JAPANESE BUSINESS PRACTICES

AND THEIR SIGNIFICANCE FOR AUSTRALIANS

JAPANESE BUSINESS PRACTICES

AND THEIR SIGNIFICANCE FOR AUSTRALIANS

A dissertation submitted to the Political Science Department of the Faculty of Arts at the University of Tasmania, as part fulfilment of requirements for the degree of Bachelor of Arts with Honours.

December 1977. M.A. Geddes, B.A.,Th.L.,Dip.R.E.

Margaret Alice

I, Margaret Alice Geddes, do hereby declare that this dissertation is a representation of my own original work and that it contains no material that I have otherwise published or used. I further declare that to the best of my knowledge, this dissertation contains no copy or paraphrase of material previously written by another person or authority, except where due acknowledgement has been made.

Margaret A. Geddes

TABLE OF CONTENTS

Page

PREFACE vi

CHAPTER I THE PLACE OF BUSINESS IN JAPAN'S NATIONAL LIFE . . . 1

SECTION I Introduction 1

II Historical Linkages Between Government and Business: 2

A. The beginning of Japanese Industrialization

B. Party government and the zaibatsu

C. The impact of the Occupation

D. The Post-World War II Economic Miracle

III Current Linkages Between Government and Business: 8

A. Federation of Economic Organizations: Keidanren

B. Japan Committee for Economic Development: Doyūkai

C. Japan Federation of Employers' Associations:Nikkeiren

D. Japan Chamber of Commerce and Industry: Nisshō

E. An example of government-business co-operation

IV Concluding Comments 13

CHAPTER II THE PLACE OF WORK IN JAPANESE SOCIETY 16

SECTION I A Work-oriented Society 16

II Some recent explanations for Japanese work-orientation:

A. The family-like structure of the company

B. Dependent relationships

C. Iemoto-like Organizations

D. Some criticisms of socio-psychological analyses of Japanese society

E. Group conformity and competition

III "Economic Animals": Criticisms of the work-oriented Society 24

IV Concluding Comments 30

CHAPTER III ASPECTS OF JAPANESE MANAGEMENT 31

SECTION I Introduction 31

II Factors affecting generalizations about Japanese management: 32

A. The dual structure of the Japanese economy

B. The dual structure of Japanese personnel management

C. The dangers of an over-emphasis on cultural specifity

III Pillars of Japanese Management 38

A. Lifetime employment

B. Seniority system

C. Enterprise unionism

IV Concluding Comments 50

		Page
CHAPTER IV	JAPANESE CONSENSUS DECISION-MAKING	52
SECTION I	Introduction	52
II	Japanese Attitude Towards Contracts	53
III	Japanese Understanding of Decision-Making	56
IV	Methods of consensus decision-making: the *ringi* style of management	57
	A. The process of *ringisei*	
	B. The informal discussions: *nemawashi*	
	C. The formal conference: *kaigi*	
V	Strengths and weaknesses of the *ringi* style of management	61
	A. Initiative by junior staff	
	B. Lack of managerial leadership	
	C. A time-consuming process	
	D. Diffusion of responsibility	
VI	Concluding Comments	67
CHAPTER V	THE NEED FOR AUSTRALIANS TO UNDERSTAND JAPANESE BUSINESS PRACTICES	69
SECTION I	Brief Historical Survey of Japan-Australia relations	69
II	The Importance of Japan-Australia Relations	72
	A. Economic Interdependence of Japan and Australia	
	B. The strategic importance of Australia and Japan	
	C. The possibility of joint-aid projects in South-East Asia	
	D. The development of multilateral relations	
III	Conclusion	78
BIBLIOGRAPHY	. . . .	80

LIST OF TABLES

TABLE 1	Percentage Distribution of Purposes of Taking Annual Paid Leave	17
2	Number of Establishments by Size and Sector, 1969	33
3	Percentage Distribution of Components of Average Monthly Cash Earnings	44
4	Development of Australia-Japan Trade Relations	72
5	Changes in the Structure of Japanese Imports from Australia	73

ILLUSTRATION

FIGURE 1	Model of Ringisei Communications System	65

PREFACE

> "I believe when the history of this decade is written the changes now occurring in Australian-Japanese relations, and what I hope will happen in the next ten years or so, will prove to be one of the most significant developments of our time." The Prime Minister of Australia, 1971.

The Australian-Japan Basic Treaty of Friendship and Co-operation, the first of its kind Australia has concluded with any country, was ratified on 21st July 1977, when Mr. Okawara Yoshio, Ambassador of Japan, and Mr. Andrew Peacock, Minister for Foreign Affairs, signed the Protocols of Exchange at Parliament House, Canberra, thereby giving formal recognition to the friendship, community of interests and interdependence that exist between Australia and Japan.

Despite contacts between Australia and Japan that go back to 1859, this new relationship has happened so quickly, that, according to Arthur Stockwin, Senior Lecturer in Political Science at the Australian National University:[1]

> "a fairly major readjustment of attitudes seems to be required (and has to an extent been taking place) in both countries."

People in government, journalism and business in this country, who deal closely with Japan have publicly recognised a growing need to find ways of successful communication, as working contacts increase between the two countries. This is needed because not only are there great differences in national power, differences in history and social traditions, but as Sir William McMahon testified after his experience as Prime Minister and Foreign Minister, "there are differences in the decision-making processes in Australia and in Japan."[2]

One might have expected these differences to have been explained during a course of Administration studies in which decision-making and the theory of organizations have such prominent place, particularly as Starbuck[3] maintains that the facilitating

---

[1] J.A.A. Stockwin (ed.), Japan and Australia in the Seventies, Sydney, 1972, preface p.vii.

[2] W. McMahon, "Australia and Japan", ibid., p.5.

[3] W.H. Starbuck, "Organizational Growth and Development" in W.H. Starbuck (ed.), Organizational Growth and Development, Middlesex, 1971, p.50.

conditions for and manifest degrees of organizational loyalty vary a great deal among cultures. An example is given in Abegglen's Japanese Factory (1958). This is the only time in four years of Administration studies that my attention has been directed to the administrative system of Japan. Though I might hesitate to include myself in what Caiger calls:[4]

> "the small number of Australians daring enough to take an initiative in cultural contact"

it surprises me that studies on Japanese administration are not already part of every Administration course conducted in Australia. Little justification seems necessary to demonstrate the significance a study of Japanese business practices has for Australians, not only for economists who appear to be well-catered for[5], but also for Australian businessmen, politicians, public servants and those who wish to know more of the aspirations and way of life of those who are "Neighbours on Longitude 135°" (as the Australian exhibit at Expo '70 expressed it).

The possibility of attempting this study occurred when the opportunity was given for me to attend the Sophia University's Summer School of Asian Studies in Japan in July-August 1977. Though few direct references are made to the programme on Management in Japan undertaken there, the insights given by Japanese business leaders and academics, together with that of foreigners many years resident in Japan, helped to illuminate the reading that formed the basis of this dissertation.

My thanks are extended to Mr. Tony McDermott for the Webster's Travel Scholarship to Japan, to the State Minister for Education for financial assistance for the journey home, to the Public Service Board, who continued my final-year scholarship whilst I was in Japan, and who provided me with the freedom to pursue an Honours course full-time. I am grateful also for the mental stimulation and assistance given by lecturers and tutors in the History and Administration Departments, particularly Mrs. Maida Coaldrake, Mr. Bruce Davis and Mr. Ralph Chapman. Above all I am indebted to Mr. Chapman for his encouragement to a mature-age student to embark on a Honours degree, and for his patience in supervising this dissertation.

---

[4] J. Caiger, "Educational and Cultural Aspects of Australian-Japanese Relations" in J.A.A. Stockwin, op.cit., p.127.

[5] A bibliography of Australian articles about various aspects of economic relations with Japan is given by H.W. Arndt, "Australia's Economic Relations with Japan: Dependence or Partnership?", ibid., p.31

CHAPTER 1

THE PLACE OF BUSINESS IN JAPAN'S NATIONAL LIFE

I Introduction

Among the factors that are considered to have been important in Japan's economic post-war recovery, the co-operation between government leaders, bureaucratic administrators and big business leaders is often mentioned[1]. At the same time many Westerners, including some Australians, feel that it has given Japanese businessmen an unfair advantage in negotiations. For example, the late Rex Connor, when Minister for Minerals and Energy said:[2]

> "We will at all times closely monitor the mineral industry to secure maximum national benefit, just as the Japanese government does ... The major policy aspects of future mineral and energy negotiations with Japan will take place at a government-to-government level, with details to be settled by discussion between the industries of each country and their counterparts. Henceforth, Australia and Japan will meet at the conference table with mutual respect and understanding."

He felt that government support was necessary because in the past Australia had come off second best in its dealings with 'Japan Incorporated'.

This term attributed to Abegglen[3] is used by foreigners, who consider Japan as a single economic unit which, in its co-ordination of decisions and purposefulness of action, resembles a well-managed single corporation. Abegglen[4] states that in its various variants, the 'Japan Incorporated' hypothesis attributes the following characteristics to the Japan government-business relationship:

- carefully designed advanced strategies for industry development,
- central allocation of financial resources and heavy government subsidies to industry,
- smoothly functioning interaction among elements of government and business based on a unity of objectives,
- export master plan, including allocation of markets.

---

[1] Herman Kahn, The Emerging Japanese Superstate, Middlesex, 1970, p.70 is one such example.

[2] Japan Supplement, The Australian, 19th May, 1975.

[3] Attributed to Abegglen by J.A.A. Stockwin, Japan: Divided Politics in a Growth Economy, London, 1975, p.117.

[4] James Abegglen and the Boston Consulting Group, Japan in 1980: The Economic System and its Prospects, London, 1974, p.22

Abegglen admits that a realistic view of the government-business relationship is not so simple. Because of the importance of understanding the linkage between government and business, and the place given to business in Japan's national life, it seems to be important to devote this chapter to account for that relationship in its historical setting.

II Historical Linkages Between Government and Business:

A. The beginning of Japanese industrialization:

The traditional attitude towards merchants and moneylenders in Japan was one of condescension. Through seven centuries of feudalism, they were looked down upon by the governing samurai class as parasites, who lived off society at the expense of not only the people but government officials as well.[5] However, during the long Tokugawa era of peace, the rigid hierarchial divisions of daimyō (feudal lords), samurai (warrior-administrators), peasants, artisans and merchants in that order bore less and less relationship to economic reality, for the merchants accumulated wealth and were the creditors of many of the samurai.[6] There was a slow but steady growth of education and commercial institutions, so that the country was not entirely unprepared for a period of modernization and innovation once the old regime ended in 1868.[7]

The new regime known as the Meiji Restoration was able to undergo modernization within the framework of continuity. Nobutaka Ike[8] stresses the point that it was the samurai elite, responding to external stimulii, that came to power and were responsible for the programme of purposive modernization. They made the adverse comparison between the state of their nation and that of the Western powers. As a result, they were determined to catch up with the West in order to achieve equality with the great powers. Implicit in the goal of catching up with the West was a commitment to industrialization.

5 Yanaga Chitoshi, Big Business in Japanese Politics, New Haven, 1968, p.30

6 J.A.A. Stockwin, 1975, op.cit., p.10.

7 The Tokugawa Shogunate had legitimacy from the Emperor to rule the country only by virtue of his ability to subdue barbarians (The title Seii Tai Shōgun means 'barbarian-subduing Generalissimo'. In 1853 the American Commodore Perry left a message calling for the opening of Japan. As the Shogun possessed neither the military strength nor the support of the daimyo, he was forced to negotiate a treaty with Perry. This led his enemies to rally around the Emperor under the slogan: "Revere the Emperor; expel the barbarian!" Eventually in 1867 the Tokugawa Keiki declared the Shogunate at an end, returning his sword to the Emperor. The Emperor Meiji was thus 'restored' to a central position, hence the new regime was known as the Meiji Restoration.

8 Nobutaka Ike, Japanese Politics, New York, 1957, 2nd edition 1972, pp6-7.

The state therefore assumed an active role in economic development, involving itself directly in some form of enterprises (for instance, railroads), but for the most part encouraging private entrepreneurs by setting up model factories, sending students abroad for training, hiring foreign advisers, giving subsidies to business and so on.

Ishida Takeshi, Professor of Political Science in the Institute of Social Sciences at the University of Tokyo, places more stress on the bitter experience of having been forced to sign unequal treaties with Western countries, which made the Japanese leaders of the Meiji period feel it was necessary to "Enrich the country, and strengthen the military!", a slogan popular at the time.[9] Various advantages consequently were given to emerging industries. At first, the government itself operated factories such as spinning mills and munition plants. Later, many of these factories were sold to private businessmen at relatively low prices, although the munition industry remained in government hands.

One important development, to which Ishida makes mention, is that the capital to be invested for industrialization was obtained internally, making it easier for Japan to maintain her independence. A major source of finance was a heavy land tax, three percent of the land value, as determined by the government. In the process of rapid industrialization, there was privileged industry on the one hand and underprivileged agriculture on the other. Ishida sees another similar dualism between the large enterprises and smaller ones, which remains to the present time.[10]

It was the large enterprises that received government financial aid and patronage, for these were regarded as best able to modernize Japan industrially. Men in charge of these private business interests were often closely connected to the government leaders by previous background or marriage. Reischauer[11] admits that such collusion would by contemporary standards be considered scandalous, but claims it did help produce rapid economic growth. It also set the pattern

---

[9] Ishida Takeshi, Japanese Society, New York, 1971, p.17

[10] ibid, pp.18,19. Sub-contracts between larger and smaller factories have formed an inseparable link between the two, making it possible for large enterprises to expand their business by increasing the number of their sub-contracts without worrying very much about depressions, to which they can partially adjust by decreasing the number of sub-contracts. Further details about the dual structure of the economy are given in chapter 3 of this dissertation.

[11] Edwin O. Reischauer, Japan The Story of a Nation, New York, 1970, 1974 edition, pp.154-156

for the unique Japanese institution of *zaibatsu* combines or conglomerates[12].

