JAPANESE WORK ETHICS

by

Dr Christopher T Selvarajah and
Dr Stanley Petzall

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Japanese management is currently a prime topic in management circles. Australia and other industrialised nations have been amazed at the rapid pace of development in the Far-East. This development has now spread to other culturally similar economies in East Asia, to the embarrassment of the developed world. Countries in the developed world had taken it for granted that their superior knowledge in technology and management skills would provide them with the means of continuing world economic dominance. This, we now know, is no longer true. The basis of economic growth and development may have more to do with attitudes to work, than merely possession of advanced technology or even management skills.

In this paper we will examine the cultural factors lying behind the Japanese style of management and identify the main features of Japanese work ethics. Some attempt is also made to evaluate the strengths and weaknesses of the Japanese management style. We also critically evaluate Ouchi’s celebrated Theory Z. Finally we will look at the lessons of Japanese work ethics for Australia and other developed Western nations.
INTRODUCTION

The labour force at Wedgwoods main pottery factory at Stoke-on-Trent in Britain were in trouble. The recession, increased competition and strained relations between management and labour had led to a 30% reduction in their numbers. Further redundancies were anticipated. Two years later, after Japanese management and production methods were introduced - performance, job satisfaction and management - labour relations had all improved, while Wedgwood’s quality circles were saving the company as much as $700,000 a year.1

On the other hand going Japanese did not do much for the workers at Hitachi’s colour-television factory in Aberdare, Wales. Despite substantial gains in productivity, the company had yet to turn a profit. It was plagued by strikes and labour unrest, and employees charged Hitachi with "coldheartedness" in refusing to respond to demands for better working conditions. In May 1984, the company reacted in a decidedly un-Japanese manner. It issued a blizzard of pink slips, firing 508 of the plant’s 1400 workers.2

For better or worse, both these ventures are products of Japanese style management, the most highly touted business innovation in recent years. It all began in the 1950’s and the 1970’s, as Japan's economic miracle undercut and threatened American and European industry. Western managers turned to the East for clues that would help them attain higher levels of productivity and quality. The search for answers to how Japan does it has become a growth industry today. Experts and amateurs have inundated us with varying explanations, some credible, others patently ridiculous.

In the West, management has added new terminologies to explain the participatory style of management in their work environment. Name changes and some acronyms used commonly include IMPS (Improved Methods and Product Seekers), TOPS (Turned On to Productivity and Savings), JET (Job Enrichment Teams) and, WIT (Work Improvement Teams).3 For example, the Ford Motor Company was $US1.6 billion in the red, and the Ford President, enlisted the help of W. Edwards Deming as a principal consultant to the company. Deming, an American who first introduced statistical concepts of quality control leading to Quality Circles in the re-industrialisation of post-war Japan, was relatively unknown in America.4 He was "discovered" in America after appearing in June 1980 in the National Broadcasting (NBC) white paper segment titled ‘if Japan can...why can’t we?’. Using some of Deeming’s ideas, already successfully applied in Japan, such as quality circles, Ford Launched its so-called
employee involvement scheme, in a bid to improve productivity and profitability.

This paper is an attempt to identify plausible reasons for Japan’s economic success. In doing so, we first examine the contextual fabric in which the Japanese management system is embedded. We then examine the key features of Japanese-style management. We consider the drawbacks and limitations inherent in the Japanese way of doing things. We examine and critically evaluate Ouchi’s Theory Z as a theoretical explanation for the basis of Japanese management. Finally we discuss the empirical evidence about the transferability of Japanese management to Australia and New Zealand.

CONTEXTUAL FACTORS CONTRIBUTING TO THE SUCCESS OF JAPANESE-STYLE MANAGEMENT

The business and management methods of any nation cannot be studied in isolation, divorced from its culture, tradition, politics or environment. Business and corporate behaviour should be analysed within the framework of a social system where all the elements of a society are linked together and affected by one another's actions.

It must be appreciated that the Japanese-style of business and management is deeply rooted in traditional Japanese society and culture, and is considerably influenced by their values and attitudes.

Some key contextual factors have paved the way for the success of Japanese-style management. They include the following:

An authoritarian society

Even in today’s "democratic Japan" despite much public rhetoric there is little conviction that the mass of people have an inalienable right to choose their leaders or system of government, although such feeling is increasing. The system is neither totalitarian nor dictatorial, but rather authoritarian.

This system of authority and accompanying veneration and respect for it, has its roots in the "oyabun-kobun" (father-child) relationship between two Japanese persons. Groups in Japan are based on the aggregation of such relationships between individuals. Features of this relationship are the paternalism of the "oyabun" and the loyalty and devotion of the "kobun".
A communal outlook

In most activities and issues the Japanese traditionally think of themselves as members of a group, and their satisfaction is largely achieved through group fulfilment of group objectives. There is a tendency to emphasise "us" against "them". Consequently, when the individual faces an outside group, he establishes his point of reference not in terms of who he is, but in terms of his group.

