

# Voyage to the Heart of "Japan, Inc."

By Francesco Bogliari

**S**ilently, in perfect formation, the rows of yellow arms perform their gentle rotation, bowing, dipping and twisting like dance partners in some courtly minuet. An unnerving, almost surreal spectacle, whose effect is only heightened by the total absence of human life and the absolute quiet that reigns throughout.

We are in the trials department at Fanuc, one of the world's leaders in industrial automation, composed of dozens of yellow buildings nestling deep in the green wooded slopes of Mount Fuji. Our elegant dancers are new robots fresh off the assembly line, taking their first steps for approval by quality control before going out on the market.

On the other side of Japan's most famous mountain, standing alone at its foot, is the Fuji Institute of Education and Training at Gotenba. It was set up 15 years ago by the textile magnate Soichiro Oya to help train a new generation of managers to keep abreast of the changing requirements of manufacturing technology. With its austere lines, bare and rational, the institute is a lay monastery for the clergy of the post-industrial age. The building serves to remind its hushed and intimidated novices that Japanese management has an ancient heart. Not a management of the hand, but of the mind, heir to the sophisticated spiritual architecture of Buddhism and Confucianism, it is nourished by a cultural soil laid down over centuries.

Dancing robots and a monastery for managers: two of the many images—and among the more symbolic ones—seen in the Land of the Rising Sun when I visited recently as one participant in the Japan Economic Foundation's sixth month-long Japan Study Program for International Executives.

The West cannot afford to pretend that Japan is not destined to play an increasingly decisive role in the economy of the industrialized world or hope to escape competition. Far from it. Dictated by the inexorable laws of the open market, the challenge launched by Japanese firms in terms of price and quality can only en-

courage still further growth, forcing industrialists around the world to improve their performances, which will mean better service for customers.

Provided protectionism fails to get the upper hand and the Japanese presence continues to grow abroad—either through direct investment or joint ventures—we are going to see more and more of that "Made in Japan" label that for some years now has been synonymous with quality. Japan's extremely high standards of service, both public and private, inspire those who, like this writer, hail from the Mediterranean, where the concept of service is not among society's most cherished values.

It is therefore important to try and discover the reasons for this success, to understand the workings of a system that, following the postwar reconstruction, has become one of the most significant phenomena of our times, a system whose engine room is the company and whose heart is a management style developed in the aftermath of the Hiroshima and Nagasaki atomic bombings.

Lifetime employment, corporate spirit, respect for hierarchy, just-in-time (*kanban*) management of production and inventories, centralized R&D, etc., are just some key factors in Japanese management which have become part and parcel—if only as slogans—of the Western executive's cultural baggage. But what are the genuine strong points of Japan's

management style? What are the secrets of success of a formula apparently so simple? How much of the Japanese model can be exported to the West without provoking a negative reaction of rejection and refusal?

## A contextualist culture

Even a superficial observer will notice straightaway that the culture of the group prevails over that of the individual in Japan. As Shunpei Kumon, professor at the University of Tokyo, explains, the Japanese sociocultural system can be defined as "contextualist" as opposed to the individualist framework characteristic in the West.

In Japan the sense of "belonging" is fundamental: belonging to society as a whole, to one's family or to the company; each one feels a part of the whole and competitive feelings are turned outwards, toward rival firms, for example. Since company loyalty is today the predominant value—stronger than that toward family or state—the citizen/worker feels a close bond with his firm. A manager would never contemplate—as is common in the West—leaving the company to set up his own business as an entrepreneur or consultant; by doing so he would only lose status and his choice would invariably meet with public disapprobation. "Joining a firm means acquiring a social identity," confirms Gregory Clark of Tokyo's Sophia University.



Participants in the Japan Study Program for International Executives touring the Mechanical Engineering Laboratory in Tsukuba Science City

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Walking around the different sections of a factory one immediately notices that respect for hierarchy in no way weakens the bonds of group solidarity. Instead it seems natural to the assembly line worker that his productivity is overseen by management. What a Western worker would see as control from above—and thus instinctively to be withstood—his Japanese counterpart sees as a normal and integral part of a system whose aims he shares.

Lifetime employment is an automatic consequence of this attitude. The 20-year-old who joins Sony, Matsushita or Toyota knows that, barring exceptional circumstances, he will stay there until he gets his pension. He also knows that by and large his career will be closely related to his level of seniority and that his final earnings will be no more than five or six times—in real terms—his starting salary.