It would be a mistake to imagine that all the finance for rapid industrialization came from the government. Yasuzō Horie mentions other measures.[13] Through extending subsidies and other privileges, the government sought to persuade wealthy people to establish such firms as exchange banks, trading companies, marine trading firms, land transport agencies, and similar bodies. Not having a tradition of laissez-faire, and being accustomed to control and patronage by the State, businessmen looked naturally to the government for measures of protection and active support.

With all the revolutionary changes in values and techniques that began with the Restoration, the one thing that persisted was nationalism. According to these men of Japanese spirit with Western knowledge, it was in Japan's own national interests for the government to support rapid industrialization, and this is the reasons for the linkages between government and big business interests.

B. Party government and the zaibatsu:

As industrialization proceeded, a Western type of government gradually took root, and political parties emerged. The increased influence of the business world, together with popular demands for a more democratic government, led to the breakdown in 1913 of the oligarchic administration headed by General Katsura, one of the *genrō* (elder statesmen)[14]. A popular movement, led by party leaders and called the '*Taishō* democracy movement'[15] resulted in the passage of the Universal Manhood Suffrage Law in 1925. The electorate suddenly expanded from three million to thirteen million voters. Political parties did not have funds to launch an election campaign on such a magnitude, and therefore sought financial assistance from the *zaibatsu*, that had greatly prospered during World War I. The great Kanto earthquake of September 1923 had destroyed two-thirds of Tokyo, most of Yokohama and the naval base at Yokokusa, so the

[12] *ibid.*, pp.155,156. Usually there was a central, family-controlled "holding company", which through large blocks of shares controlled major industrial and commercial firms, which in turn controlled lesser affiliates. Reischauer suggests the whole structure was not unlike that of the Tokugawa shogunate, with its fiefs and sub-fiefs. The *zaibatsu* combine was not concentrated in a single field, but was spread throughout the whole of the modern sector of the economy.

[13] Yasuzō Horie, "Modern Entrepreneurship in Meiji Japan" in W. Lockwood (ed.), *The State and Economic Enterprise in Japan*, Princeton,1965.

[14] Ishida, *op.cit.*, p.22

[15] Taishō is the name of the period 1912-1926

government had needed their assistance with the reconstruction. Though there was competition of a kind between the zaibatsu, they together could bring powerful influences to bear on the government that relied so heavily on their financial assistance.

Ishida[16] comments on another aspect of this close relationship between parties and business. It bred corruption which was eventually exposed to the public and attracted a good deal of popular attention. Among the most effective weapons in election campaigns were accusations of corruption and lack of patriotism; one party would accuse another of not "conducting themselves properly as subjects of the Emperor". This undermined confidence in party government in general, and led to the formation of a "supra-party" cabinet in 1932 in pre-war Japan. The cabinet was unable to control the growing power of the army, which by a series of acts of violence at home, demanded an aggressive expansion to Manchuria and China. Despite a conciliatory foreign policy of the civilian Diet, the militaristic expansionist policy was successful.

It has been suggested that this was partly due to the fact that the zaibatsu supported this policy as a means of obtaining ready access to raw materials. Though admitting the possibility, Coaldrake[17] considers that their purpose would have been better served by commercial expansion free of military overtones. According to Ishida[18], businessmen co-operated in organising the economy for total war because of their own interest in increased profits from munition production. The high rate of military expenditure, which reached 47.2% of the annual budget in 1936, contributed to rapid industrialization, but inhibited balanced economic development. The low purchasing power of Japanese at home required the country to find markets abroad. 'The Greater East Asia Co-Prosperity Sphere' plan announced by the Prime Minister in 1938 laid emphasis on Japan's economic leadership and liberating potential[19]. The possibility of gaining access to raw materials and to market outlets was considered to have been a strong factor in zaibatsu support of the war effort, and the reason for the Occupation authorities' determination to dissolve them.

---

[16] Ishida, op.cit., p.23

[17] M. Coaldrake, Japan in Asia: A Dialogue in Co-existence, Adelaide, 1973, p.43

[18] Ishida, op.cit., pp.22,23. [19] Coaldrake, op.cit., p.51.

C. The impact of the Occupation:

Within a month of their arrival, American Occupation authorities set out to abolish the zaibatsu. They removed former managers from their posts, seized the holdings of the largest firms and families, and broke down the conglomerates into smaller, presumably less odious parts.[20] To protect the new business environment, American officials established a Monopoly Board to police reconsolidation. However, according to Stockwin[21], the slowness of Japan's economic recovery was proving an unwelcome drain on the pockets of the American taxpayer, and such things as the zaibatsu dissolution programme and the demands for reparations by various Allied powers were contributing to economic uncertainty and lack of initiative. This led to a modification of Occupation policy.

In December 1947 a Law for the Elimination of Excessive Concentration of Economic Power was enacted. According to the Japanese political scientist, Yanaga[22], an important modification was made in the original draft so that the law, as passed, applied to excessive concentration only. He claims that this modification was made at the insistence of zaikai, the new post-war term for big-business power group. If this is so, one can see how quickly big business in Japan was able to reassert itself. In this they were supported by American businessmen who visited Japan in late 1947. They informed authorities in Washington that the antitrust activities of the Occupation were ill-advised. The Johnston Committee, which represented American big business, made a similar report in 1948, so that in December the United States government withdrew its plan for deconcentration of economic power. The number of firms to be split or divested of some of their factories was reduced from 325 to 225 and then to 100. In the end only eighteen firms were ordered split, but seven did not have to comply. By the end of 1949 the Occupation policy of deconcentration of economic power had for all practical purposes ended.[23]

The Communist takeover of mainland China in October 1949 gave a powerful impetus to the policy of rebuilding and strengthening Japan, while the outbreak of the Korean War in June 1950 made Japan

[20] Gary Allinson, Japanese Urbanism, Berkeley, 1975, p.124
[21] J.A.A. Stockwin, 1975, op.cit., p.56
[22] Yanaga, op.cit., p.35 [23] This paragraph summarised from Yanaga, p36

an indispensable supply, service, and operations base for the United Nations forces. The phenomenal growth of industry resulting from the Korean War was made possible by entirely new postwar economic structures. The highly centralised financial and administrative control formerly exercised by the zaibatsu was now vested in the State, with government officials, especially from the Ministry of Finance, assuming the powers and responsibilities that once belonged to zaibatsu managers.[24] The entire economy became extremely dependent on the central government, for private capital was practically nonexistent after the war. In the 1960s mergers were encouraged by the government as part of the rationalization and modernization programme in industry, designed to cope with the liberalization of trade and foreign exchange and to strengthen Japan's international competitive position.

D. The Post-World War II economic miracle:

During World War II Japan had tried a basically nineteenth-century Western policy of imperialistic expansion in an attempt to set up a 'co-prosperity sphere'. Herman Kahn[25] sees the attempt as a natural conclusion to the process of Westernization that had characterized the Meiji century. But the empire created by that process was reduced to rubble, and the cities of the homeland destroyed. No one would have expected Japan to recover from this catastrophe, though as has already been noted, the Korean War unexpectedly gave an impetus to industrial development. By 1955 Japan had recovered to its pre-war standard, and from that point onwards made remarkable economic progress. Many factors contributed to this growth, some of which will be discussed in future chapters. In this chapter we are concerned with the links between government and business in contributing to this recovery.

There seem to be interesting parallels between the first years of the Meiji Restoration and the early years after Japan regained independence following the San Francisco Peace Treaty. It was the humiliation of the defeat and subsequent Occupation that made Japan determined to catch up with the West through economic expansion, so that what it could not gain through imperialistic expansion, it might gain through trade - the recognition of national status on an equality with the advanced countries of the world. In both cases national pride was at stake, so in both periods it was seen as being in the national interest for the government to support business ventures.

[24] Yanaga, op.cit., p.38 [25] Kahn, op.cit., p.85

III Current Linkages Between Government and Business:

There is a danger of laying too much stress on the degree of Japanese unanimity and co-operation between government and business interests, while overlooking internal competitive differences and how they are resolved. William Bryant[26] suggests that it is more accurate to think of an elitest power structure of conservative politicians, bureaucrats, and big businessmen, loosely united by a common educational background and a common belief in the private enterprise system, but differing in ends and means arising from that value system. Conflicts of interest are resolved through a gradual consensus-building process, which he calls "co-operative competition", with preconsultation on policy decisions as one of the ground rules. He identifies as another Japanese characteristic the degree to which they have organised the participation of businessmen in diplomacy as a continuing part-time activity, with an elaborate structure of standing committees, liaison and publication channels, and even a special terminology, namely private economic diplomacy.

Though lifetime employment is the general rule (as explained in Chapter Three), there is one noticeable exception, and this strengthens the linkage between bureaucracy and business. This is the practice of amakudari ('descent from Heaven') by senior civil servants. Ojimi Yoshihisa[27], a former administrative vice-minister of the Japanese Ministry of International Trade and Industry, explains that the lifetime of a top bureaucrat is not very long. Because the structure is pyramid-shaped, as one climbs, there are naturally fewer posts. It is not usual to put a section chief below a bureau chief, who is the same age or y unger. As a result, most top bureaucrats retire from the Civil Service when forty-five to fifty years of age. Most take new jobs in the nongovernment sphere. They can go immediately to a public organization, but must wait two years to enter a private company unless they obtain permission from the personnel authority.

There are three main patterns of career transfer for senior civil servants. A company may look for a retiring bureaucrat with the right personal connections. A second way, most likely to involve corruption, is where a civil servant in the course of his

[26] W. Bryant, Japanese Private Economic Diplomacy: An Analysis of Business-Government Linkages, New York, 1975, p.3.

[27] Ojimi Yoshihisa, "A Government Ministry: The Case of the Ministry of International Trade and Industry" in E. Vogel (ed.), Modern Japanese Organization and Decision-Making, Berkeley, 1975, p.110.

career accumulates obligations from businessmen, so that on retirement from the Civil Service, he is able to gain a position in private business. The third way is where the ministry actively seeks out posts for its retiring civil servants in firms with which it has connections.

Gerald Curtis[28] admits that _amakudari_ plays a role in facilitating business-government communication, but considers the situation is not free of ambiguity, as the initiative for the recruitment of the bureaucrats does not come entirely from private firms, so it may not be as facilitating for contacts with the government as Yanaga[29] had earlier maintained.

Curtis[30] is critical also of the way that some American government publications refer to _zaikai_ as a discrete group like the Industrial Problems Research Council. Miyoshi Masaya[31] suggests it is more accurate to define _zaikai_ not as an organization but as a collective noun for the senior leaders of the following four organizations:

A. Federation of Economic Organizations (_Keidanren_ - the abbreviated Japanese name) set up in August 1946 under the aegis of the government and the Occupation. According to Stockwin[32] it initially included in its membership the Japan Chamber of Commerce and Industry as well as organizations representing small and medium industry. These groups, however, broke away about the time that Japan regained her independence. Yanaga[33] states that its regular membership embraces more than 100 major national trade associations and over 750 large corporations. The Federation is unique in that, though it is an organization for private business, its membership includes both public and quasi-public corporations, thus helping to reinforce the intimate business-government relationship. Cabinet ministers attend the general meetings, and convey greetings in person. Bryant[34] considers it the most prestigious of the business associations and the leading nongovernment sponsor of private economic diplomacy, with three functions:

(i) to adjust differing interests of industries and corporations on behalf of the business community as a whole;

(ii) to formulate and present policy recommendations to the government;

(iii) to promote international exchange.

---

[28] G. Curtis, "Big Business and Political Influence" in Vogel, _op.cit._, p.45.

[29] Yanaga, _op.cit._, pp.108,109. [30] Curtis, _op.cit._, p.37.

[31] Miyoshi Masaya, lecture at Sophia University 6/8/77.

[32] Stockwin, 1975, _op.cit._, p.137 [33] Yanaga, _op.cit._, pp.42-48

[34] Br[illegible]

The President of *Keidanren* is regarded as the one presiding over *zaikai*, and he therefore plays a decisive role in business-government relations. Twenty standing committees cover every aspect of the national economy. In addition special committees are set up on an ad-hoc basis to deal with important problems of an emergency nature.

B. Japan Committee for Economic Development (*Keizai Dōyūkai*) came into existence in April 1946. Yanaga[35] considers that it was a completely new organization without any prewar antecedents. It began with a small group of dedicated junior executives, who felt that a new organization was needed to give direction to the reconstruction of the economy. At first, it concentrated on research and policy formulation related to problems basic to the achievement of economic independence. It differs from other economic organizations in that its membership of 1,500 is made up entirely of individuals bound together by common interests and goals and dedicated to promoting the healthy growth of the economy. Though it worked very hard making representations to the government, the bureaucrats did not take them seriously for years. Now many of the junior executives have become presidents, vice-presidents or directors of public corporations such as the Japan Development Bank, Japan Export-Import Bank, Japan Housing Authority, Japan Public Highway Authority, and the Bank of Japan.

Bryant[36] considers that its function for the business community is an intellectual function, to educate and speak for the individual businessman and his relationship to society. *Dōyūkai* contributes to private economic diplomacy with its conferences and study groups designed to produce joint policy statements for publication. It has a strong international orientation and sends teachers abroad and co-operates with counterpart organizations in other countries.

C. Japan Federation of Employers' Associations (*Nikkeiren* - the abbreviated Japanese name) was founded in April 1948 to achieve industrial peace and increase productivity. Membership of *Nikkeiren* and *Keidanren* are almost identical, with considerable overlapping of leadership, so Yanaga[37] suggests the two may be regarded as the two sides of the same *zaikai* coin. As

[35] Yanaga, *op.cit.*, pp.46-49.

[36] Bryant, *op.cit.*, p.23.

[37] Yanaga, *op.cit.*, p.50

management's headquarters for labour policy, it devotes its energies almost entirely to labour problems, coping with the demands of labour unions, and promoting labour legislation.

It maintains close liaison with the Ministries of Labor and Welfare, the Social Welfare Committees of both Houses, and the Labor Sub-committee of the Policy Committee of the Liberal Democratic Party, holding frequent informal meetings with government leaders. Though Yanaga considers it the most powerful and unified of the four organizations, Bryant does not mention it, so he must consider it plays no part in the private economic diplomacy, despite its close liaison with relevant ministries.