In this regard, it should be noted that one of the worst of all sins for the Japanese is to display an egoistic disregard of group tendencies - or often just to display any individualism at all.

This value system is instilled at an early age. Kenichi Ohmae illustrates this in recalling his school years in Japan.

"Whenever I wanted to do my own thing, I was constantly reminded that the nail that sticks up, gets hammered downu.8

Factions and cliques

The oyabun-kobun system of personal relationships, coupled with the Japanese need to belong, are the main bases for the formation of cliques ("habatsu") within a larger group. Cliques or factions are pervasive in Japanese society, protecting member interests and providing a system of checks and balances within an organisation. Membership of a clique in an organisation depends on factors such as coming from a particular university, marriage ties, or assignment to the same section in a company.

Though ‘officially’ frowned upon in organisations, factions are tolerated as they promote and sustain informal superior-subordinate relationships and help facilitate a two-way flow of communication. The existence of factions possibly makes it difficult for Japanese companies to hire outside experts at higher management levels as they can not become part of the internal network.9
Copying and perfecting technology

Few nations have so sought and copied the best from other societies as Japan. Throughout their history, the Japanese have admired good craftsmanship and have been able to master any technology available to them.

They have not only been able to emulate or duplicate another nation's technology, but also to perfect it in such a way that it became typically Japanese or better than the original model. Even today, emulation is a Japanese forte.

Future orientation

Japanese society tends to be forward looking in a manner that is difficult for westerners to understand. This is perhaps related to the Japanese notion that individuals benefit only through the elevation of the group as a whole. Consequently, Japanese corporations differ from their western counterparts by opting for long-term security, rather than short term profits.

A contributing factor here is that much of Japanese industry is owned by banks - who are more interested in reinvesting profits of firms for future growth, rather than short-range dividend increases.

This future orientation is also reflected in Japan's dedication to savings. Japanese people, no matter how wealthy or modest their means - save money. Their deposits have given the nation's industry the capital it has needed to keep Japanese plants modern and productive. In 1980, Japanese workers saved an estimated 20% of their individual and family incomes - more than three times as much as the Americans.

Business-Government relationships

"Japan Incorporated" is a term used by some to describe the close working relationship between the government and business in Japan. It implies governmental control of Japanese industry, which is incorrect. As Kenichi Ohmae points out, Japanese government and business maintain a coach-team relationship; there is influence rather than control. Admittedly, there was a time when the Ministry of International Trade and Industry (MITI) used to hold great sway in playing a directing and coordinating role in certain industries such as steel and computers, but its power declined as Japanese firms grew
financially stronger and invested overseas.

Today MITI is kept informed of what companies do, but each company can do what it chooses.

What the Japanese government attempts to do is try to forge consensus on the direction in which Japanese industry should be headed. It also encourages with incentives firms which have potential for competing internationally by means such as:

- extension of foreign capital aid;
- granting choice of location to corporations for new plants on reclaimed land;
- creating tax havens for companies geared to modernise their plants.

Because of Japan's dependence on other nations for its raw materials, the government also encourages firms and banks to invest abroad - where supplies of raw materials exist. Apart from MITI, other governmental agencies involved in these developmental efforts are the Ministry of Finance, the Land Agency and the Economic Planning Agency.

KEY ASPECTS OF JAPANESE-STYLE MANAGEMENT

There is no generally accepted view of Japanese management among writers in Europe and America, and yet effective management has been a major factor in the advance of Japanese companies. The following are key aspects of Japanese-style management, derived from various sources. The management and personnel practices which we discuss are more relevant to the larger and more competitive Japanese corporations than to smaller companies.

Decision making by consensus

"Ringisei" is the Japanese term for decision making by consensus. Under this system, any changes in procedures and routines, tactics and even strategies are originated by those who are directly concerned with these changes. The final decision is made at the top level, after an elaborate examination of the proposal through successively higher levels in the management hierarchy, which results in acceptance or rejection of a decision. Consensus has to be achieved at every organisation level.
The process is highly decentralised, but there is some controversy in the literature about whether consultation generally operates from the bottom of the organisation up or from the top down. 14

The "ringi" process may vary between organisations, but usually consists of four steps; proposal, circulation, approval and record. A typical decision sequence is described below. When a decision of importance is to be made, the initiator consults everyone who may be affected by it, as well as those who are in a position to influence its outcome. As everyone’s views are considered, areas of potential disagreement and conflict are minimised. It is a time consuming activity, as support for a decision has to be obtained within a given level and between organisational levels. It should be noted that discussions and consultations up to this point are informal and verbal.

