

Particularities of Japanese Management

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Abstract

This article discusses the Japanese Model of Management from a comparative and critical perspective, based on a literature review. The author addresses this topic due to its importance for modern-day management practice in general. It is clear, based on the reading, that Japanese management is a prime example of an efficient management system, and it continues to be recognized worldwide as an efficient model; interest in how it works, and can be applied to other countries, is increasing.

The aim of this article, therefore, is to demonstrate the efficiency of the Japanese model and make recommendations concerning the application of some of the most useful “ingredients” of the Japanese “recipe” in other countries. A wide array of literature, such as articles, research studies and reports about Japanese management, has been analyzed. Based on this analysis, some recommendations are made to business managers.

This analysis has also determined that the modern economy and its globalization have influenced traditional Japanese management practices, and the transformation they are producing is still being observed. However certain core elements of traditional Japanese practice (such as lifetime employment) prevail in spite of such changes. The content of this article is useful for business people wishing to apply successful Japanese practice, those conducting their own research into Japanese management or the general reader who seeks to know more about Japanese management and its cultural aspects.

Keywords: Enterprise unionism, Groupism, Lifetime employment, Ringi, Seniority

JEL: M10, M12

Introduction

Background to Japanese management

The Japanese model of management is of significant interest to a wide array of stakeholders. Japan, a country with a rich and distinct culture and tradition, has faced many difficulties in its economic development. It was on the edge of total collapse after the World War II, but was able to revive its economy and become a world economic leader. One of the main contributors to this success is its distinct management model, which is mainly human resource oriented and includes close relations between management and labor.

It is interesting to note that Japanese management greatly differs from American and European management, despite the Japanese importing much of their method from America in the immediate post war period. A synergy was developed which reflected Japan's native culture, national values, traditions and psychology, and consequently created a method of management suited to the Japanese mentality and cultural norms.

In short, the Japanese model of management is based on the philosophy that “we are one family”. Having established this team spirit, management exerts influence on the individuals making up the team through primarily psychological means. One of the most important tasks of Japanese managers is to build harmonious relationships between

employers and workers, to form a collective understanding and mindset in which workers and managers think and act as one family. Companies which take this Japanese approach are often the most successful.

Studying the experience of Japanese management is important because they can be applied effectively in any enterprise. Only by effective management can help business overcome critical situations. The Japanese experience is attractive to outside observers because until recently Japan has maintained a low unemployment rate, worldwide competitiveness and a high standard of living. Japan continues to rank among the most successful countries in terms of GDP and manufacturing production rates; it is considered one of the world's economic superpowers (“Japan”, 2012).

1. Evolution of Japanese Management

Firkola (2006) explains that there are two theories on the origin of Japanese management. One states that history and culture were of little importance, and that the major components of the Japanese model only developed during the years following World War II. The second states that the history and culture of the country were important drivers. The second theory is more generally accepted by observers, as management in Japan is definitely reflective of the coun-

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try's culture, history and national character. It is stated that the two basic premises of the first theory, that history and culture have little importance and that most Japanese management practice developed after World War II, contradict each other because the war was itself a historical event, and therefore history has influenced the Japanese management model. We can say however that contemporary methods of Japanese management were indeed formed after World War II, when Japan need to restore its economy, rather than having a deeper historical root.

The Japanese studied American management systems because these were the models presented to them and began to apply these to their own circumstances to achieve their objectives. The so-called Japanese model of management is an adaptation of American models to a different culture. Naturally other elements are also involved, as Japanese business practices are most certainly influenced by Buddhism and Shinto, Taoism and Confucianism, Zen-Buddhism and Amidaism as well. The assumption of seniority in the workplace, collective decision-making, and lifelong employment are practices which could be said to reflect the religious roots and outlook of the local managers who run the Japanese economy.