D. Japan Chamber of Commerce and Industry (*Nisshō* - the abbreviated Japanese name) dates back to March 1878. As already noted, after the war it was affiliated with *Keidanren* but withdrew in 1952. Organized on a strictly geographical basis, *Nisshō* is a federation of 445 local and regional chambers in various cities throughout the country. It represents all business activities, large and small, manufacturing and financial, trades and services. It is the only one of the four organizations which includes medium and small enterprises as members and devotes much of its energies to strengthening them. Bryant[38] maintains that it has difficulty speaking with one voice as the interests of medium and small businesses are bound to conflict with that of big business. It appears that he does not realise the interdependence that exists between large and small businesses in Japan. Yanaga[39] admits that the voice of the large chambers grows stronger with the passage of time, particularly that of the Tokyo Chamber of Commerce. *Nisshō* is particularly keen in promoting export trade, improving the nation's balance of payments, and in international economic co-operation.

E. An example of government-business co-operation:

On 4th August 1977, the Japanese Cabinet announced a six-point programme aimed at business stimulation, for industry was experiencing great difficulties, as an aftermath of the oil crisis. Many of the largest corporations were working at only sixty to eighty per-cent of production capacity. The cabinet therefore announced:

---

[38] Bryant, *op.cit.*, p.21.

[39] Yanaga, *op.cit.*, p.51

i. an acceleration of measures already dec..ded, through the implementation of the Budget;
ii. an acceleration of investment in the power industry;
iii. an oil stockpile investment in Hokkaido;
iv. increased credit for plant and equipment exports;
v. increased commodity aid to developing countries;
vi. measures aimed at structural alterations of specific industries, e.g. textiles, aluminium.

Mr. Miyoshi, the Deputy Director of the International Affairs Department of Keidanren used this programme in a lecture at Sophia University to illustrate the influence of business on government policy-making. Despite the economic recession, firms had to retain workers as part of the accepted lifetime employment system, so business leaders contacted the government to provide some business stimulation. Of the six proposals listed, four were submitted by the business associations, Mr. Miyoshi having been in charge of proposals (iv) and (v), so these were explained in more detail. It was considered that the emphasis on exports should shift from 'unhealthy' ones, such as ships and cars that had damaged the industries of other countries, to 'healthy' ones. For this to occur government assistance was needed for the export of plant and equipment. Cabinet had responded, increasing credit for such exports. In the area of aid to developing countries, the government had preferred to grant project loans. However, there were surpluses in steel, fertiliser and rice, so Keidanren had recommended grants in kind.

There is great concern about the use of energy, so the sixth proposal, initiated by the Ministry of International Trade and Industry (MITI), recommended a switch from industries requiring a great amount of energy, e.g. steel and fertilisers, towards computer manufacture and allied industries. The textile and aluminium industries were also experiencing difficulties because they are no longer competitive on the world market, particularly because of the high cost of electrical power, which in Japan is three times higher than in Australia, and twice the cost of that in the United States. MITI was endeavouring to encourage these operators to diversify their operations, and this accounted for measures aimed at structural alterations of specific industries.

These examples not only illustrate the links between business and the cabinet, but also the administrative guidance provided by the bureaucracy, especially by MITI. According to The Economist[40], it is the intimate connection between the business world and the bureaucracy that is the special feature of Japanese capitalism, enabling the government to operate its uniquely successful powers of guidance over the economy. Ojimi[41] admitted that the purpose of MITI's administrative guidance was to aid industrial development, and thus the activities of industry and the bureaucracy were mutually supportive.

IV Concluding Comments.

Whilst recognising that there are definite links between big business, the government and the bureaucracy, there are a number of qualifying factors, which show that the concept of Japan Incorporated is an exaggerated one.

The interaction between government and business pressure groups is not unique to Japan, but is "one of the most important aspects of the growth of the power elite which exists, in varying forms, in all advanced industrial communities", Encel[42] maintains, describing at the same time the political influence of the Associated Chambers of Manufactures of Australia (ACMA). It is interesting that he cites as a good example of ACMA in action the Japan-Australia trade treaty concluded in 1957, which gave Japanese manufacturers considerably greater access to the Australian market.

Exploratory talks between the two governments began early in 1956, and in July the Department of Trade organised a confidential meeting of ACMA and other employers' associations to advise them of the general outline of the draft treaty. Immediately before the signing of the agreement ACMA and State Chambers of Manufacturers, the Australian Industries Development Association, the Textile Workers' Union and other bodies published statements criticising the proposals. Correspondence and discussions on a ministerial and departmental level were used to urge the provision of adequate safeguards in the agreements, so that before the ratification of the treaty, Mr. McEwen, Minister for Trade,

---

[40] "A special strength: A survey of Japan", The Economist, 31/3/73, p.23.

[41] Ojimi, op.cit., p.107

[42] S. Encel, Equality and Authority: A Study of Class, Status and Power in Australia, Melbourne, 1970, pp.352-354.

announced a system of continuous consultation between his department and industry groups. Since 1957 ACMA has built up its head office and recruited a steady trickle of officials from government departments, a practice that has interesting parallels with the Japanese system.

Senior Australian businessmen like Mr. W.M. Morgan, Managing Director of Western Mining Corporation warn Australian audiences: "The close co-operation between business and Government in Japan adds enormously to the strength of the position of the negotiating Japanese company."[43] This may be true, but close co-operation between business and government in Australia is not unknown, so the Japanese position is not unique.

Another qualifying factor, limiting the usefulness of the Japan Incorporated concept, is the need to take account of elements of division within the structures of power. Stockwin[44] refers to the extent to which factionalism within the Liberal Democratic Party limits the Prime Minister's freedom of action, especially in the formation of his Cabinet. To this he adds the receptivity of faction leaders, individual Diet members and even civil servants to efforts by pressure groups to exercise political influence. One feature frequently attributed to the bureaucracy is the entrenched 'sectionalism' of individual ministries, and their habit of 'roping off' (nawabari) their own spheres of jurisdiction from outside interference.

Gerald Curtis interviewed numerous Japanese businessmen, staff members of the major economic federations, journalists and other observers of the business and political scene, and concluded[45] that the ruling elite model of Japanese politics makes a number of false assumptions about the organizational unity of the business community, its unanimity of views on specific issues, and its involvement in a broad range of governmental decisions. Though there are few case-studies of decision-making in Japan, he assumes that if such studies were carried out, it would be shown that different groups participate in the decision-making process depending on the issue involved. International pressures for greater and faster liberalization and for "orderly marketing", and domestic pressures for improving the quality of life rather

---

[43] W.M. Morgan, "Negotiating with the Japanese" in J.A.A. Stockwin, 1972, op.cit., p.64.

[44] J.A.A. Stockwin, 1975, op.cit., p.119.

[45] G. Curtis, op.cit., p.68.

than simply expanding the size of the economy are testing the capacity of the Japanese political and administrative system to respond effectively to conflicting demands.

This difficulty is acknowledged by Ojimi[46], who admitted it was easy for MITI to work, when industry agreed that what they were trying to do was to move things in a direction that would benefit industry. Now their job is to direct industry away from economic growth towards social usefulness, and their administrative guidance may no longer be welcomed.

In the past, as has been shown, political parties have received tremendous financial assistance from big businesses. However, the Lockheed "pay-off" scandal has affected the system of political contributions. Previously Keidanren had filtered money from business corporations to the secretary-general of the Liberal Democratic Party, officially to be distributed to the party impartially, but according to Mr. Miyoshi,[47] it probably went to the secretary-general's own faction. Now the law limits to small amounts the money that companies may give to the political parties, so Keidanren has become a conduit for individual contributions from top executives. It can therefore be expected that the ability of business to influence the political parties may be lessened, thus further invalidating the concept of Japan Incorporated.

The linkages between Japanese organized business, party government and the administrative bureaucracy are thus far more complicated than many writers have acknowledged. Yet even those writers who tend to exaggerate the importance of these linkages do not consider that this was the first and foremost cause of Japanese economic growth. That honour is given to:[48]

> "the general energy and dedication of the Japanese and their capacity for purposive communal action, which when ... focused on the problem of recovery, performed with its usual skill and dynamism."

It is therefore appropriate to examine the place of work in Japanese society to account for such effective communal action, and this is the subject of the next chapter.

---

[46] Ojimi, op.cit., pp.108,109.

[47] during a lecture at Sophia University, op.cit.

[48] H. Kahn, op.cit., p.87

CHAPTER II

THE PLACE OF WORK IN JAPANESE SOCIETY

I A Work-oriented Society

Odaka Kunio is recognised as Japan's leading labour sociologist. He claims[1] that though Japan's remarkable economic growth and industrial progress since the end of World War II is recognised, Westerners have not known at all well the lives and minds of the people who have created this unique development. It is certainly a topic that interests the Japanese people themselves, as is evident by the number of recently published books about Japanese society. Fosco Maraini[2] maintains that the vogue of vernacular books and articles analysing Japanese society, Japanese personality, Japanese psychology, the "essence of what is Japanese" and so on, has reached extraordinary proportions. Many of these writings have been translated into English, so readers are not dependent on foreigners' interpretations.

In addition there are numerous government surveys. For example, the Economic Planning Agency of the Japanese Government produced results of their enquiries to discover the aspirations and behaviour patterns of the Japanese in the 1970s, concluding[3] that it is still a work-centred society, for people do not want to take vacations unless they are very ill; they depend heavily on their place of work for medical examinations and care; many of them receive training and education sponsored by their employers; they use a large part of their leisure time to increase knowledge of their work; many of their recreational and sport activities depend on facilities which are provided at their place of employment. Moreover, people often live in company houses; most of their friends are colleagues at the place of work; and there are many who consume regularly the products of the enterprises or industrial group to which they belong.

It is not necessary to reproduce all the statistical material used to support these conclusions, but the matter of annual leave may serve to illustrate their attitude towards work. When

---

[1] Odaka Kunio, Toward Industrial Democracy, Cambridge, Mass. 1975, p.vii.

[2] Fosco Maraini, "Japan and the Future: Some Suggestions from Nihonjin-ron Literature" in G. Fodella (ed.), Social Structures and Economic Dynamics in Japan up to 1980, Milan, 1975, p.17.

[3] "The Japanese and their Society", Pt II of the Report on National Life 1972, Social Affairs Bureau, Econ. Planning Agency, Tokyo, 1972, p.110

compared with other countries, the Japanese have little time for leisure activities. In weekly working hours and the number of days of paid leave, Japan lags far behind Western countries. In particular, legally established paid leave in Japan is one fifth of that of Sweden, one quarter of France, one third of Australia, and half that of the United States, Canada, Russia, New Zealand, Israel or the United Kingdom.[4] The movement to establish five working days a week is extremely slow.

Yet despite such short leave, they found[5] that only one-fifth of the people surveyed took all of their paid leave entitlement in 1969, while forty percent took only half or less. When they examined the reasons for taking annual paid leave, they found the percentage of those using leave for leisure activities was very low, as the analysis in Table 1 demonstrates.

TABLE 1

PERCENTAGE DISTRIBUTION OF PURPOSES OF TAKING ANNUAL PAID LEAVE[6]

(Unit %)

Age / Purposes or reasons	Male				Female		
	20-29	30-39	40-49	Average	20-29	30-39	Average
Illness	13.0	21.7	23.3	20.4	21.7	27.1	23.7
Fatigue	9.3	9.8	14.1	11.4	12.8	12.7	12.7
Social functions	9.3	9.5	12.1	10.4	4.6	1.9	3.6
Tour	10.2	6.4	4.8	6.6	18.2	14.6	16.9
Family obligations	3.1	6.8	9.5	7.0	8.9	2.5	6.5
Excursion	7.6	5.7	6.9	6.6	9.3	4.4	7.4
Visiting home-town	13.9	3.3	3.7	5.7	1.9	1.3	1.7
Nursing illness of family members	3.1	8.1	3.4	5.2	4.2	3.2	3.8
Sports	9.9	3.6	1.6	4.2	5.0	-	3.1
Entertaining guests	3.7	4.3	2.7	3.6	1.5	6.3	3.4
Attending an entrance or graduation ceremony of one's child	-	0.8	2.6	1.3	-	1.9	0.7
Moving house	1.1	0.9	1.4	1.2	0.4	1.3	0.7
Celebration of one's own child	-	0.5	0.3	0.3	-	3.8	1.4
Others	6.8	11.0	7.7	8.8	7.3	6.3	7.0
No answer	9.0	7.6	5.9	7.3	4.2	12.7	7.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

---

[4] ibid., p.107.

[5] ibid., p.86

[6] ibid., p.88. The results are based on a survey of employees' perception of working hours, jointly conducted by the Economic Planning Agency and the Better Living Information Center in March 1972. The survey asked questions of 1,500 persons whose ages were nineteen years or more, living within twenty-three wards of Tokyo metropolis. Most of the older women in the workforce work part-time only so presumably this explains the absence of statistics for older women.

When enquiring the reasons for people not taking their full leave entitlements, sixty-one per-cent said they did not need it; twenty-nine per-cent said they were too busy; and eight per-cent hesitated to take their vacation when their colleagues were working. It can therefore be seen that their claim that Japan is still a work-oriented society has much evidence to support it.

The Australian businessman or politician, who expects to be able to complete his business with his Japanese associates in two or three days, and then spend three or more weeks holidaying with his family, reflects a different attitude towards work and leisure, and this may affect negotiations between Japanese and Australians. On the one hand, the Australian may become impatient that the business is taking so long to complete. On the other hand, the Japanese may doubt that the business is important to the Australian, since he seems so reluctant to spend the time to ensure its successful completion. It is therefore important to understand Japanese attitudes towards work.

When Mr. Morgan was preparing his paper for an Australian audience in 1971[7], he said he had relied very heavily on Ruth Benedict's The Chrysanthemum and the Sword (London, 1947). This is an amazing admission, for the book, based on pre-war research and interviews with Japanese living in the United States during the war, was written for the Occupation forces. As Mr. Jackson, Senior Executive Officer of the Colonial Sugar Refining Company commented:[8]

> "...the needs of a visiting businessman in 1971 are different from the needs of Occupation troops in 1946."