When consensus on an issue or decision is obtained the first part (the so-called, "Nemawashi" part) of the Ringisei process ends. Next comes the ringi stage; this involves the formal procedure to obtain authorisation stages. Once a proposal is accepted during the nemawashi stage, it is seldom rejected in the formal ringi stage. The nemawashi stage is used to eliminate disagreement or conflict, while the ringi stage formally confirms agreement. The ringi stage ensures that responsibility for a decision is assumed by all persons who have affixed their seals of approval. 15,16,17

Active role of middle and top management

Middle managers perform an essential role in the ringi system. How well a middle manager can perform this role will depend largely on his personal relationship and ties with other managers. The ringi system is effective only if the middle management is competent in terms of its abilities to bridge the gap between lower and higher levels of management. Personal relationships with other people in the organisation are therefore very important. In Japanese firms, middle managers acquire these attributes through the system of job rotation and the accompanying training programmes. The system encourages personal ties which enhance the efficiency of information flow. 18

Under the ringi system, top management is expected to cope with crisis situations. The chief executive cannot alter the ringi-sho, and seldom disapproves of it. Conflict is avoided by the care which lower-level managers take to ensure that no ringisho which will not meet his approval will reach the chief executive. Most of top management’s working time is spent establishing and maintaining close relations with policymakers in other corporations and government departments. This contributes
substantially to the close co-operation between the Japanese government and private industry which we have previously mentioned.\textsuperscript{19,20}

**Lifetime employment**

Lifetime employment creates a high degree of employee stability and together with other management practices, generates tremendous employee loyalty to the company. This means that a company can invest money in training employees, confident that once they are trained, they will not be hired away by competitors. An employee normally enters a company after graduating from his school or university and stays in the company until the official retirement age of between 57-60 years. Unless accused of misconduct, an employee's job security is virtually guaranteed. About 35\% of Japan's labour force are covered by the lifetime employment system; almost all of them are employed in Japan's largest and most powerful companies. The success of the system hinges on the fulfilment of expectations of the employer and employee. For the employer, there is the expectation that the worker will stay; for the worker, the expectation that he will be allowed to stay.\textsuperscript{21}

**Seniority-based wage system**

In Japan, the remuneration of the employee is determined for the most part by the number of years he has spent with the company. Though age and level of education at time of entry are important, seniority is the primary determinant of compensation in Japan.

The system avoids potentially destructive competition between employees and promotes a more harmonious group relationship. It also tends to encourage long and faithful service to the employer.

The compensation system assumes that longer experience makes an employee more valuable. Hence, promotions tend to depend on seniority too. It is rare to find an employee working under another with less seniority if both have similar educational backgrounds. The emphasis on seniority in compensation and promotion probably has its roots in the veneration and respect for authority embedded in Japanese society.\textsuperscript{22}
Training by rotation

A Japanese employee keeps on training as a regular part of his job until he retires. He is trained not only in his job, but in other jobs at his job level. The on-the-job training by rotation promotes flexibility in the workforce, as well as developing middle or upper managers into "generalists" with broader perspectives and experience of the company's business. Owing to lifetime employment, mobility between firms is practically non-existent, while mobility within the firm is almost unlimited. The advantages of management development by job rotation are several.

It enables the firm to re-assign production and office workers more freely.

Due to their job security, employees are more receptive to organisational changes and the introduction of new technology.

It can produce good general managers. The system allows an employee to build wider interpersonal relationships which may result in freer information exchange.

Enterprise unions

Japanese unions are usually organised on a company basis, as opposed to the craft, industry or general unions common in the United States and other parts of the world. The company union gives both management and workers an identity of purpose and provides an environment in which there is greater co-operation for the achievement of common goals. Characteristics of the enterprise union are as follows:

Membership extends to all regular employees - both blue collar and white collar. Union officials consist solely of company employees. The union is regarded as an autonomous body whose sovereignty is recognised within the nationwide union power structure. The enterprise union will negotiate independently with its own employer. Resolution of labour disputes differ markedly from those of the west. First, there is societal pressure for consensus. Industrial action also involves raising the public's awareness of the failure of the employer to meet the workers needs. Because they are aware that their members' interests are bound up with those of the enterprise, the unions are unlikely to take any action which may prejudice the future of the company and their members.
LIMITATIONS OF JAPANESE-STYLE MANAGEMENT

Many observers of Japanese management practices have taken the view that these practices are desirable to be applied in other countries and cultures. Consequently, little attention has been paid to the costs which the system inflicts on society in general, and workers in particular. These costs can be substantial in terms of loss of individual freedom, a rigid social structure and sacrifice of other values which individuals and groups may cherish. Another little known fact, is that the benevolence of the Japanese management system is not bestowed on a majority of workers, but is limited to a small minority.

The large majority of workers toil for substandard wages, work under unsafe or sweated conditions, and account for much of the Japanese success story.

As indicated earlier, approximately 35% of the total workforce enjoy the privileges of lifetime employment in Japan. Women are almost never granted this privilege, and therefore occupy the lowest-paid jobs in industry.

Most companies provide lifetime employment and seniority-based wages to a small fraction of their workers. The rest of the workers consist of experienced recruits - employees who did not join the company right after school, and temporary workers. The segregation of employees into lifetime employees, experienced recruits and temporary workers means differential treatment for many doing essentially similar work. Temporary workers are denied job security and other fringe benefits. Since unions do not operate in the same way as in the west, these workers are most often affected by downturns in the economy.