The Nature of the Japanese Management Model

The Japanese model of management focuses on managing groups of people rather than individuals. "The flourishing of the state is in its people, and the breakdown of the state is also in its people", states ancient wisdom. Thus in Japan human resources are considered the most valuable property. The goal of a Japanese manager is to increase the efficiency of job performance through achieving greater labor productivity. Therefore to achieve the maximum efficiency of their workers Japanese organizations employ culture, traditions and customs inherent in those workers. They are considered valuable members of the company, and are employed not only to perform their professional obligations and responsibilities but to develop more talents and capabilities which will contribute to the success of the organization. A Japanese worker not only does their own immediate job but controls the quality of production, monitors the condition of equipment, assures safety standards, maintains cleanliness, order and discipline in the workplace, etcetera.

In following the philosophy of the workplace being one extended family it is essential to make workers understand that they are all equally members of the same organization, and it is therefore important for them to establish harmonious, friendly relations with all other members. According to Pronnikov & Ladanov (1985), there is no other country in the world which values collectivism, belonging to a group, as highly as Japan, whose workers identify themselves as members of a group, not as indi-

viduals. 'Groupism' is as important to the Japanese as family is. Thus, the Japanese transfer traditional family values to group settings as well. Qualities such as mutual trust, mutual support and harmony are valued within a group; personal conflicts must be reduced to the minimum. Japanese workers are devoted to the organization for which they work and identify themselves with this organization. This creates strong morale and engenders high efficiency.

Japanese workers will stay and do overtime without payment if necessary, as they see work as their duty, they respect work; work itself is a moral value for the Japanese. Each worker gains satisfaction from doing effective work. Workers do not feel that an organization exploits them; they know that everything they do is for the general benefit of the organization, and the success of the organization is their success as well. Decisions are also made by the whole group under what is called the Ringi system.

In the Ringi system no one has the right to make an individual decision; on the contrary, decisions are made by each group member on the principle of consensus. A decision is not made if unanimity is not reached. Correspondingly, the whole group is responsible for the failure or success of each particular decision. Everybody also therefore needs to be very diplomatic when expressing an opinion.

2. Peculiarities of Japanese Management

Lifetime employment

Lifetime employment is a management practice now unique to Japan. According to Amelchenko (2011), 35% of Japanese employees enjoy guaranteed lifetime employment. Japanese firms, mainly large firms, recruit these employees, mainly men, from elite universities. After recruiting, the employee will receive training in each department of an organization, in every office, designed to familiarize them with the organization and its work, to know each operation, to learn the organizational culture and the way to behave within the organization.

Through continual training a Japanese worker improves his abilities and skills and becomes a universal worker, able to fulfill different functions. Lifetime employment guarantees employees stability of position, career development, increases in salary and protection from layoff. Employees have a guaranteed future; they know they will receive a pension after retirement. Thus lifetime employment is beneficial for both an organization and its employees: the organization gets low cost young specialists directly from university, turnover of staff decreases, the organization keeps its talent (the employee does not leave the organization because if he leaves he loses seniority) and the identification of the devoted employee to the organization strengthens the more time they spend in the organization; thus corporate spirit is strengthened, and the management does not need to pay extra money for retrain-

ing replacements. Employees feel satisfied that they have found their place “under the sun”, which their education and abilities are valued and have found an application, and consequently they are ready to work hard for their organization.

But there is another side to this coin. When an employee is accepted by an organization he must work hard to have a successful long-term career. As already stated, Japanese employees feel much devotion to their organization, and are prepared to work unpaid overtime for it. As a result of the overtime working which is a norm for Japanese society many workers “have shown symptoms of chronic fatigue; some have worked themselves to death” (Sugimoto, 2010). This is the high social cost an organization asks its employees to pay in return for lifetime employment. Another disadvantage is that if an organization experiences a downturn, it cannot fire average age employees whose salary is comparably high.

Seniority based promotion and wage system

The criterion for promotion and wage increases is seniority. Senior employees receive higher salaries than more recent ones. Seniority is a Japanese phenomenon which takes its origin from Japanese traditions, in particular from Confucianism, which emphasizes social hierarchy, respect for elders. Japanese are sure that an individual gains experience, becomes wiser and develops his way of thinking and knowledge through the years. Thus, senior employees should receive higher salaries than younger ones.