The alternative list he offers, though an improvement, is limited to history and economics, and does not include any translations of Japanese writers, writing of their own society. If we would understand how the Japanese people were able to work to achieve their economic recovery, recent writings should be examined.

II Some recent explanations for Japanese work-orientation:

A. The family-like structure of the company: The Japanese Government, in its anxiety to correct some current Western misinterpretations about their own people, has gone to the extent of producing its own

---

[7] W.M. Morgan, "Negotiating with the Japanese" in J.A.A. Stockwin, 1972, op.cit., pp.55,56.

[8] R.G. Jackson, "Comment", ibid., p.69.

English translation of a socio-cultural study of the Japanese, undertaken by Nakane Chie, the first woman professor of the University of Tokyo (Professor of Social Anthropology at the Institute of Oriental Culture). She is critical of the way that Western scholars and Japanese counterparts who have copied their theories, have disposed of Japanese phenomena that did not fit Western theories by labelling them as Japan's 'feudal' or 'backward' elements.[9] She suggests that the description of Western countries as advanced nations refers to the historical fact that industrialization started there at a relatively early date. 'Modernization' and 'industrialization' have tended to be equated, and were certainly linked together by the Meiji leaders. Former theories of modernization were governed by the view that Japanese society would become the same as that of the West if industrialization reached the Western level. Though the level of industrialization is now similar to Western advanced countries, she thinks it only natural that Japanese society, which is remote geographically and distinguished from the West by marked historical and cultural features, should face fairly different types of problems, and therefore produce phenomena, which though different from the West, ought not to be labelled as 'feudal' or 'backward'.

Nakane[10] observes that kinship outside the immediate household is less important in Japan than in India, south-east Asian countries, and even in England. She considers that kinship, which is normally regarded as the primary and basic human attachment seems to be compensated in Japan by a personalized relation to a corporate group based on work, in which the major aspects of social and economic life are involved. She attributes this to the fact that the vitally important unit in Japanese society is based on frame (ie. a common situational position), rather than on attribute (i.e. some specific quality of the individual). She cites as an example the Japanese custom of introducing themselves by saying first the name of their company, rather than their name or particular occupation.

Though it is often said that the traditional family (ie) institution has disappeared, Nakane[11] notes that the company is conceived as an ie, all its employees qualifying as members of the

---

[9] Nakane Chie, Human Relations in Japan, summary translation of Tateshakai no Ningen Kankei, Ministry of Foreign Affairs, Tokyo, 1972, chapter 1.

[10] Nakane Chie, Japanese Society, Middlesex, 1974 edition, pp. 6, 7.

[11] ibid., pp. 7, 8.

household, with the employer at its head. This 'family' envelops the employee's personal family; the employer readily taking responsibility for his employees' families, for which, in turn, the primary concern is the company, rather than relatives who reside elsewhere.

Nakane[12] emphasises the vertical nature of Japanese society, which she explains in terms of an oyabun-kobun relationship. Oyabun means the person with the status of oya (parent) and kobun means with the status of ko (child). The traditional oyabun-kobun relationship took the form of patron and client, landowner and tenant, or master and disciple. She says that the expressions are still used today, although more informally. Oyabun may be one in a senior position at a man's place of work, with whom has grown a close personal relationship over the years. The essential elements in the relationship are that the kobun receives benefits or help from his oyabun, such as assistance in securing promotion or advice on important decisions. The kobun, in turn, is ready to offer his services whenever the oyabun requires them.

George de Vos[13] in reviewing Nakane's writings suggests that what is implicit rather than explicit throughout her analysis is the fact that emotional needs for interpersonal harmony, affiliation, nurturance (dependency) and sense of being personally appreciated are far more important to many Japanese than individuated instrumental goals.

B. Dependent relationships: What is implicit in Nakane is explicit in the writings of the Japanese psychiatrist, Doi Takeo, who uses the term amae to explain the dependent behaviour of the Japanese. Amae can be defined as a need for passive love, a presumption of benevolence on the part of others, which is enjoyed at its maximum by the child in the arms of his mother. Amaeru is a verbal form of the noun amae, meaning to behave self-indulgently, presuming on some special relationship. Amae then is an attempt psychologically to deny the fact of separation from the mother.[14]

The Japanese speak of 'fatherless households', for the father is so involved with his work that the mother runs the household. Most homes are so small that the pre-school child is always in very close proximity to its mother and a strong bond develops.

---

[12] Nakane, op.cit.,1974, pp.44,45.

[13] George de Vos, Book Review, The Japan Interpreter, Vol.VII, No.2, Spring 1972, p.206.

[14] Doi Takeo, The Anatomy of Dependence (trans.J. Bester), Tokyo, 1973, p.75

It is this special relationship that Doi considers the Japanese worker is seeking to recover through an oyabun-kobun relationship with his employer.

C. Iemoto-like Organizations: Francis Hsu[15] explains the oyabun-kobun relationship between employer and employee as being similar to a master Iemoto and his disciple. In essence iemoto is an organization consisting of a master of some art or skill, (such as pottery making, flower arranging, calligraphy, judō, Nō drama and so on) and his disciples. He maintains that iemoto-like organizations are not limited to schools which use this name, but are the predominant form of social grouping in Japan. He uses the term to refer to a fixed and unalterable hierarchical arrangement voluntarily entered into among a group of human beings who follow a common code of behaviour under a common ideology for a set of common objectives. He would therefore interpret a worker's allegiance to his company as that of a disciple keen to advance the interests of his master, being jealous of the reputation of his master's firm in relationship with that of rival firms.

D. Some criticisms of socio-psychological analyses of Japanese society:

Tani Yutaka[16] of the University of Kyoto admits that it is easy to find this iemoto-like relational tie in such Japanese social organizations as the company, university and many other public and private institutions, but considers the concept is not enough to explain why the Japanese have established iemoto-like social groups. He admits that Doi's contribution is important in supplementing the studies of sociologists and social anthropologists who were interested in the social structure of Japanese society. He considers that Doi's theory might be effective in interpreting Japanese endemic mental disease in psychotherapic fields, but claims it is not the only significant attitude in Japanese interpersonal relationships.

One could also seriously doubt that Doi's theory does justice to the remarkable capacity for purposive communal action, of which Kahn wrote. Whilst granting that the energy generated by inner tensions may be an important cause of the work-and-achievement-syndrome of the Japanese, Maraini[17] suggests that the Japanese overall attitude to the world and life is more complex.

[15] F. Hsu, Iemoto: The Heart of Japan, New York, 1975, pp.62-69

[16] Tani Yutaka, "Status, Role and Self-Identity in Japanese Social Relationships" in G. Fodella, op.cit., pp.78-88.

[17] F. Maraini, op.cit., pp.50,53.

At the back of the Japanese mind lies a deep and comforting feeling that the production of things, doing, organizing, creating, adding, enriching are all fundamentally good actions. In the event of a national crisis, he maintains the Japanese rally with particular energy round the positive pole of their personality, and it is to this that he would attribute their success.

Tani[18], recognising that the usage of address terms reflects sensitively the attitudes in the interpersonal relationships of the Japanese, analysed their usages. While he was able to confirm that formal usages of address terms had some relevancy to the vertical structure of organization and the sense of ascription to organizations, which Nakane pointed out as being characteristic of the Japanese social structure, he was able also to show that there is a horizontal and appositional relationship between persons.

This seems to be the weakness of Nakane's analysis. Though her explanation of Japanese society as a vertical structure may be of use in explaining the bond between employer and employee, it does not account for the relationship between co-workers, despite her emphasis on the importance of the group. In her view[19] groups in Japan are formed by the multiplication of a vertical relation between two individuals, so that no matter how strong the unity, no matter how 'happy the group' (to use a Japanese expression), the sudden removal of the leader is a severe blow, and automatically brings a 'household rebellion' (the Japanese expression for an internal struggle). It seems at this point that the family-like structure of the company breaks down. Apart from the few multiple births, in human families most siblings can be ranked in order of age, but in a large company there will be many who started work on the same day, having graduated from the same university or high school, particularly since recruitment normally occurs only once a year. School cliques are important factions within an organization, and do not seem to have been adequately included in her analysis.

<u>E. Group conformity and competition:</u> Turning to a political scientist's analysis of society, Ishida in his chapter on Values, Norms, and Education, appears to give a more balanced treatment to both vertical and horizontal relationships. In seeking to discover what sort of value-orientation has made Japan more dynamic in modernization than other Asian countries, he finds an answer in

---

[18] Tani, <u>op.cit.</u>, pp.81-88. [19] Nakane, 1974, <u>op.cit.</u>, p.46.

Japanese conformity to a changing situation. Conformity is usually seen as a static attitude, but as he points out[20], when people are unanimously changing in the same direction, opposition to change is failure to conform. He then poses the question as to who determines the direction and speed of the change. He admits that this is difficult to answer, because the change is not necessarily wished for by anyone, but may be the result of competition. It is not always realised that there can be competition within a conformity or between conformities. Among company employees a strong sense of identity with the company and conformity to its goals is accompanied by a sense of competition both externally with other companies and internally in loyalty to their own company. He thinks that competition among the workers themselves is not destructive of conformity, since it is competition in loyalty to the company. In this way, competition results in unanimity of effort. The orientation of the members of the group is not toward individual achievement, but toward merit acquired by individual contribution to the goal of the group. He concludes that this group conformity, together with the principle of competition, is one of the elements in society that are most important to an explanation of Japan's "miraculous" postwar economic development.

He has no doubt that upbringing in general and school education in particular play the most important roles in maintaining the norms and values of a society. Australians need no reminder of the effect on Japanese children daily reciting the Imperial Rescript on Education with its call: "should emergency arise, offer yourselves courageously to the State".[21] Many of them became the soldiers and sailors who died in battle "bear[ing] in mind that duty is weightier than a mountain, while death is lighter than a feather."[22] While the Occupation authorities banned indoctrination in the schools and changed the educational system, Japanese who took part in the post-war recovery of the country and those in senior positions today were all subject to that educational system and are thus keen to "advance public good and promote common interests".[23]

We should not be surprised that at the end of World War II they were prepared to endure "the unendurable", devoting their total strength

20. Ishida, op.cit., p.37f.

21. "The Imperial Rescript on Education" (Eng.trans.) in Tsunoda Ryusaku et al., Sources of Japanese Tradition, Vol.II, New York, 1958, 1964 edition, pp.139,140.

22. "Imperial Precepts to Soldiers and Sailors", ibid., pp.198-200.

23. "The Imperial Rescript on Education", op.cit.

to the construction of the future, to "work with resolution so that you may enhance the innate glory of the Imperial State and keep pace with the progress of the world."[24] They rose to the occasion, fulfilling the Emperor's hope.[25]

> "Acting upon a consciousness of solidarity and mutual aid and broad tolerance in their civic life, they will prove themselves worthy of their best tradition."

Those young men who took part in the post-war reconstruction of their country are now the senior executives negotiating with foreigners. It is understandable then that emotional sensitivity and group spirit are two aspects of Japanese behaviour that Howard Van Zandt considers[26] influence their negotiations.

III "Economic Animals": Criticisms of the work-oriented Society.

In late 1969 the term 'economic animals' began to be widely used to describe Japanese pre-occupation with economic growth. Though apparently first used by a Pakistani minister to deplore Japan's lack of foreign policy, it has been quickly used by South-east Asian countries to refer to Japan's exploitation of their raw materials, and within Japan is used to criticise the country's lack of welfare provisions.

Hagiwara Yoshiyuki[27] explains that in postwar Japan, democracy and economic progress have been considered almost synonymous, and economic progress has been the sole purpose of government. This kind of government owes its success to a strong popular conviction that economic progress alone was a sufficient goal. He considers that the government should have set its own goals, for the new Constitution guarantees that basic human rights will be protected, that Japan will not re-arm, and that she will follow a peaceful course. These tasks go beyond simply deciding appropriate rates of growth.

He comments that from 1955 to 1965 their annual rate was above ten per-cent; their trade balance turned from unfavourable to favourable; in those years their gross national product increased threefold so they can boast now of having the third largest GNP in the world. This progress he maintains was achieved by advancing towards the old goal of "catching up with and surpassing the West";

---

24 "Imperial Rescript on Surrender" 14/8/45 (Eng.trans.) in D.J. Lu, Sources of Japanese History, Vol.II, New York, 1974, pp.176,177.

25 "Emperor Hirohito's Rescript Disavowing His Own Divinity", New Year's Day 1946 in D.J. Lu, op.cit., pp.190,191.

26 H.F. Van Zandt, "How to negotiate in Japan", Harvard Business Review, Nov.-Dec., 1970, pp.45-56

27 Hagiwara Yoshiyuki, " "Economic Animal" Reconsidered", The Japan Interpreter, Vol.VII, No.2, Spring 1972, pp.138-149

this time the slogan was "fukoku kyōkigyō" or "Rich country, strong enterprise" instead of "strong army". But, just as before the war there lurked in the background poverty-stricken farmers and labourers, today industrial pollution, inadequate welfare facilities, and growing alienation among the people spoil the picture. He suggests that Japan may be creating a new zone of emptiness.

Professor Hirschmeyer of Nanzan University is reported to have made the following summary of three characterizations of modern Japan:[28]

i. Japan is the first country in the world to have given modernization the status of a national policy. Leadership under the new power elite was strong, using ideology to push development.

ii. Aided by high standards of education, the Japanese pursued economic development, assuming they need learn only the technical layer of Western knowledge, for Japan had its own system of ethics. Rote learning of foreign technology was emphasised with no stress on the implications it held for society, or on the values it embodied.

iii. People exhibit a tendency of "society-centredness" where the individual too easily succumbs to the demands of his group or group leaders, changing his opinion and course of action accordingly. As a result, the whole nation can be manipulated.