Satoshi Kamata paints a depressing picture of a Toyota assembly plant. Workers are subjected to assembly line speed ups; injury rates are high, safety consists largely of exhorting workers to avoid accidents regardless of unsafe equipment, and workers suffer poor working conditions or fatigue. Workers rarely have privacy or individual freedom.

Another limitation involved in the practice of lifetime employment is the retirement age, which is usually 55. As retirement benefits are rather meagre, the retired employee faces considerable hardship. Eligibility for welfare pensions only begins at 60. Even receiving a pension does not normally free the retired employee from having to work. So, many become temporary workers - at
wages only a fraction of what they are worth. "Retirement" in Japan tends to mean a cut in pay, practically no job and financial security, and a substantial loss in rank.

As mentioned earlier, lifetime employment makes it difficult for an outsider to integrate with the organisation. It is rare that a company can hire outside experts. Hence corporations may have difficulty in assimilating and developing new ideas and technology, though they have compensated for this in the past by importing technology from the west.

The seniority based wage system makes it difficult to reward individual creativity and excellence. As seniority (and not performance) is the criterion, companies may end up paying higher wages to those who are less capable or competent. The ringi system avoids individual responsibility for mistakes and denies credit for bold decisions mainly due to the nature of the "oyabun-kobun" relationship. If higher management approves a group's decision, subordinates will accept it and commit themselves to implementing the plan. In return, higher management is willing to accept a decision approved by lower management, and to assume the responsibility for its outcome and consequences.

The drawback of the consensus system is its slow pace. However, Peter Drucker has argued that the strength of this system is its ability to induce commitment to those involved in its implementation, thereby speeding up the whole process. It is conceivable that the system may not work efficiently if circumstances demand a decision in the middle of the ringi process. Consequently, a decision may be made without consensus and may result in lower morale and commitment.

Can Japanese management techniques be applied in the west?

As our two introductory examples indicate, attempts have certainly been made to apply Japanese management techniques in the west, with varying degrees of success. William Ouchi, in a well-known book, Theory Z, and a number of other articles and writings, has put forward the best argued case for a theory which can be successfully applied in the west.

Ouchi argues that the theoretical basis of the Japanese management system outlined above is the existence of "industrial clans", which have developed by a slow organic process within Japanese society. Drawing on the work of the classic French sociologist, Emile Durkheim, Ouchi suggests that industrial organisations in the big
business sector of the Japanese economy can be described as clans in the sense that they provide employees with a feeling of social cohesion and stability, and a sense of belonging, meaning and direction in life. It is these characteristics which have been lost in western society, which is suffering, in Durkheim’s terms, from a problem of normlessness, with the decline of the family, and other traditional social institutions and values.

In the case of Japan, the values underlying the industrial class have developed, according to Ouchi, as a result of cultural imperatives i.e. they are a product of Japanese history and economic and social development.

Western societies obviously have different cultural traditions from those of Japan, which suggests, at first blush that industrial clans cannot be created in those societies. However, Ouchi argues that this is not true. He argues that the conditions necessary for the creation of clans can be artificially manufactured. This can be done by the owner or founder of a firm creating a corporate philosophy (or culture) emphasising the same values which have been identified as lying behind the Japanese system.

In addition to the functions of providing a substitute for Japanese values and the basis of creating an industrial clan, such a corporate philosophy is also viewed as replacing bureaucratic hierarchies as the source of control and direction. On the basis of such a philosophy, practices of lifetime employment, and group and consensus decision-making Japanese style can then be implemented.

While Ouchi himself has not explicitly provided a conceptual framework whereby such a process might operate, Sullivan has drawn up a comparative chart, based on Ouchi’s work, which attempts to depict a suitable framework, comparing Japan and the United States.

The basic assumption about western societies which underlies Ouchi’s prescription is that, in fact, they are in a state of normlessness, and that, lacking social cohesion and stability, many people leading unhappy lives, without direction, drifting between jobs and relationships and lacking meaning and fulfilment.

Many sociologists agree that these trends are at work in western industrial societies, and there is evidence to support their views, in the form of rising divorce rates, increasing numbers of single parent families, higher incidences of crime, and frequent job-changing by those with high job mobility in the community.
OUCHI'S THEORY Z

JAPANESE VERSION

Cultural Imperative

Incentives
Lifetime Employment etc.

Involvement
Cooperation
Closeness

TRUST

Employee Satisfaction
and Sense of Autonomy

Increased Productivity

AMERICAN VERSION

Managerial Decision

Corporate Philosophy
Creating Industrial Clan

Incentives
Long Term Employment
Flat Hierarchies, etc.

Work Groups

However, it is the conclusions which Ouchi draws from his analysis, and the prescriptions for change which are more controversial. He argues that bureaucratic organisations need to be converted into industrial clans to supply the deficiencies created by the decline of traditional moral values in the west. In order to achieve this end, a number of changes in bureaucracies have to take place. They include the capacity to exert moral influence over employees, through the medium of a corporate philosophy, the adoption of a moral role in society by large organisations and the subordination of the individual employee's goals to those of the common good.