The advantage of the seniority system is “that it allows older employees to achieve a higher salary level before retirement and that it usually brings more experience to the executive ranks” (The Free Encyclopedia Wikipedia). Thus, the seniority system guarantees employees job promotion. The longer the employee works for the organization, the greater is his experience, the greater is his position due to his accumulated wisdom and, hence, the higher is his salary. Increases in salary do, in turn, decrease staff turnover. Employees earn more respect, they do not worry about being laid off, and thus their connection and identification with the organization becomes greater, increasing in turn the productivity and profit of the organization.

“The disadvantage of the system is that it does not allow new talent to be merged with experience and those with specialized skills cannot be promoted to the already crowded executive ranks. It also does not guarantee or even attempt to bring the “right person for the right job” (The Free Encyclopedia Wikipedia). Thus, high employee performance is not immediately rewarded. You have to work some period of time in order to gain career and salary promotion.

Enterprise Unionism

An enterprise union is a union of workers within a single organization. The union consists of almost all its full-time employees, including both white-collar and blue-collar. Joining the union is obligatory for full-time employees. Part-time employees, middle and top managers are not part of the union (Dolan & Worden, 1994).

The enterprise union is the intermediary between an organization and its employees. Union and management meet to discuss matters of interest, the rights of employees and the business strategies of the organization and to conduct the annual “spring wages offensive” – discussing employee salary increases for the coming year. Unions build a constructive relationship with the management of the organization because they care about its development, profitability and growth, and enterprise unions realize that the flourishing of the organization increases employees’ well-being. Unions realize that employees can increase their well-being only through increasing productivity. Thus every issue is resolved through harmony and cooperation (The Free Encyclopedia Wikipedia).

Quality Management System

Nowadays quality of production plays an important role in the economic success of a country and the competitiveness of an organization. Quality management occupies a central place in Japanese management methodology. Quality is one of the most important necessities for an organization as its most important element is the customer, and the organization has to satisfy the customer’s needs by producing high quality goods and services. Quality management is achieved by establishing quality control circles (about 6-12 employees) within an organization on a voluntary basis and producing high quality, faultless production. Quality control circles are very popular in Japan. The quality circles include anyone from President of the organization to ordinary workers. Meetings are held once a week, generally after work, and last about an hour. Employees express their ideas about quality of production, how to improve technological processes and decrease expenses, the education of employees, the effective use of resources and other issues. Each worker takes responsibility for quality control. Quality control covers every stage of production; it is not enough to merely find the defects in a product, the reasons for these must be identified. The quality circle’s activities improve the morale of employees as well, as they promote relations based on mutual respect. The quality circle’s activities increase and guarantee the quality of production and promote Japanese production to the foreign market (Pshennikov, 2000; Quality circles in Japanese Enterprises; Quality Circles, 2007).

3. Japanese Management Today – Summary

Time passes, economic environments change and organizations have to adapt their management practices to new environments. A more mature economy, economic recession, an aging society and the process of globalization have forced organizations to introduce a few changes into some aspects of traditional Japanese management.

According to Keizer, Umemura, Delbridge & Morgan (2012), lifetime employment is still prevalent. The number of full-time employees has also remained almost the same or fallen only slightly. "In Japan the ratio of non-regular employees has increased, according to the annual Labor Force Survey statistics compiled by the government. The percentage of non-regular staff among all employees was 29.4% in 2002 but 34.4 % in 2010, an increase of 5 percentage points in about eight years. The 2011 percentage was unclear, as the survey was not conducted in the three prefectures most severely damaged by the Great East Japanese Earthquake, but was 35.1 % for January-March 2012, when the survey was resumed in these three prefectures. These figures imply that non-regular employees already account for a high percentage of the Japanese labor market" (Sano, 2012). The seniority-based wage system prevails despite the introduction of a performance-based system which has introduced changes in employees' evaluation. There are a lot of debates about this system as it can be used as a tool to reduce labour costs when it is difficult to lay off employees but requires the introduction of its own instruments for assessing performance. Thus there are some difficulties in its application. According to the General Survey on Working Conditions (2010), 45.1% of organizations have introduced a performance-based system but only 23% of those organizations have confirmed that their performance assessments are good, the remaining ones reporting that they encounter difficulties in assessing employees as employees are dissatisfied with the organizational evaluation of their performance and do not accept the process. As a result, the employee's productivity falls (Labor Situation in Japan and Its Analysis: General Overview, 2011/2012).