Ishihara Shintarō [29] goes even further, attributing their troubles both at home and abroad to a decline of morality among their people. He proposes the hypothesis that behind Japan's fabulous rush into modernization was a "hunger mentality", sustained by a far-reaching inferiority complex towards advanced western civilization. Without the hunger syndrome working on people at all levels of society, he considers Japan could never have become a modern industrialized nation in one hundred years. The sheer practicality and realism of economics provide the perfect yardstick in the competition of one nation against another, so he considers it was easy to let the rules of economics justify the means to achieve technical progress or economic gain. He cites government attitudes towards Taiwan and Israel, both abandoned because of the economic advantages of trade with China and of oil supplies from Arab countries. He does not offer any solution for the recovery of national morality, beyond the call to examine their history to see how long the reservoir of morality has been left empty and dry.

---

[28] Reported by Hagiwara Yoshiyuki, op.cit., p.148.

[29] Ishihara Shintaro, "A Nation Without Morality", The Japan Interpreter, Vol.IX, No.3, Winter 1975, pp.276-291.

Fukutake Tadashi[30] equally is critical of the fact that though Japan has become an economic superpower, with a GNP third in the world, it has only thirteenth place in per capita national income. He complains that the business community, which supports the ruling conservative government, has no vision beyond short-term economic rationality. Though there has been discussion of the social responsibility of business, he considers that social development is likely to receive nominal consideration only for some time to come, and that economic development will continue to dominate planning.

Nakamura Takafusa[31] claims that the era of high economic growth particularly of the 1960s is called a "golden age" in acknowledgment of the substantial rise in the material standard of living of the average Japanese. At the outset of the decade, families prided themselves on the acquisition of such consumer items as black-and-white television sets, washing machines and vacuum cleaners; but now they are proud of their colour television sets, family cars, air conditioners, and their financial ability to travel abroad.

Fukutake[32] admits that the rapid growth of the economy has raised the standard of living of the Japanese people, but highlights the lag in social facilities. The housing crisis continues without change, with land so expensive and the demand for housing so great that many Japanese see no chance of having a decent living environment. He points to deficiencies in environmental facilities such as water supply, sewage disposal, rubbish disposal, lack of parks, libraries, creches, medical care outside of cities, and the low level of social security apart from that provided by large corporations for their own workers.

In 1970 the government finally removed the articles that made concessions to economic development in the Basic Law on Pollution, and established the Environmental Agency. It also announced a New Economic and Social Development Plan, with the subheading: "Toward an Economically Healthy Society Rich in Human Values". Fukutake[33] considers that this is long overdue, and that even now

---

[30] Fukutake Tadahi, Japanese Society Today, Tokyo, 1974, p.10

[31] Nakamura Takafusa, "The Tarnished Phoenix", The Japan Interpreter, Vol.IX, No.3, Winter 1975, pp.403-419.

[32] Fukutake, op.cit., p.126f. [33] Fukutake, op.cit., p.129

there is no guarantee that the Japanese people will truly benefit, but:

> "If the country can concentrate on providing adequate facilities for the living environment, part of the Japanese stigma of being called "economic animals", intent only on economic growth, will be lifted."

It would seem that once again national pride is at stake.

This was further aroused by Prof. Maruo[34] of Chuo University who commented that, in the past England was Japan's teacher as an advanced industrialized nation, and even now was Japan's teacher in welfare, for it will be many years before Japan can catch up with the advanced industrialized nations in welfare provisions. It seems that once again Japan feels the need to catch up with some aspect of Western society. The Economic Deliberation Council, a consultative body of the Prime Minister for long-term economic policy and important planning problems stated:[35]

> "With the development of the economy and the rising level of living the desires of the people become higher in grade. Therefore it is necessary, corresponding to the people's needs, to develop a new method for the accurate measuring of the people's welfare."

In May 1971 the Council founded a special committee for the development of NNW, i.e. the new Net National Welfare index. Maruo says that GNP is inappropriate for the representation of the level of welfare, because GNP cannot show movements of non-economic welfare, as for example, estimation of human life, pollution and destruction of nature and environment, human alienation and such problems. It is hoped that the supplementation of GNP with NNW and social indicators, once elaborated, will be discussed not only in Japan but also in other countries as happened with GNP, so that an internationally acknowledged index can be used. Scheppach[36] considers that the step to welfare-growth economy has been undertaken on a sound basis, even if it is difficult to proceed under the prevailing international conditions.

Onoe Hisao[37], however, points out that there are obstacles on the way towards Japan becoming a welfare-oriented economy. From the Outline of Social Insurance in Japan (1977) it is apparent that from 1970-75 improvements were made in social welfare provisions:[38]

---

[34] A summary of Prof. Maruo's writing is given by W. Scheppach, "Supplementation of GNP with NNW" in G. Fodella (ed.), op.cit., pp.246-266. It appears that Maruo may not have been translated into English.

[35] Reported by Scheppach, ibid., p.248 [36] ibid., p.266

[37] Onoe Hisao, "Japan: Obstacles on the Way Towards a Welfare-Oriented Economy" in G. Fodella, op.cit., pp.239-245.

[38] Outline of Social Insurance in Japan 1977, Social Insurance Agency, Japanese Government, p.1

> "There have been many amendments of these schemes as to extension of coverage, improvement of benefits etc. parallel to the social-economic development. Particularly, in 1973, schemes were amended remarkably resulting (in) the improvement of benefits and introduction of new ideas in order to maintain benefits' real value and to lighten the liability of insured persons..."

This was possible only by increasing the tax burden. While in comparison with other countries it is low, the Japanese people have the feeling that the present tax burden is heavy, due to the unequal taxation system, and some readjustments will need to be made.

Following the oil shock in 1973, the government has published several plans for the adaptation of the industrial structure in order to economise on the consumption of petroleum. This may lead away from the heavy and chemical sectors that have been so criticised for their destruction of the environment and the pollution diseases. This will require a diversification of industry and some readjustment of labour requirements, so that less overtime, shorter working weeks and longer holidays may become possible. At the same time it will be difficult to finance increased welfare programmes as the economy is readjusting to these changed circumstances.

Kogane Yoshihiro,[39] deputy director, Economic Research Institute of the Economic Planning Agency in Tokyo, points out that some of the present Japanese problems are common to industrial society, but as they come from the characteristics of competitive societies which do not seem deep-rooted in Japan's society, he does not expect them to cause a serious socio-cultural disturbance. He considers that Japanese specific problems arise from the fact that two different systems of values co-exist in individuals. They want deliberately to import the religion of "competition" and "material welfare", but are obstructed by the old religion of "harmony" and "mental welfare". He maintains it will be favourable to abandon "competition" and "material welfare" as basic values, and to be confident of the consistency, rationality and humanity of the Japanese traditional value system. He thinks the Japanese will have to make an effort to understand the utility of controlling competition and material welfare so as to make it serve the well-being of the whole (not of the individual), if they want to enjoy

---

[39] Kogane Yoshihiro, "Value Judgements and Economic Activities of Japanese People: A Dynamic Economy and a Stable Culture" in G. Fodella, op.cit., pp.187-188.

today's freedom and to live in harmony with the human and physical world.

This would seem to be trying to justify policy against Japan becoming a welfare-oriented economy. Though lives of hard work and simple living are features of Japanese tradition, he does not seem to make sufficient allowance for the fact that through mass media, especially television, Japanese people have acquired a taste for the benefits they expect an affluent society to provide for all the citizens. This, together with the national desire to show that Japan can surpass other advanced countries, would seem to make it inevitable that the country will move towards a welfare-oriented economy, so they will no longer be despised as "economic animals".

There will, however, need to be changes in the behaviour of Japanese workers, as well as changes in government policy, before the term "economic animals" will be dropped, for it is the worker, spending so long at his work and having so little leisure that has helped the term to become so widely used. Certain ministries and government agencies are therefore proposing greater leisure for all workers. The Prime Minister's Office, having raised the number of holidays from nine to twelve in 1966 is reported to be considering proposing five additional days of rest.[40] The Labor Ministry is promoting the five-day work week. Its plan is to revise the Banking Law to permit only five banking days in the hope that other businesses will be forced to follow suit.

Simply creating holidays and two-day weekends will not in themselves keep workers away from their place of employment. The problem is one of re-education, and it is another government body, the Economic Planning Agency, that has begun to call attention to the issue. In its 1972 White Paper,(from which statistical material about the use of vacations has already been given), it is claimed[41] that the average Japanese tries to maximise satisfaction from his scant leisure by spending money, believing that the more he spends the greater will be his enjoyment. In 1963 leisure expenditure averaged 18.2 per-cent of consumption expenditure, but by 1971 it represented 23.4 per-cent of consumption expenditure. Increased

---

[40] V. Dixon Morris, "The Idioms of Contemporary Japan", <u>The Japan Interpreter</u>, Vol.VIII, 1973, pp.121-136.

[41] <u>Report on the National Life</u>, <u>op.cit.</u>, pp.100-104.

expenditure is an incentive for him to work longer hours and more days to achieve the success that will bring him a higher income, but at the same time reducing the amount of leisure he was trying to enjoy in the first place. As he tries too hard to squeeze the last drop of pleasure out of too little time, he drowns himself at the beach or breaks his neck in the mountains. The White Paper gives disturbing statistics to show the increasing number of accidents in the water from swimming, boating and playing, as well as disasters in the mountains. It therefore makes a strong plea for a switch from income-consuming leisure to time-consuming leisure. The Agency's approach is reported[42] to be leading to confusion, as expressed in the Asahi shinbun column which said:

> "Since the Meiji period the government has told us, 'Work! Work!...'. Now they are taking us to task for it and telling us, 'Rest! Rest!...'. Times have changed."

IV Concluding Comments:

If may appear that if Japan is moving from a work-oriented society that the Australian businessman may find his Japanese counterpart shares similar aspirations and expectations to his own. This may be true in the future, but as Japanese society is going through such a period of transition, the change is far from complete. The Australian may find that negotiations are even more difficult than before as the Japanese businessman will now realise that with expected shorter hours of work and other changes in working conditions, long-term contracts may not be as attractive as would first appear. If the negotiations concern raw materials, he will need to make allowance for the expensive pollution controls that will be enforced in their manufacture, so the move towards a welfare-oriented economy may well make the Japanese tougher negotiators than before.

Apart from these factors that have been produced by the changing societal attitudes, there are other traditional factors that the Japanese negotiator must consider: whether the proposal under discussion will affect his workforce, his permanent employees expecting lifetime employment with him; and whether the proposal will be acceptable to his colleagues, without whom he cannot make a definite commitment. These and other aspects of Japanese management are considered in the next two chapters.

[42] V. Dixon Morris, op.cit., p.131.

CHAPTER III

ASPECTS OF JAPANESE MANAGEMENT

I Introduction

In adapting to the environmental changes to which the preceding chapter made reference, Japanese executives give great attention to problems of morale and human relations. If Japanese executives have a characteristically Japanese approach to management, Noda Kazuo[1], Director of the Japan Research Institute in Tokyo, suggests it is not so much a specific body of practices but an effort to create a company spirit such that members wish to take part. Seen in this light, the slow increase in salaries in the earlier years of an employee's career and the steep salary increases with years of service can be seen as a way of ensuring employees not only stay with the company, but retain a long-range identification of personal interests with company interests. Company ceremonies like anniversaries, daily ceremonies, commemoratives, welcomes, farewells and openings are all consciously designed to reinforce company spirit. In most companies the management makes a serious effort to look after the long-term interests of the employee, providing personal attention and assistance in dealing with his individual problems. From the entering-the-company ceremonies the new recruit is made to feel part of the company family.

In the preceding chapter it was noted that there appeared to be some move away from work-orientation. Japanese company executives consider this a key management issue, and are competing for the employees' spare time against the threats of affluence, car ownership and shorter working hours. According to Noda, this accounts for their efforts to incorporate the spare-time activities of employees within the range of activities provided by the company. Company sports teams, company-sponsored travel, company recreation centres, company facilities for private parties can all be seen as ways of using people's desire for more leisure as a way of further orienting

---

[1]Noda Kazuo, "Big Business Organization" in E. Vogel, _op.cit._, p.140.

employees to their work-place, and satisfying their need to be part of a group with a strong relationship to the leader, the President of the company or the section chief.

Apart from these efforts to maintain a dynamic involvement with the company, Noda[2] considers that Japanese enterprises are very similar to foreign enterprises. However, according to Takezawa Shinichi[3], Professor of Industrial Relations at Rikkyo University, the four pillars of Japanese management are:

lifetime employment;
seniority system;
enterprise unionism; and
consensus decision-making.

Before examining each of these aspects of Japanese management, there are qualifying factors that need to be considered to avoid certain misconceptions about Japanese management.

II Factors affecting generalizations about Japanese management:

A. The dual structure of the Japanese economy: This term is used by the Japanese to contrast the large-scale firms which pay relatively high wages and have good working conditions to the mass of small and medium-sized enterprises, often family owned, which subsidize the major enterprises by their lower wages, longer hours, and poorer working conditions. It is easy to restrict comments about Japanese management practices to those operating in large corporations.

The large firms, in contrast to the small ones, are highly unionized, highly capitalized, and have specialized managerial, sales and personnel organizations. As defined in the Basic Law on Small and Medium-Sized Enterprises, a small or medium-sized firm is one which is capitalized under ¥50,000,000 or employs less than 300 workers. That they occupy a numerically dominant position in practically every branch of the Japanese economy can be seen in Table 2. They account for more than ninety-nine percent of the 4,660,000 establishments, employing 27,750,000 persons or seventy-eight per-cent of all employees in the private sector. According to Otsubo[4], Head of the Finance Division of the Japanese Ministry of Labour, smaller enterprises have been able to hold their own.

---

[2] Noda, op.cit., p.116.