While the employee will have to sacrifice some of his individuality, Ouchi argues the benefits to him will include the substitution of a tightly-knit, work-based social community, for the normlessness of contemporary industrial society, and psychological relief from the tensions, antagonisms and hostilities inherent in life in the traditional bureaucracy.

Ouchi views the establishment of more trust between workers and management in organisations as fundamental to the transformation of bureaucracies into industrial clans, but he insists that a change in the whole basis of organisational values is required. This differentiates his position from that of neo-human relations writers like Argyris and McGregor, who argue for greater trust through the mechanism of small groups within the existing structures of organisations. Thus, Ouchi's argument is "institution-centred" rather than group-based.

Critique of Theory

There are a number of problems which can be identified in Ouchi's work. Firstly, there is the problem of how far Ouchi's portrayal of Japan as characterised by "industrial clans" is empirically correct. Sullivan reviews the evidence, which he regards as, at best, only partially supporting Ouchi's hypothesis.

Sullivan points out that workers' commitments to firms in Japan is often the result of labour market conditions rather than a sense of solidarity with the company, and the evidence indicates that many workers seem to feel resentment at their powerlessness and dependence on their companies, rather than the loyalty portrayed by Ouchi.

Secondly, Sullivan argues that there is a substantial body of evidence, including that derived from the study by Hofstede, indicating that the values of Japanese managers are anything but egalitarian. Thus, power, rather than trust, can be seen as forming the basis of relationships between managers and workers in large Japanese companies.
Sullivan concludes that Japanese management practices may ultimately have some of the effects attributed to them by Ouchi, but not for the reasons advanced by Ouchi.37

Theory Z has also been criticised on theoretical grounds. Sullivan argues that the relationship between incentives and productivity attributed to the operation of Theory Z can be 'equally plausibly explained in another way, which he calls "Anti Theory Z". We reproduce a diagram summarising this argument.

Sullivan also queries whether industrial clans, even if they exist in Japan, are more productive than bureaucracies, and could they be introduced and function successfully in the west.38

**TRANSFERABILITY OF JAPANESE WORK ETHICS**

As the preceding discussion shows, western managers would be unwise to borrow uncritically from Japanese management practices. Clearly, the success of these practices to date has depended very much on socio-cultural factors. There are also those who argue that Japan has passed its peak as an industrial power, and that, therefore, it may not be the most appropriate example to even try to emulate.

However, despite cultural differences, the western manager may well benefit from reflecting on Japan's experience. For Australian and New Zealand managers, this may be particularly apt, given Japan's status as Australia's and New Zealand's biggest trading partner, if only because the organisations of the future in both countries will have to be more export-oriented to survive, and it helps to know how one's opposite number in the Japanese corporation thinks and operates.

Ouchi's writings also demonstrate that there may, at least, be the possibility of transplanting some Japanese practices successfully to the west, if the right organisational climate can be created for those practices, notably employment security and a more participative managerial style of decision-making.

**JAPANESE MANAGEMENT IN AUSTRALIA AND NEW ZEALAND**

At its most fundamental level, the issue of success of the Japanese management system and the possibility of its transferability to countries like Australia, comes back to an examination of comparative value systems.
PROBLEMS IN THE IMPACT
OF THEORY Z INCENTIVES

Anti-Theory Z

Theory Z

INCENTIVES

Life-time Employment
Nonspecialized Careers
Automatic Promotions

Some Minimally
Competent Managers
Occur

Need to Depend on
Subordinates to Make
Consensus Decisions and
Share Responsibility

Bureaucratic
Hierarchical Relationships
Are Thus Protected

Productivity

INCENTIVES

Life-time Employment
Nonspecialized Careers
Automatic Promotions
Consensus Decisions

Intimacy and
Involvement

Trust

Satisfaction

Productivity

There is evidence that Australians and New Zealanders in common with other Anglo Saxon nations, have strongly individualistic value systems. These values ultimately derive from the Protestant ethic. As Kahn has argued, the basis of the drive for economic achievement of the dynamic societies of East Asia, of which Japan is the leading example (the others are Taiwan, South Korea and Singapore) is the Confucian ethic. This is more group-centred than the Protestant ethic. The Confucian philosophy is that of a harmonious society, like an extended family, involving co-operation between groups with complementary skills.

This philosophy is in stark contrast to the Protestant ethic of western societies, involving the basic notion of individual competition.

It is difficult to envisage how a system based on a philosophy so radically different to that prevailing in Australia and other western nations could readily take root on a large scale.

On a more pragmatic level, Iida has done an empirical study, comparing Australian companies with Japanese companies, and subsidiaries of Japanese companies, to ascertain how far the Japanese model can, in fact, be transplanted. In order to make the comparison, Iida selected 20 characteristics of Japanese organisations, most of which we have discussed above. He then examined his three categories of firms to ascertain how far these characteristics were present or absent.