Today relations between the enterprise union and management of organizations are good but interest in union activities among the members of enterprise unions is decreasing, leading to a reduction in union activities. "According to the "Survey of Labor Unions" issued by the Ministry of Health, Labor and Welfare, as of June 30, 2010, there were 55,910 unit labor unions in Japan. The estimated unionization rate is 18.5%, with about 10.054 million out of a total of around 54.47 million employed workers belonging to unions". The decrease in the unionization rate is due to the growing service sector and increase in the number of part-time workers (labor Situation in Japan and Its Analysis: General Overview, 2011/2012).

Lesson from Japan

Japan's is the third largest national economy in the world in terms of nominal GDP and purchasing power parity. Japanese management methods are widely used in Western countries due to their beneficial concepts but the national mentality of the country which developed them must be taken into consideration as well. Georgia cannot just copy the methods of Japan without taking into account its different mentality. We cannot be assured of their successful adaptation to the Georgian environment.

The economic situation of Georgia and other factors must also be taken into account. Georgia is situated between Europe and Asia and is influenced by both continents. For instance, from Asia we have adopted the idea of collectivism and from the West the idea of individualism. Thus, it may be beneficial for Georgia to apply the concept of a golden mean and apply both individualism and collectivism at different times by taking into account the situations of different individuals.

Some people are more productive if they work individually. In such situations, where individual achievements, qualities and abilities and the individual's contribution to the organization play an important role, performance-based wage systems and merit-based promotions would be appropriate. Others have a more collectivist psychology and are more efficient if they work in a team, and this is a very important quality as well. Thus, which methods of evaluation are used should depend on the nature of the individual employees.

Lifetime employment probably could not be successful in small Georgian companies because they are not stable, but it could be introduced within a big organization due to the benefits it brings. A seniority-based wage system probably cannot be introduced because we do not give seniority the same ethical importance the Japanese do.

Enterprise unionism could be beneficial however, as under this system every worker understand the goals of the organization, realizes that the success of the organization is his or her success and that his well-being depends on that of the organization, thus workers' interests should not prevail over the interest of the organization. The organization, in its turn, cares for its employees by satisfying their needs and wants, which are discussed during the meetings between members of the organization and management.

Georgians should learn from the Japanese aspiration to discipline, hard work, solidarity and desire for continuous training which improves their skills and therefore increases the efficiency of their production. The Japanese quality control system deserves our attention as well. We should adopt in the practice of producing quality products and it is therefore a good idea to establish quality circles within an organization, as they are fully justified by the experience of Japanese organizations, where their success is obvious.

Conclusion

Japan is a small country with limited resources. But thanks to its special management practices Japanese production is well-known for its quality. The Japanese model is of general interest because thanks to it Japan has achieved huge breakthroughs in a short time. Therefore the Japanese model of management has a lot of foreign supporters and is used in different countries. I draw the following conclusions based on my research:

1) The Japanese work better in a group than individually.

2) Japanese management makes an individual apply their abilities effectively and develop their creativity, skill and capability.

3) Japan is a collective-oriented society, in which decisions are made by a whole group through consensus.

4) People are considered the main resource in Japan.

5) Japanese religion contains ideas which induce workers to believe they are contributing to the national interest and general prosperity.

6) Japanese workers work hard.

7) The Japanese emphasise the identification of individuals with an organisation, and this solid collective provides minimal staff turnover.

8) The Japanese have a high sense of discipline, which is one of key factors of their success.

9) The Japanese value quality and quality control circles are very popular in Japan.

10) Lifetime employment is traditional for big Japanese organizations.

11) Authority is given on the basis of experience and the time an employee has spent working for the organization.

12) Enterprise union activity is declining.

Definitely, Japanese management has its national color. However it can be applied in other societies, as it contains valuable elements proven by experience. Through the application of the Japanese model the quality of goods and services should increase, thereby increasing demand and profit. The atmosphere within an organization should also become harmonious, friendly and positive, which in its turn will have a positive influence on the process of production as a whole.

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