[3] Lecturer at Sophia University's Summer Session in Asian Studies, 8/8/77

[4] Otsubo Kenichiro, "The Smaller Enterprise and the Application of Labour Legislation in Japan", International Labour Review, Vol.106, No.2, Aug.-Sept.1972, pp.167-180

TABLE 2

NUMBER OF ESTABLISHMENTS BY SIZE AND SECTOR, 1969.[5]
(in thousands)

No. of employees	Sector: Manufacturing	Wholesale and Retail	Services	Total.
0 - 4	936.7	2 001.9	842.9	3 781.5
5 - 29	350.6	265.9	123.1	739.8
30 - 49	45.2	15.6	8.7	69.4
50 - 299	48.5	12.1	8.4	69.0
300 +	5.6	0.6	0.4	6.7
Total	1 386.6	2 296.1	983.7	4 666.4

Source: Office of the Prime Minister, 1969 establishment census

The reason for the success of these smaller enterprises is considered to be due to the fact that many of them have traditionally paid lower wages than larger firms, have lower administrative costs, are able to adjust quickly to fluctuations in the demands for their products and in the availability of raw materials, can readily increase or reduce the size of their workforce, and enjoy various other benefits, such as speed in decision-making, inherent in a small organisation. Watanabe[6] points out that the Japanese government has taken a number of measures specifically to assist smaller enterprises, a difference from pre-war policy, and a recognition of the importance of these smaller enterprises to the whole economy.

In view of the large number of Japanese employed in these smaller enterprises, one needs to qualify ideas about life-time employment and fringe benefits which are features of large corporations. Otsubo[7] shows what difficulties these smaller enterprises have had in complying with labour laws covering industrial relations, labour protection, manpower and employment, and social insurance. However, the acute labour shortage has reduced much of the difference in working conditions. Many of the smaller enterprises have had to raise wages or reduce working hours to attract labour. In addition, they are endeavouring to economise on labour by modernising their equipment, rationalising and improving production and marketing techniques.

Despite these improvements, the smaller the enterprise the greater the difficulty of recruiting the necessary workforce. Robert Cole[8] attributes this to the fact that workers in small and

5 Otsubo, op.cit., p.168
6 Watanabe Susumu, "Entrepreneurship in small enterprises in Japanese manufacturing", International Labour Review, Vol.102, No.6., Dec.1970, pp.531-576.
7 Otsubo, op.cit., p.169f.
8 R. Cole, Japanese Blue Collar, Berkeley, 1971, pp.37-40.

medium-sized firms have less job security and often must reckon with the possibility of bankruptcy. He has noted also that the incidence of death and injuries from occupational causes for small and medium-sized enterprises is approximately three times that of the large enterprises.

He points out that the dual structure cuts across the blue-collar/white collar classification to a large extent, so that blue-collar workers in major corporations view themselves, and are viewed, as members of an elite which includes the salaried employees in these firms. At the other end of the spectrum are the salaried employees in often less productive small and medium-sized firms. These differences act as deterrents to young people seeking employment in smaller enterprises, but not at the other end of the age structure. The official retiring age for men is fifty-five and for women fifty (though lack of child-care facilities and societal customs usually cause women to retire upon marriage or prior to the birth of their first child). The life expectancy has been raised twenty years in the past twenty years, so it is now seventy-six for women and seventy for men, so people who have retired from their original employment can often be recruited by smaller enterprises. In addition smaller families and more labour-saving devices in the home are attracting Japanese women back into the workforce. Few are able to return to their former employment, so they find work in the smaller enterprises. The noticeable ageing of employees in smaller enterprises is therefore understandable.

These workers could be in rather vulnerable positions, but two labour laws have been designed for their protection.[9] The first is the Smaller Enterprise Retirement Allowance Mutual Aid Law, which frees these enterprises from the worries involved in paying retirement allowances but also entitles them to a loan from the Corporation or association for the establishment or improvement of workers' welfare facilities. The workers also benefit because employers' contributions are supplemented by a government subsidy and because the whole allowance is free of tax. The Industrial Home Work Law, 1970, aims at improving the working conditions of homeworkers (estimated to be around 1,400,000), and stabilising their livelihood by special measures to protect them in their relations with the principal (the person who manufactures, processes or sells goods and entrusts homeworkers with the manufacture and processing of these

---

[9] Otsubo, op.cit., p.177f.

goods). Regular labour inspection supervises the implementation of these special measures, and severe penalties are prescribed for violations of the law.

Though differences in the dual structure of the economy are breaking down, the Japanese, according to Cole[10], tend to see themselves as faced with a unique problem with such differences in working conditions dependent on the size of the enterprise. However, he reminds the reader that every industrial economy has its advanced and backward sectors, but considers the Japanese version is characterized by its pervasiveness, by the nation's acute consciousness of the system, and by the commanding grip of the larger "parent" companies over the smaller firms. The number of employees working for these smaller enterprises, as well as Japanese consciousness of the dual structure of the economy, should serve as warnings against making sweeping generalizations, based on practices operating only in large firms.

B. The dual structure of Japanese personnel management: According to a report on female employment produced by the Japan External Trade Organization, the traditional system of personnel management in Japanese firms is characterized by its dual structure, one for men and another for women.[11] From 1950 to 1975 women represented thirty-nine per cent of the workforce. Because of the business recession following the oil shock of 1973, which affected female workers particularly, the proportion of women in the working population has since dropped to thirty-seven per cent.[12] This is still a significant proportion of the workforce. The difference in their treatment is not due to their lack of numerical strength, but due to the premise that women work for a short period of time. Takahashi Nobuko,[13] former Director-General of the Women's and Minors' Bureau of the Ministry of Labour shows how traditional management practices make full implementation of the principle of equal pay for men and women a distant target.

---

[10] Cole, op.cit., p.39

[11] "Female Employment in Japan", Now in Japan No.19, December 1975, p.9

[12] "The Women of Japan", About Japan Series 5, Foreign Press Center, Tokyo, July 1977, p.9. Foreign Press Center was inaugurated in October 1976 against a background of growing awareness of the importance of having Japan accurately portrayed in the world press. It is an independent non-profit foundation financed by the Japanese government, Japan Newspaper Publishers and Editors Association and Keidanren, according to its publicity folder.

[13] Takahashi Nobuko, "Women's Wages in Japan and the Question of Equal Pay", International Labour Review, Vol.III, No.1, Jan.1975, pp.51-68.

The Labour Standards Act of 1947 laid down the principle of equal pay for men and women, in accordance with Article XIV of Japan's post-war Constitution of 1946, which proclaims that there would be no discrimination in political, economic or social conditions. Though it may be possible for girls from the same class as boys to be recruited by the same company and receive the same starting wage, the principle of equal pay for equal work is rather meaningless as the wage structure is influenced by lifetime employment, seniority system, and enterprise unionism where wages are determined by collective bargaining between the individual enterprise and the enterprise's union. The wage differential becomes more marked with years of service, for the actual wage packet consists of a number of components which have little to do with the worker's actual job performance, thus permitting a legal differentiation between a woman's and a man's wage.

Anti-discrimination legislation was embodied in the Working Women's Welfare Acts of June 1972, but legislation cannot be effective without a change in societal attitudes. A questionnaire survey on Women's Status in Business[14] carried out by the Ministry of Labor in 1973 found that, on the whole, the principle of wages according to a man's family commitments is considered more satisfactory than wages based on the principle of equal pay for equal work. In the same survey lack of women's opportunities for promotion caused more concern. With life-long employment as the accepted basis for men in large corporations, firms ensure that promising recruits are rotated regularly to gain experience in all areas of the work, and are given on-the-job training. It gives all the senior executives an opportunity to watch the young person, so they are able to reach a consensus about which ones to promote, as this is not left to personnel staff. Since women are expected to remain with the company for a limited time only, it is difficult for them to gain the necessary experience and on-the-job training, and they will not be as well known to all the senior executives who decide on the promotions. Those women who continue in their careers (notably school teachers) then face the problem of earlier retirement which prevents them gaining senior positions such as principals or departmental heads. The dual structure of Japanese personnel management can therefore be seen as posing many problems for women's advancement in their employment.

[14] Results published in "Female Employment in Japan", op.cit., pp.5,6.

C. The dangers of an over-emphasis on cultural specifity: The social forces working to maintain the pillars of Japanese management may be called "traditionalism". Odaka[15] identifies two contrasting views among Western writers regarding traditionalism in Japanese industry. One of them argues that these practices are left-overs from the feudalistic relations between lord and retainer and the relations of the patriarchal family. According to this theory which he calls "uniform development", industrialization and economic development progress in accord with a uniform pattern everywhere throughout the world. The fact that traditional practices are still in force in Japan is seen as an obstacle to the democratization and modernization of Japanese industry.

The second view that he calls "pluralistic industrialism" maintains that the existence of traditional practices does not necessarily mean backwardness, nor are they obstacles to the modernization of Japanese industry. On the contrary, they aided the unusually rapid and successful development of Japanese industry. The traditional social atmosphere preserved within the industrial enterprise an ideal environment for workers, who were able to fit themselves to the new establishment with comparative ease. In other words Western countries' industrial development was carried out by breaking up feudalistic and traditional practices, but in Japan it has been achieved by preserving, and to a certain extent utilizing them.

Odaka admits that the theory of pluralistic industrialism is a more fruitful basis for explanation and a more realistic framework. However, he considers it tends to overstress the particular aspects of industrialization, and this can lead to some misinterpretation of the facts. For example, Abegglen[16] treats as "the critical difference" between Japanese and Western industrial organizations the system of lifetime commitment, which he considers to be a feudalistic remnant of the Tokugawa period. Yet, according to Odaka[17], prior to the 1920s labour mobility was fairly high even in large enterprises, so he thinks that Abegglen neglects fluctuations in the history of Japanese industrial developments and reflects the practices of only a part of the Japanese business firms.

---

[15] Odaka Kunio, op.cit., Chapter One.

[16] James Abegglen, The Japanese Factory, Glencoe, III, 1958, 1959 Indian edition, chapter two.

[17] Odaka Kunio, op.cit., p.7f.

Another objection Odaka raises is that this theory leads to the simplistic conclusion that "East is East and West is West", overlooking or at least underestimating the rapid transformations that have been taking place in Japan since the end of World War II, and particularly since the latter half of the 1950s. There is a danger of failing to realise that modern media and frequent contacts with the West are producing an interchange in solutions to problems many countries have in common. Peter Drucker[18], whilst admitting that managerial policies are deeply rooted in a country's traditions and culture, considers that the principles underlying Japanese management deserve closer attention, as there is much that Western managers might learn from them. Richard Tanner Johnson and William Ouchi[19] made a study of many Japanese and United States operations in both countries, and concluded that some elements of Japanese management were succeeding in the United States. This suggests that an over-emphasis on cultural specifity can lead not only to a misinterpretation of facts, but to an obscuring of those insights which might be of value in another setting. As this dissertation is concerned with highlighting those aspects of Japanese management that may be unfamiliar to Australians, there is obviously a real danger of such a distortion.

Taking note then of the dual structure of the Japanese economy, the dual structure of its personnel management practices, and the dangers of an over-emphasis on cultural specifity, we may analyse aspects of Japanese management.

III Pillars of Japanese Management:

A. Lifetime employment: This refers to the practice whereby young people, particularly boys and young men, are recruited by large companies to join their firm with the expectation that they will remain with that company until retirement.

Ronald Dore[20] traces the origin of the Japanese employment system to its pre-war corporate paternalism of the 1920s. The most important factors that led to its final crystallization he considers to have been the great acceleration in the pace of Japanese industrialization during the First World War, the accompanying shortage of workers, the growth of worker organization,

---

[18] P. Drucker, "What we can learn from Japanese management", Harvard Business Review, March-April 1971, pp.110-122.

[19] R.T. Johnson and W.G. Ouchi, "Made in America (under Japanese management).", Harvard Business Review, Vol.52, No.5, Sept.-Oct.1974, pp.61-69

[20] R. Dore, British Factory-Japanese Factory, Berkeley, 1973, p.375f

inflation and the increasing resort to strikes. These greatly increased the attractiveness of measures designed to stabilize and evoke loyalty in the workforce. Where incremental scales are conventionally age-related - as they came to be - there was an obvious rationality in preferring a young recruit who could be put at the bottom of the scale to an older one who had to be fitted in higher up, if both were equally without relevant training. According to Dore, it was a long time before employers came to recruit fifteen-year-olds and train them, rather than recruiting skilled men from the market. This happened only when:[21]

(a) other large employers became more successful in holding onto workers who were already trained so that there were fewer seeking jobs in the market;

(b) technology becoming diverse and complex, employers needed more specific skills;

(c) ideology developed its own independent momentum and reinforced the value played on loyalty and long service and being 'born into' the firm at an early age;

(d) the need to preach loyalty to counter left-wing tendencies placed a premium on getting workers young enough to instil this loyalty;

(e) the cultural unity of the country, and the standards of literacy reached the point at which recruitment of the very young from rural areas to urban factories became easy; and

(f) the period of schooling lengthened so that it became reasonable to move straight from school to factory and the schools became obvious recruiting grounds.

Lifetime employment was upset by the war and its aftermath. Immediately after the Second World War there was severe unemployment with vast numbers of demobilised soldiers, civilians repatriated from abroad and workers laid off from war industries crowding on to the labour market. Inoue Keichi[22] shows how this labour surplus was changed to a labour shortage economy during the investment boom of 1956-61. During this period there was a sharp rise in the personal savings ratio, (already high by international standards). In their financing activities the commercial banks gave priority to the big enterprises with which they had a special relationship

[21] R. Dore, op.cit., p.399.

[22] Inoue Keichi, "From labour surplus to labour shortage economy: the case of Japan", International Labour Review, Vol.113, No.2, Mar.-Apr.1976, pp.217-225

and poured a tremendous amount of investment capital into them. The labour market gradually became tighter even though the total number of those who were employed upon completion of their education continued to rise fairly steadily throughout the 1950s and the first half of the 1960s. After the number of school and college leavers had reached a peak in 1966, the number started decreasing rapidly, and this contributed to the further tightening of the labour supply and to the maintenance of the labour shortage economy.

By 1966 the Ministry of Labour reported that some 360,000 March graduates had more than one million openings available to them or 2.9 jobs per person. By 1970 middle school graduates had nearly six jobs for each applicant.[23] However, as has been previously noted, many employees work with small or medium-sized enterprises, and the competition for employment in large corporations offering career employment is still very keen. Lifetime employment has advantages for both employer and employee, as Nakane reports.[24] For the employer it retains the services of skilled workers against times of labour shortage. For the employee it gives security against surplus labour conditions; whatever the market circumstances, there is little likelihood of the employee finding better employment if he once leaves his job.