A summary of his findings of the average profiles and management systems and practices of Australian companies, Japanese subsidiaries, and their parent companies is presented below.

Iida concluded that Japanese firms have found it difficult to transfer many of the typical characteristics of parent companies in Japan to their subsidiaries in Australia. In particular, he found the following practices were difficult to apply, or were at variance with Australian traditions: lifetime employment and advancement by seniority; company unions; paternalistic practices, like company-provided housing and recreational facilities; and expressions of ethically-based company philosophy.

However, Iida, did find that more participative decision-making involved in the Japanese processes of "Ringi" and "Nemawashi" were generally favourably received by Australian employees, who supported modification of rigid hierarchical and bureaucratic methods of decision-making and communication.

Dedoussis disagrees with Iida’s analysis. He argues that Japanese management is not a rigid set of principles
The average profiles and management systems and practices of Australian companies, Japanese subsidiaries, and their parent companies.

<table>
<thead>
<tr>
<th>Item</th>
<th>Australian companies</th>
<th>Japanese subsidiaries</th>
<th>Parent companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment system</td>
<td>Permanent/Casual/Part-time</td>
<td>Permanent/Casual/Part-time</td>
<td>Lifetime employment/Casual/Part-time</td>
</tr>
<tr>
<td>Seniority by length of service</td>
<td>None</td>
<td>None</td>
<td>Dominantly</td>
</tr>
<tr>
<td>The number of layers to the non-supervisory white-collar employees</td>
<td>4-5</td>
<td>3-4</td>
<td>6-8</td>
</tr>
<tr>
<td>Job rotation</td>
<td>Sometimes</td>
<td>Sometimes</td>
<td>Frequently</td>
</tr>
<tr>
<td>Job task assignment</td>
<td>Individual-unit</td>
<td>Individual-unit</td>
<td>Group or section-unit</td>
</tr>
<tr>
<td>Management philosophy</td>
<td>Seldom established</td>
<td>Moderately established</td>
<td>Highly established</td>
</tr>
<tr>
<td>Type of philosophy</td>
<td>Policy-oriented</td>
<td>Ethic-oriented</td>
<td>Ethic-oriented</td>
</tr>
<tr>
<td>Periodical recruitment</td>
<td>None</td>
<td>None</td>
<td>Highly established</td>
</tr>
<tr>
<td>The type of intake</td>
<td>Position-based</td>
<td>Position-based</td>
<td>Yearly quota-based</td>
</tr>
<tr>
<td>The importance of education institution as part of recruitment</td>
<td>Moderate</td>
<td>Low</td>
<td>Very high</td>
</tr>
<tr>
<td>Connections with educational institutions for recruitment</td>
<td>Moderately exists</td>
<td>None</td>
<td>Highly exists</td>
</tr>
<tr>
<td>University qualification</td>
<td>Getting important</td>
<td>Not important</td>
<td>Important</td>
</tr>
<tr>
<td>Mid-career recruits</td>
<td>Dominantly and majority</td>
<td>Dominantly and majority</td>
<td>Discriminatory and minority</td>
</tr>
<tr>
<td>Decision-making (incl. the Ringi system)</td>
<td>Top down</td>
<td>Top down and bottom up</td>
<td>Top down and bottom up</td>
</tr>
<tr>
<td>Newawashi (informal and multi-cross organisational arrangements prior to the formal decision-making)</td>
<td>Hardly</td>
<td>Moderately</td>
<td>Frequently</td>
</tr>
<tr>
<td>Leadership pattern:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top management</td>
<td>Autocratic</td>
<td>Relatively autocratic</td>
<td>Co-ordinative</td>
</tr>
<tr>
<td>Middle management</td>
<td>Co-ordinative and democratic</td>
<td>Co-ordinative</td>
<td>Autocratic and paternalistic</td>
</tr>
<tr>
<td>Authority</td>
<td>Clear</td>
<td>Clear</td>
<td>Unclear and ambigious</td>
</tr>
<tr>
<td>Responsibility</td>
<td>Individual and clear</td>
<td>Individual and clear</td>
<td>Individual or section-unit but unclear</td>
</tr>
<tr>
<td>Company house</td>
<td>Almost none</td>
<td>None</td>
<td>Highly developed</td>
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<tr>
<td>Recreational facilities</td>
<td>Rare</td>
<td>Very rare</td>
<td>Developed</td>
</tr>
<tr>
<td>Company union</td>
<td>None</td>
<td>None</td>
<td>Highly established</td>
</tr>
<tr>
<td>Company training facilities</td>
<td>Moderately developed</td>
<td>Hardly developed</td>
<td>Highly developed</td>
</tr>
<tr>
<td>The ratio of internal company training</td>
<td>Approximately half or less</td>
<td>One-third or less</td>
<td>Almost internal</td>
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and concepts, but a flexible system which adapts itself to changes. In his view, excessive attention has been paid, in the research literature, to lifetime employment, the seniority system and enterprise unionism as "typical characteristics and indispensible components" of Japanese management.

