a managerial track (traditionally open to men) that could be explicitly (if not from the start), at some point in time, be selected by women employees. In reality, this

amounts to new terminology for old practices. On the other hand, with increased affluence in the market where women play the key role, many firms have acknowledged the need to specifically tailor goods and services to women consumers, and have entrusted the challenge of design, marketing and sales to female employees. The managerial responsibility is essentially that of a project team leader; promotion would barely reach middle management.

The creation of "manpower companies" by and for women is another avenue for career women. Industry is offered highly specialized services (interpretation and translation, research, public relations, etc.) whereby women pursue a career in an almost freelance manner. The opportunity of a professional career is there, and for some a managerial career in a narrow but congenial organizational context.

Mid-career hiring

Mid-career hiring (*chuto saiyo*) (namely the hiring of a full-time employee with extensive previous work experience) has since the 1960s come to signify an explicit weakening of the formal practice of "lifetime" employment. Admittedly, the practice is standard among smaller firms, but in larger firms it has been "the exception that confirms the rule" and is more frequent in non-manufacturing than in manufacturing. Initially, it arose in some expanding firm that was scouting the necessary technical skills from competitors, but it rarely applied to managers. It practically never occurred at the initiative of the candidate, the primary presumption being that they are temperamentally unstable, since they were not able to adjust, whatever their other qualifications, to their previous employer's network of human relations.

At any rate, mutual adjustment in the new working environment takes considerable time. The problem is often bitterly illustrated by the personnel (and labor) problems accompanying M&A. It takes years to satisfactorily "complete" a merger of two managerial sets, the usual method being attrition unless,

as is often the case, the merger amounts to a rescue operation. The same problem is at the root of public stigma attached to acquisition. It was much the same with the public announcement by major banks in the mid-1980s that they wanted to hire experienced professionals; by and large this attempt did not survive the economic bubble.

In the late 1970s, foreign firms in need of managers introduced the concept and practice of "head-hunting," and for quite some time hunting took place mostly in other foreign firms. Even today, recruiting agencies' major clients are foreign firms, but the hunt for candidates, English-speaking ones in particular, has spread to major domestic firms. When local companies face a dire managerial vacancy, they may turn to such outside help, although generally they prefer introduction by acquaintances who later can be turned to if a problem arises. For them, the practice of helping retirees to find a new job, commonly observed among stake-holders, is helpful.

To Western eyes, what Japan is missing are professional managers who assume that they can pursue a managerial career on their own, demonstrating capacities in one or another corporate environment. Also surprising is the lack of institutions comparable to graduate business schools in the West. But both observations imply oversight of the nature of Japanese enterprise. From its managers it requires more than management (supervision of efficient operations); it expects them to develop over time the potential of internal and external human resources. The stake-holder network provides not so much a test of management acumen but rather a dynamic opportunity for effective interdependence and learning. ■

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