According to the Japan External Trade Organization Report[24] the main advantages are:

(a) the system creates a much longer time horizon in the mind of corporate planners and managers, for decisions are more likely to be made on the basis of long-term profitability, rather than short-term;

(b) it tends to force firms to seek new growth opportunities. They cite as examples, companies in the coal business which found their market declining and were forced to seek opportunities for diversification. Some firms diversified into the housing and leisure industries. In this way they avoided staff layoffs and continued to expand. In the case of the coal industry this was accomplished with government assistance, but similar transitions have often been carried out without such assistance. For instance, firms in the rayon industry spent much money purchasing patents and technology for nylon, thus preventing liquidation of operations.

23 V. Dixon Morris, op.cit., p.124
24 Nakane, op.cit., 1970, p.19
25 "Financial and Labor Practices in Japan", Business Information Series II, JETRO, Tokyo, 1974, pp.6-7

According to a report[26] of a lecture by Nishiyama, Professor of Economics at Rikkyo University, lifetime employment practices provide for far greater educational investments. An employee might gain a basic education in liberal arts at a university, but his technological degree is earned through studies within the company. He maintains that American industry usually puts an employee through an initial training programme and then relies on on-the-job experience. Japanese employees are usually enrolled in training programmes every two or three years. In addition, he explained, that job transfers occur on a two to three year basis expanding the employee's knowledge of the company, and enabling him to co-operate with others in maintaining quality control.

The advantages are stressed presumably because foreigners tend to see disadvantages only. It is easy to see that it could be one of the main causes for tensions within a joint venture. Westerners would tend to stress short-term profits, while the Japanese manager may be more interested in the sales volume, which is more important in fully utilising his workforce. The possibility of a worker being fired can be a powerful means of control, so Westerners find it difficult to imagine that workers can be sufficiently motivated without such a threat.

It is easy to exaggerate this aspect of lifetime employment. Certainly, because larger companies fully expect to keep their permanent employees for their working life, there is a strong tendency to give as much importance to character and personality as they do to education qualifications in the employee-selection process. The use of psychology tests, the recommendations of professors and teachers concerning the candidate's personality and attitudes are important factors. Then some weeding does occur during the probation period. After this there are a variety of devices falling short of direct firing that management can use to force workers who are incompetent or agitators to quit; or they may simply transfer them to harmless positions where they do not interfere with production.[27]

Career employment is of course not unknown in Western management practice. Burns and Stalker, writing about British firms could be describing the Japanese system when they write:

---

[26] Reported in "The Myths of Japanese Business Practices", _Focus Japan_, Tokyo, July 1977, pp.14,15.

[27] Cole, _op.cit._, pp.113-122.

"Competition among employers for management recruits has raised starting salaries, but since investment in a recruit has to mature for many years before yielding a return, it is necessary both to select the best and to hold them ... much use is made of selection techniques developed during World War II in the choice of candidates for officer training courses. And careers thus begun are presented as enclosed for life within the corporation. Indeed in their endeavours to attract talented candidates, corporations advertise careers rather than posts..."[28]

Certainly they are writing about managerial staff, but the whole apprenticeship system of tradesmen can be seen as another form of career employment. The possibility of massive lay-offs in Western industry is no longer acceptable, especially in large corporations, as Burns and Stalker explain:

"Firms employing many thousands of people cannot close down without wrecking large areas of social organization. Such concerns must be kept alive, and in order to keep alive they must become adaptive; change must occur within the organization and not through its extinction and replacement if it is to occur at all. Survival of the individual firm becomes a more significant criterion of economic activity the closer the approximation to monopolistic conditions..."[29]

It is not unknown for government intervention to take place, even in our own country in order to assist large companies from needing to have massive staff lay-offs.

Still it must be acknowledged that the Japanese practice does make it difficult for a foreign firm to engage staff. Students leaving school and university will be reluctant to join a foreign firm whose long-term success cannot be guaranteed. It is even more difficult to recruit experienced staff. It is not impossible though, for some well qualified workers may feel that promotion opportunities are limited in their own firm because of the seniority system. On the other hand top positions in foreign firms often remain with foreigners, so the ambitious Japanese may not benefit by taking such a step.[30] There may be promising workers in the medium or small-sized enterprises who did not succeed in getting to the top universities to be recruited by a large company. These may see some advantages in joining a prestigious foreign firm, providing incentives are made high enough.

---

[28] T. Burns and G.M. Stalker, The Management of Innovation, London, 1961, 2nd edition 1966, preface to 2nd edition, pp.xviii, xix.

[29] ibid., p.35.

[30] H. Glazer, Development of Japanese Business Executives in Foreign Firms, Sophia University Industrial Relations Bulletin 13, 1966.

B. Seniority System: The commonest method of wage-fixing in Japan is known as nenko joretsu chingin (literally "Wage based on length of service".). The term is slightly misleading in that seniority does not automatically determine the wage level, since other factors such as education, age, sex and individual ability are taken into account. Susuki[31] explains that in common parlance the expression is used to cover any method in which the basic criteria in wage-fixing are seniority, age and educational level rather than the duties inherent in the job. Other conditions of employment, such as fringe benefits and opportunities for promotion, also depend directly or indirectly on a worker's seniority.

Suzuki identifies two interpretations of the origin of this method. The traditional interpretation sees its origin in the special social setting of Japan, typified by the loyalty of the worker to his employer. This loyalty has its counterpart in the paternalism of the employer, who increases the wage proportionately to the material needs of the worker's family, irrespective of the tasks he performs in the firm. Suzuki maintains that if this interpretation is correct, the method has historical and social roots, but is irrational from an economic point of view.

The second interpretation that he favours sees this method of wage-fixing as having been adopted after the First World War to counteract shortages and excessive turnover among skilled workers, forcing the big companies to set up training schools to train their own skilled manpower. They therefore had every interest in originating a method of remuneration that would encourage workers trained by them to stay with the company. A wage system based on seniority, in combination with the practice of lifetime employment, provided the answer. Economic justification is to be found in the fact that training is given in the firm, and in order to secure a maximum return on this internal training, wages are fixed according to seniority. This would appear to reduce competitiveness if promotions were determined by seniority. However, this is not the only factor to be considered, just as age-based wage scales do not mean that remuneration is exclusively determined by age or seniority. Subject to a "floor" fixed in the collective agreement or internal regulations according to age and educational qualifications, personnel policy consists in assigning each worker to the post most suited to

[31] Suzuki, H.,"Age, seniority and wages", International Labour Review, Vol.113, No.1, Jan.-Feb.1976, pp.67-84.

his individual ability. Seen in this light nenko joretsu no longer looks a non-economic method to Suzuki, for age and seniority are used as criteria for calculating wages in the place of factors that are difficult to evaluate, such as experience or individual proficiency.

Perhaps it is the practice of giving fringe benefits that reflects the special social setting of Japan more than being based on economic grounds. That the wage packet consists of a number of components which have little to do with the worker's actual job performance is apparent by examining Table 3.[32]

TABLE 3

PERCENTAGE DISTRIBUTION OF COMPONENTS OF AVERAGE MONTHLY CASH EARNINGS, SEPTEMBER 1971

(Enterprises with 30 or more employees)

Component of earnings	Percentage distribution		
Total earnings	100.0		
Regular earnings (excluding overtime)	89.8 = 100.0		
Basic wage		83.5	
Wage based on job-related factors			(27.2)
Wage based on personal factors			(15.4)
Wage based on a combination of factors			(40.9)
Incentive wage		5.0	
Duty allowances		3.8	
Allowances for living costs		1.2	
Other allowances		0.5	
Overtime and miscellaneous irregular earnings	10.2		

The larger firms tend to provide many more and larger allowances. In 1972 family allowances were provided by 89.5 per cent of the firms employing 1,000 or more workers, and by 64.2 per cent of those employing 30-99. The table above shows the average of such earnings.

Apart from these allowances in the wage packet, Nishiyama on investigating several firms in the steel industry found that a steelmaker spends as much as US$1,200 a month per worker for education, housing, medicare, and other benefits in addition to the average monthly wage of $900.00. He explained the reason:[33]

> "We look upon human beings as capital, at the same time the most important capital. Therefore, we invest heavily in human capital and it is our top priority to raise the standard of human capital ..."

[32] Takahashi, N., op.cit., p.58

[33] "The Myths of Japanese Business Practices", op.cit., p.15

One of the most meaningful of fringe benefits[34] is a housing allowance, which is non-taxable. In Japan's larger cities, rents for apartments and houses can be very expensive in areas located within easy commuting distance. Many of the unmarried live in company dormitories; while the married may pay nominal rent for company flats or receive a housing allowance. For staff at higher levels, assistance in the purchase of a house and land by becoming the loan guarantor provides a means for the employee to realize a lifelong dream of owning a home, and gives another incentive to remain within the company.

Almost all firms in Japan give an allowance for commuting. This can be paid on a tax-exempt basis to the employee, and is equal to the cost of purchasing a commuter pass on a rail or bus. For executives it is common practice to have a car at their disposal. The full cost of car, driver, maintenance is borne by the company. Employees, particularly at and above the section manager level, have access to entertainment funds, which are used to entertain customers and guests.

Most companies also provide a number of leisure facilities for their employees. The typical large company, for example, will own several rest houses in the mountains or in beach resort areas which employees are permitted to use, either free of charge or for a small upkeep expense. It is also usual practice for companies to take groups of personnel away to resorts for two or three days, not only as a way of strengthening company loyalty, but also for assessing potential for future promotion prospects.

Even in the matter of fringe benefits, company housing and subsidised community facilities are not unique to the Japanese system, for they are provided in many Australian mining towns. A salary based on need rather than on the rate for the job is, however, not a familiar concept since equal pay for equal work was accepted.

It can be seen that the foreigner will find it difficult to compete for labour when Japanese management has so effectively reinforced orientation to the company through lifelong employment and a seniority system with fringe benefits related to a man's needs.

---

[34] Details of fringe benefits on this page are summarised from the JETRO report, op.cit., pp.14-17.

C. Enterprise unionism: Japanese workers before the end of World War II enjoyed virtually none of the advantages of trade unionism. Their wages were low by any Western standard, and the numerous controls introduced during the war produced a situation bordering on forced labour. To rectify this numerous laws were enacted by the Occupation authorities, five of the more important being:[35]

(i) The Trade Union Law of December 1945, which set out the basic right of workers in private industry to organize, bargain collectively, and to strike; providing for democratic procedures in all union activities; establishing the Labor Relations Commission; and prohibiting unfair labour practices.

(ii) The Labor Relations Adjustment Law of October 1946, which gave procedures for conciliation, mediation, and arbitration in private industry, and for cooling-off periods.

(iii) The Employment Security Law of November 1947, which gave authority for the government to operate free public employment exchanges and public services to assist the handicapped to obtain employment. It outlawed labour bosses and other undemocratic forms of labour recruitment.

(iv) The Unemployment Insurance Law of November 1947, which provided a system of benefits for unemployed industrial workers, covering the majority of employers of five or more employees. An amendment of May 1949 provided a system for day labourers, extending coverage to construction workers and liberalizing the benefits. Employer, employee and the government assume responsibility for administrative costs.

(v) The Labor Standards Law of April 1947, which prohibited all forms of involuntary servitude; established standards relating to wages, hours of work, rest days, overtime, vacations, safety and sanitation, employment of women and minors, apprenticeships, workers' accident compensation; provided for an inspection organization and penalty provisions for violations.

The union movement quickly mushroomed. In January 1946 there were 1,179 unions with almost 900,000 members; by June 1949 there were 34,688 unions with 6,655,483 members.[36] At the same time three major labour federations were organized, being partly revivals of pre-war groups.

---

[35] Summarised from Yamamura Kozo, <u>Economic Policy in Post-War Japan</u>, Berkeley, 1967, chapter one, p.15f.

[36] <u>ibid.</u>, p.17

In October 1946 an extremely left-wing Sanbetsu (the All-Japan Congress of Industrial Unions) had led the so-called October offensive, which developed into a highly political movement.[37] After a series of strikes and so-called production control, Sanbetsu called for a general national strike in February 1947. This nationwide strike, which would have paralyzed the exhausted national economy, was banned by the direct order of General MacArthur. By July 1948 his policy was to forbid all strikes by government employees. Japanese political leaders, intellectuals and executives of large firms began to question the basic policy of economic democratization as being inconsistent with the economic recovery of the country. By 1949 many of the hastily organized unions, and those who joined them merely to follow the tide of democracy, had lost public support because of the excesses in the demands and tactics of the politically ambitious leadership in the unions.

With the consent of the Occupation authorities, the Trade Union Law was amended in 1949 so that the unions officials could no longer receive salaries and be provided with offices by the company.[38] The stated reason was to ensure the independence of unions, but given the fact nearly half the unions were nonfederated company unions, the revisions struck hard at the existence of small unions. Membership which stood at over six million in 1948 dwindled to three million by the end of 1949.

The violence that marked the development of labour unions was replaced by a gradual rapprochement between unions and company management. From 1955 onwards employers began to accept unions and to work to gain their co-operation. At the same time union leaders on the company level realised they could prosper only if their companies prospered. Causing a company to go out of business would deprive the worker of his employment, while even reduction in profits would reduce his twice-yearly bonuses. Many considered that the idea that the aims of labour and management are naturally opposed is an imported ideology that does not readily fit the traditional Japanese social system.[39]

According to Fukutake[40], when he was writing in 1974, there were nearly twelve million union members, but the percentage of organised labour was thirty-five per cent only. Between 1960 and

---

[37] Yamamura, op.cit., pp.23,24. [38] ibid., p.33.
[39] Frank Jordan, "The Labor Movement", Business in Japan, Tokyo, 1975, p.9
[40] Fukutake, op.cit., p.86.