He maintains that these practices were responses to economic conditions in Japan at the time of industrialisation. They are currently being re-evaluated there, in the context of low economic growth, though Dedoussis concedes that the practices have become very entrenched, and will be difficult to get rid of.

Reitsperger agrees with Dedoussis that Japanese management is not based on a hard and fast set of principles. Rather, he sees the rationale as one of economic pragmatism or the "rational adoption, adaptation, creation and rejection of managerial practice to meet economic goals." In his view, Japanese management involves simply the adoption of a dynamic, problem-solving approach.

Dedoussis, on the other hand, argues that the essence of Japanese management should be seen as achieving group harmony and consensus in decision-making. These objectives have, in the past, been sought to be attained through the methods mentioned above, such as lifetime employment and promotion by seniority, on which research attention has mainly been centred.

To test his hypothesis, Dedoussis carried out a study of Japanese subsidiaries in manufacturing industry in Australia. In order to ensure that his sample was as purely Japanese as possible, he selected companies which were completely or almost completely Japanese owned or controlled, and had Japanese nationals as Managing Directors. He also examined only companies with more than 50 employees, in order to observe the operation of formal procedures.

Dedoussis claims that his findings validated the hypothesis discussed above. The findings included the fact that lifetime employment did not exist in two-thirds of the subsidiaries examined. Many of these had experienced quite severe retrenchments. Their Japanese executives, however, maintained that lifetime employment only made sense in the context of favourable economic and market conditions, and refused to give any guarantees of employment security in the absence of these conditions.

Seniority wages and promotion based on length of service were also not found to be features of local practices of subsidiaries. However longer-serving employees were more likely to be promoted than those with shorter periods of service.
In most cases, interdepartmental mobility and job rotation were also found, though this practice occurred mainly at the managerial level. All the subsidiaries also had a policy objective of establishing almost exclusively internal routes of promotion, though, in some cases, very rapid expansion had compelled them to hire managers from outside the company.

The companies studied in addition all had a policy of promoting employee participation. They largely sought to achieve this at shop floor level by means of quality circles and suggestion schemes. Participation rates, however, were far below those found in the parent companies.

One-third of the subsidiaries also practised the "ringi" system of consultation, though this was used almost exclusively for operating decisions only. Strategic decisions were largely made without consulting local managers.

Overall, Dedoussis concluded that, in terms of his definition of Japanese management, the system had largely been transferred to the Australian subsidiaries. On the production side, this was evidenced by the widespread use of the "kan-ban" or "Just-in-Time" system of inventory control. In their housekeeping practices the factories of the Japanese subsidiaries were very tidy, just like those of their parents in the home country. Suppliers, too, had been tied into the system.

On the human side, the objectives of group harmony and consensus in decision-making had been achieved by a number of means. They included careful employee selection, with hiring mainly in the 35-45 age groups, encouragement of interpersonal communications, use of internal promotion, and use of employee participation schemes. The "company family" concept had also been promoted successfully by frequent company outings, company-sponsored social clubs and other leisure activities.

Dedoussis concedes that there have been setbacks in the complete introduction of Japanese management, e.g. the relatively poor records of quality circles and suggestion schemes. Nevertheless, he maintains that Japanese expansion overseas is a relatively recent phenomenon, and that more time is needed for Japanese subsidiaries to gain greater confidence in their methods of operation. He predicts that, as companies gain such confidence, there will be a "reverse convergence" in the management practices of Australian companies i.e. they will become progressively "Japanised".

It is apparent that Dedoussis' argument relies on a different concept of Japanese management than that which is employed by other writers. Perhaps the most
controversial feature of his argument relates to employment security, generally viewed as a fundamental pillar of the system. In terms of the more usually accepted criteria, used by other writers, the finding that two-thirds of the subsidiaries did not even seek to achieve employment security as a policy objective, could be interpreted as showing that they were not practising Japanese management at all.

The choice of a research sample consisting exclusively of wholly-owned Japanese subsidiaries with Japanese nationals as Managing Directors could also be criticised. If Japanese management (in Dedoussis definition of the concept) is as successful as he claims it to be, there would be reason to expect that partly, as well as wholly-owned subsidiaries, with Australian as well as Japanese Managing Directors, would be equally keen to practise it.

However, Dedoussis finding that all the subsidiaries had policies, which they attempted to implement in various ways, supporting employee participation and group decision-making, is in line with the findings of other studies. Only the effluction of time and further research will serve to clarify whether, in fact, "reverse convergence" and "Japanisation" of Australian companies is occurring.

If the more conventional view of Japanese management is accepted, then it becomes apparent that many of the more significant practical differences between Australia and Japan derive from the realm of industrial relations.

As a former Federal Secretary of the Vehicle Builders Employees Federation (VBEF), Len Townsend, has pointed out, there are three major differences between Australia and Japan in this respect.