A worker thus goes out of his way to make the firm his second—and perhaps first—home: He spends the best part of his day there, takes advantage of its recreational facilities in his free time, turns to it with all his personal problems (from marriage to buying a house) and participates fully in its social activities (day-trips, parties, prizes and more). And although changing employers is nowadays a more frequent occurrence than in the past, the percentage of such cases is still minimal compared with the U.S. or Europe.

If an employee feels—or is judged—unfit for his job, the company will do all in its power to find him a position more in keeping with his capabilities. During critical periods, rather than create redundancies, a firm will generally try a host of other solutions: freezing recruitment, early retirement, incentives for voluntary leavers, shift to seasonal employment, the introduction of robots at certain stages of the production cycle or the transfer of labor from one sector to another—a recent example being that of Nissan, which moved 600 employees from production to sales.

## Creativity through QC

It is in such a context that “quality circles” have developed, working groups in which representatives from each department meet to discuss among themselves and with higher management the smallest details of each product and each stage of the manufacturing process. These meetings usually end with the approval of proposed alterations to improve product performance or service. One of the earliest to introduce this formula was Komatsu, the engineering giant.

These techniques of group involvement and cooperation represent, according to the Japanese, the best method of stimulating creativity within the company and the results prove superior to those generated by the “individualistic” and competitive inventiveness typical of their Western counterparts. Only within a “family-company” can an idea be developed naturally and organically, they say, receiving contributions from all sections.

In recent years, Japanese managers and experts proudly claim, workers have progressed with increasing assurance from an “adaptive” to an “independent” form of creativeness. According to Shogo Sakakura, of the government Environment Agency, “Whereas in the past we have been known in particular for our skill at perfecting products invented by others, reducing costs and improving performance, in recent years we have unquestionably become creators too, inventing totally new products and processes.”

How much of this managerial approach can be exported to the West? Inventory management techniques using *kanban* methods have been adopted by many American and European companies. The same goes for quality circles, which in Italy alone now number around 2,000 and are on the increase. It remains a fact though that in very general terms the history of industrial relations in most Western nations precludes any “sense of belonging” on the part of employees toward the company.

Not even Professor Noritake Kobayashi, president of the Keio University Graduate School of Business Administration in Tokyo and an enthusiastic supporter of Japanese-style management, believes that Japanese management is exportable in its fullest form. Like any other social system, he believes, it is a product of the environment that surrounds it and is bound up with the deepest values of the society in which it is born and grows. “Transported elsewhere it is just a plant without roots. Certain elements may be exported, taking care however to adapt them to the new environment, never attempting to impose them from above.”

## Brewing changes

Yet even as it exports its traditional mores, Japan is changing. According to Professor Kobayashi, “A genuine revolution in Japanese lifestyle is called for: We must begin to spend more on private consumption and direct our industry to give greater emphasis to the home market.”

Increasingly, the Japanese must move toward the “new breed,” a creature that differs from the old in that, among other things, he does not keep or repair a two-year-old electrical appliance but buys a new one, technologically more advanced than the first. That, at least, is the view of Akira Harada, former executive vice president at giant Matsushita.

Japan, Inc. will grow and prosper on the new type of consumer and must concentrate its efforts toward a further improvement in popular living standards, especially as regards the housing situation (cramped and very expensive apartments poorly suited to city dwellers’ needs are the current norm).

As Minister for International Trade and Industry Hajime Tamura stated in his speech to the March session of the National Diet: “The most pressing problem we face today is the expansion of domestic demand.” Linked to this is the need to transform the structure of Japan’s industry “from a structure dependent on exports to one which is ‘internationally harmonious,’ creating a new international division of labor.”

But the really crucial factor that will influence all aspects of Japanese society and the economy in the coming years is the country’s degree of integration within the international system. The “*pax Americana*” introduced at the end of World War II based on economic/military power and the export of American socioeconomic values no longer holds, especially in the light of the United States’ enormous trade deficit and urgent pleas for protectionist measures. The Japanese are averse to treating economic ills with political cures, i.e., erecting customs barriers to save a national economy no longer able to defend itself with the weapon of competition.

Former MITI Director of the Overseas Public Affairs Office Tatsuo Masuda says the principle of free trade is the foundation stone of Japan’s whole economic philosophy, and Japan is “one of the few countries to actively promote imports through its trade agencies around the world.” Japan wants to increase its total value of imports/exports, intensify its overseas investments, become increasingly active in international relations and—as former MITI Vice Minister Naohiro Amaya vigorously emphasizes—feature more prominently in the thinking of the other big industrial nations. This is a perfectly legitimate set of aspirations on the part of a country that intends—as it must—to play an ever greater role in a world economy to whose growth it can undoubtedly contribute decisively. ●