Firstly, while Japanese unions are not as "tame cat" as they are sometimes portrayed to be, and often bargain hard for the interests of their members, there is a much stronger tradition of harmony and co-operation between management and unions in Japan than in Australia. Inter alia, the greater level of mutual understanding and trust is explained by a tradition in Japan, almost totally absent in Australia, whereby many senior executives of companies have previously held positions as union officials.

Secondly, the Japanese wage fixation system is based on collective bargaining, and its structures are centred on the individual plant and industry. In Australia, by contrast, wage fixing is based on compulsory arbitration at a national level, to which structures of unions and management are largely geared. The system reflects a concern with "national or community standards rather than individual industry standards".
Thirdly, there are more intangible differences between the two countries. Australia is a multicultural society, whose workforce has no single language or universal industrial relations attitudes and traditions. Japan, by contrast, is socially very homogeneous.

However, Townsend, like Iida, agrees that one aspect of the Japanese system, participative decision-making, is appropriate to the Australian environment. Interestingly, he also agrees with Dedoussis, that the techniques of manufacturing management which have been so successful in Japan, are not culturally-bound, and that they can therefore, be transferred to a country like Australia. He concludes that improved labour relations are often seen as the prerequisite for better productivity in industry, yet, in fact, the use of Japanese methods to improve productivity may lay the foundations for better labour relations.

It is because of the VBEF’s belief in the virtues of more participative decision-making that the union has supported efforts in the motor industry to re-structure the industry using Japanese methods and techniques.

All the Australian motor vehicle manufacturers have adopted Just-in-Time systems of inventory control, and have experimented with more participative techniques of management and human relations, based on Japanese experience. They have enjoyed some success in improving quality of products and reducing the level of industrial disputes, though price rises to consumers have, at best, only been moderated, and the industry is still struggling to compete with overseas imports. Perhaps it is Mitsubishi Motors- Australian subsidiary which has sought to adhere most closely to the classic Japanese model.

In the view of Kriegler and Wooden, however, Mitsubishi’s experience demonstrates that of the four central features of employee relations in Japan, lifetime employment, seniority wages, enterprise unions and participative decision-making, only two, job security and a more participative management style, can readily be imported into Australia.

Nevertheless, Mitsubishi has reported very considerable improvements in productivity, labour turnover, absenteeism, workers compensation claims and industrial disputes and job satisfaction, since the company was taken over from Chrysler in 1979. However, it is still experiencing problems in turning a profit, showing that Japanese management, even in partial applications, is not a panacea for everything.

As a general comment on the situation in New Zealand industry, Selvarajah says that many of the schemes to apply some form of worker participation in the workforce have failed. The reasons for failure are identified
under two main headings, problems in attempting to initiate schemes, and problems arising after implementation of schemes. In both cases, a major factor is the unwillingness of management to share real power with its workforce.

Thus, at best, Australian and New Zealand experience suggest that there are only some features of Japanese management which may be applied successfully in the local environment.

Reitsperger, in a comparative study of Japanese, British and American electronics companies operating in the UK, reaches a similar conclusion about the applicability of Japanese management practices in that country. He found that, in general, British employees valued the paternalism practised by one of the Japanese companies studied in dealing with its employees, though in other firms they draw the line at visits to their homes by company representatives, ostensibly to check on their welfare while they were absent on sick leave. However, he found that British employees did not appreciate the policy of Japanese companies in the electronics industry of paying only average wages and giving their workers poorer fringe benefits than their British and American counterparts.

Thus, overall, while western nations certainly have much to learn from Japanese management, it should not be naively viewed as a panacea for all problems.

In the view of Lansbury and Spillane, we must be very cautious in generalising about the applicability of Theory Z in the current turbulent environment of economic and organisational change. They argue that:

"Theory Z offers benevolent paternalism at the time when we may be seeing the beginning of the end of organisation man. It promotes trust and consensus at a time of bitter factional fighting, dissensus and industrial conflict. It advocates lifetime employment at a time of massive industry and job re-structuring. It appeals for harmony yet offers no suggestions as to how this might be achieved in countries (like Australia) with strong traditions of individual competitiveness and confrontation."
In this paper, we introduced you to concepts of Japanese management. We pointed out that the Japanese management system developed within a specific social and cultural framework. We discussed the features of this framework, in order to explain why Japanese management developed as it has.

We examined Ouchi's Theory Z, as a theoretical basis for explaining the social and corporate structure of Japan. We evaluated critically Ouchi's claim that Japanese management rests on a system of industrial clans and that such clans can be created in western countries. We concluded that the existence of clans in Japan itself cannot be demonstrated, nor would it be very feasible, even if the existence and superiority of clans could be demonstrated, to create them in western societies.

Finally, we examined the experience of companies which have experimented with Japanese management practices in Australia. We concluded that Australian conditions are not suited to the wholesale importation of Japanese management. However, there is some evidence that certain features of Japanese management are compatible with the Australian environment, and can be beneficial in improving quality, productivity and job satisfaction.
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