1970 the number of individual unions increased from about 40,000 to over 60,000; as manufacturing, commerce and the service industries grew. However, those organized into unions were proportionately fewer, despite higher employment rates. Most unions are organized in a way Fukutake finds characteristic to Japan; that is, by individual enterprises, and embracing blue-collar and white collar, factory and office workers in the same unions. This fits the paternalistic idea of the enterprise as one big family. The workers too see no contradiction in being loyal to both their company and their union - a fact that constitutes a built-in limitation to union effectiveness.

This dual allegiance is examined in great detail in chapter 4 of Odaka's book. He notes that the leaders of both unions and companies have often competed in trying to force-develop workers with their respective unilateral types of allegiance. Not much good has come out of this competition, and he thinks an earnest effort should be made to transform workers of discontented inclination into those with dual allegiance. He maintains that if only the leaders of both parties appreciate this requirement, it will help industrial relations to become more constructive.

Eighty-five per cent of individual company unions have their own permanent Labor Management Council, made up of members representing workers and management. The council meets regularly and discusses any issue pertinent to the union or management. Several such meetings are held before the two sides enter formal bargaining sessions.

Each local union is ordinarily affiliated with a national industrial union, which is, in turn a member of a national centre.[41] The Japan Council of Industrial Organizations (<u>Zennihon Sangyōbetsu Rōdō Kumiai Kaigi</u> abbreviated to <u>Sanbetsu</u>) was the most powerful, but after 1950 leadership was transferred to the General Council of Japanese Labor Unions (<u>Nihon Rōdō Kumiai Sōhyōgikai</u>, abbreviated to <u>Sōhyō</u>). In 1950 <u>Sōhyō</u> was critical of left-wing politics, but it now supports and co-operates with the Socialist Party. The Japanese Confederation of Labor (<u>Zennihon Rōdō Sōdōmei</u> abbreviated to <u>Dōmei</u>) has a rightist tendency, and supports the moderate Democratic Socialist Party.

---

[41] Details of these federated bodies from Fukutake, <u>op.cit.</u>, p.87

Both Sohyo and Domei, while politically active in rival camps, compete with each other in their efforts to push for higher wages.[42] Their efforts take the form of annual Spring "struggles" for pay increases and larger summer and year-end bonuses. A new assessment of the positions of unions in Japan reveals a growing feeling of common identity and co-operativeness on a grassroots level. In the past most of the agitation for higher wages came from federation leaders. Now union members in the small lower-paying industrial enterprises are participating in the annual spring offensive, known as Shunto. The effectiveness of concentrating bargaining efforts along with threatening action cannot be doubted. A twenty per cent increase in wages won in 1973 was offset by raging inflation that widened social inequalities, so in 1974 the labour unions coupled their own wage hike struggle with national campaigns against inflation in order to win sympathy from the people at large.[43] This resulted in rises for workers in non-government employment amounting to thirty-two per cent, setting a new record in Japanese history. The 1975 Shunto, however, saw a much more moderate increase of thirteen per cent. The economic recession has weakened the effectiveness of this concentrated bargaining effort, and in April 1976 and again in April 1977 unions have settled for wages hikes that did not match the rise in the cost of living.[44]

Most of the sixty-four per cent of industrialized workers who are not unionised are from the smaller enterprises, but as has been noted, their working conditions were improved during the labour shortage. There is another class of workers who are not unionised, and these are the temporary employees on limited contracts.[45] Unions are not really interested in this floating employment pool, and perhaps illustrates the fact that enterprise unionism is more inclined to accept management policy than to seek confrontation.

---

42 Details of Shunto from F.Jordan, op.cit., p.7

43. "Labour Unions under Abnormal Inflation", Japan Quarterly, Vol.XXI, No.2, Apr.-Jn 1974, pp.127-131.

44 The Weekend Australian, 3-4 December, 1977, p.9.

45 This is one way that large enterprises are able to vary their staffing requirements according to economic fluctuations. Temporary employees are engaged on a contract basis for 3 to 12 months, and may have their contracts renewed if economic circumstances justify it. Many are older married women who cannot find permanent employment. Further details in my paper "The contribution of women to the Japanese economy."

IV Concluding comments:

A most recent editorial[46] acknowledges that the practices of lifetime employment and pay according to seniority in service combined with company unions have supplied the motive power for Japan's high rate of economic growth, but questions whether these employment practices should be continued as the Japanese economy is changing from rapid to moderate growth. One school of opinion would do so for the sake of continued conciliation between employer and employees. The other school holds that these practices would be inadvisable in the coming era of moderate growth.

In a poll of employers conducted by the General Labor Research Institute in June 1976, sixteen per cent said they wanted to reduce personnel of middle age and upwards in their employment, while seventy-one per cent said they would keep them on their payroll and try to find new uses for them. The government estimates "surplus" corporate employees at 300,000 to 400,000. Though business has picked up to some extent, it is not sufficient to convert surplus employees into needed workers.

At the same time, as life expectancy has so greatly increased, there is pressure to increase the mandatory retiring age. The Labor Ministry has made an extension to sixty as one of its goals. The Japan Federation of Employers' Associations (<u>Nikkeiren</u>) suggests longer employment at reduced pay. It would freeze the cost-of-living part of wages at age fifty or so, and thereafter replace the automatic yearly raise with an efficiency wage. <u>Sōhyō</u> brands these suggestions as unrealistic, as the worker of fifty to fifty-five years may still be paying for children's expensive university education as well as high payments on a house in which to live after retirement.

It is difficult to say what the outcome may be. Cole[47] sees two different processes operating, and they pull in opposite directions. On the one hand, the ageing of the Japanese labour force seems bound to hold down any major increases in the amount of interfirm job-changing, yet the declining number of new school graduates is forcing companies to hire large numbers of occupationally experienced employees from small firms, thus

---

[46] "Longer Employment With Pay Freeze After 40", <u>Japan Quarterly</u>, Vol.XXIV, No.1, Jan.-Mar.1977, pp.8-11.

[47] R. Cole, "Changing Labor Force Characteristics and Their Impact on Japanese Industrial Relations" in L. Austin (ed.), <u>Japan: The Paradox of Progress</u>, New Haven, 1976, p.210f.

striking at the heart of the permanent employment practice. These occupationally experienced recruits can draw upon their past experience in ways that make them more resistant to company ideology. He expects this to lead to the establishment of new norms of behaviour of management and employee.

It can therefore be seen that Japanese management is under great pressure in a changing situation, so if the Japanese businessman seems reluctant to make a firm decision, it may be due to his uncertainty about the labour market. On the other hand it may be due to the Japanese method of decision-making and their traditional attitudes towards contracts, and these are examined in the next chapter.

CHAPTER IV

JAPANESE CONSENSUS DECISION-MAKING

I Introduction

The Japanese businessman is faced with changing economic conditions and changing societal attitudes towards economic growth, work and leisure, as well as government demands for pollution control and the need for diversification. He is therefore extremely reluctant to enter into long-term contracts. At the same time there is an urgent need to ensure continuing supplies of raw materials. In the wake of the 1973 oil crisis, the Japanese convinced themselves that the world was quickly running out of food and raw materials. Overnight resources diplomacy came into vogue, one result being urgent requests to Australia to continue to increase beef exports and another what Gregory Clark[1] calls: "a very foolish contract to import 600,000 tons of Australian sugar for five years at a price now more than double the world price." Australia willingly responded. The problem now, according to Clark, is to adjust the fantasies of 1973-74 to the very different reality of 1977. We have seen with what difficulty these adjustments have been made. On the one hand the Premier of Queensland said[2] the Japanese attitude toward their sugar contract was questioning their creditability throughout the world. On the other hand Clark maintains it calls into question whether Australia can ever learn how to do business properly with Japan.

It is not only the changing situation that is causing difficulty. Much of the complexity is due to the Japanese approach to decision-making which relies more on personal commitments than on written contractural arrangements. The commitment is made on the basis of personal contacts and discussions until a consensus is reached. As this aspect of Japanese management has such effects on negotiations, the Japanese attitude towards contracts and decision-making is examined, together with the strengths and weaknesses of the methods used to achieve consensus.

---

[1] Gregory Clark, "Where we are going wrong" in "The New War with Japan", National Times, 3rd-8th October, 1977, p.4.

[2] A.B.C. Radio Interview November 1977.

II Japanese Attitude Towards Contracts:

Contracts are based on assumptions about the 'rights' of each party, whereas Japanese society is organised according to clearly defined 'obligations'. These can be traced back to the Confucian Five Relationships that defined obligations between emperor and subject; between father and son; between husband and wife; between older brother and younger brother; and between older friend and younger friend. There were obligations and duties towards one another, not merely from the subordinate to the superior, but in both directions. As Neo-Confucianism was the underlying philosophy of Japan throughout the Tokugawa period, the concept of 'rights' is alien to the traditional way of life. There was not even a word for 'rights' in the Japanese language until they came to translate French law last century.

Francis Hsu[3] explains the contract principle in accordance with different types of human grouping. Members of any society begin life in some form of kinship group. They either continue their membership in that group for life or they have to seek entrance to or form some other kind of secondary group. The Chinese secondary grouping, the clan, is founded on the kinship principle and thus a direct extension of this basic unit. He contrasts this with the American secondary group, the club, which is built on the contract principle, since effective membership in it requires disengagement from one's kinship affiliation since its members are equal, and since entry and continuance are voluntary. He maintains that the Japanese kinship system is fundamentally similar to its Chinese counterparts. However, as has been noted, Nakane[4] sees life in the company taking the place of the extended family system which is a feature of Chinese not Japanese custom. The relationship between employer and employee is not to be explained in contractual terms, she explains, for the new employee becomes part of the company family. Even if lifetime employment is a relatively recent phenomenon, the fact that the most modern enterprises prefer it to a contract system reinforces the claim that the concept of contracts is still alien to the modern Japanese.

---

[3] F. Hsu, op.cit., pp.59,60.

[4] Nakane, op.cit., pp.14-17.

Another example of the Japanese attitude towards contracts can be seen in collective labour agreements between companies and their unions. As explained by Hanami Tadashi[5], these are couched in abstract and general terms open to widely divergent interpretations, the reason for this ambiguity going back to the Japanese sociological context of any contractual relationship. Rather than depending on the written word, the parties rely on their relationship itself, the circumstances that brought them together, the background against which their relationship has evolved, the human rapport established between them. It is expected that problems and difficulties will arise, but it is not the written word that will solve them, however specific it may be; the solution is to be found in the presupposed harmonious relationship.

At the enterprise level then, the gist of the so-called collective agreement is a mere declaration of principles. Any problems arising out of the interpretation and implementation of these general principles must be solved by mutual understanding within the familial atmosphere of the enterprise.

The Japanese consequently see Western contractual forms as too strict and stringent. In certain raw materials' contracts between Japanese and Australian parties, Gale states[6] there is a final clause headed "Unfair to either party", this clause providing that, if circumstances should cause the full execution of the contract undue hardship, it should then be amended to remove such an inequity. If this clause cannot be included, the Japanese will feel very tightly bound by the Western style of contract and may probe every single detail of it, thus appearing unduly suspicious.

According to Van Zandt[7] who has spent twenty-five years in Japan, the one thing that Japanese look for in negotiations is sincerity. One test of sincerity is whether a man shows something in print to support his presentation. He therefore advises those going to Japan to bring with them published material describing

---

[5] Hanami Tadashi, "Labor Disputes and their Settlement", Sophia University Bulletin No.20, Tokyo, 1969, p.2.

[6] K.C. Gale, Dr. of Gollin & Co. speaking at an Australian Inst. of Management Conference 'Understanding the Japanese Businessman', Perth 1968, printed as "Business Ethics - Japanese Style", The Australian Manager, Vol.VIII, No.3, June 1968, pp.16-17.

[7] Van Zandt, op.cit., p.53.

their company and its products. At the same time, when the Japanese agree to negotiate, Westerners are warned from making the mistake of presenting a detailed, one-sided, lengthy legal contract. This frightens the Japanese so he immediately identifies the foreign negotiators as adversaries. Van Zandt recommends that the contract should be developed jointly in the course of negotiations and to be little more than a statement of the points that have been agreed to and understood. Westerners want the contract to indicate commitments, conditions, and restrictions in precise language, which will not be liable to later misinterpretations. The Japanese, on the other hand, feel that the written agreement should be a declaration of intention and deal in specific matters only where it describes the technology or services which the foreign company is expected to provide. He suggests each may find it necessary to make some concessions to the other's viewpoint in this respect.

Though the Japanese prefer personal commitments rather than written contracts, foreigners need to realise that even when individual Japanese appear to have made a personal commitment, this marks the beginning and not the end of negotiations, for no individual has authority to speak for the group until they have had the opportunity to discuss the matter and reach a consensus on the necessary appropriate action. Gregory Clark[8], an Australian lecturing in economics in Tokyo reported that there was something rather absurd about the sight of senior Australian officials in Tokyo, fretting and fuming when the Japanese bureaucracy would not honour Prime Minister Fukuda's vague promise to Mr. Fraser in Kuala Lumpur to re-negotiate beef quotas. He considers that anyone who intends to conduct business negotiations with Japan ought to have known that the top man does not necessarily make the decisions.

According to Drucker[9], much of the difficulty that arises between Westerners and the Japanese is due to the fact that each means something different when talking of "making a decision". It is therefore essential for negotiators to understand the Japanese meaning of "consensus decision-making".

---

[8] G. Clark, op.cit., p.4.

[9] P. Drucker, op.cit., p.11.

III Japanese Understanding of Decision-making:

Drucker[10] identifies as the main differences in decision-making the fact that Westerners concentrate on the answer to the question: what should be the decision, but the Japanese concentrate on defining the question. The important and crucial step is to decide whether there is need for a decision. It is the focusing on the problem that is the essence of the decision. It is in this step that Japanese aim at attaining consensus. The answer to the question (what the West considers the decision) follows its definition.

During the process that precedes the decision, no mention is made of what the answer might be, so people are not forced to take sides. The whole process is focused on finding out what the decision is really about, not what the decision should be. Only when all of the people who will have to carry out the agreement have come together on the need to make a decision will the decision be made to go ahead. This means that many of the staff in the Japanese firm need to be involved in the discussions, and this takes a long time. Westerners become very frustrated, especially if, as Drucker testifies different teams of people from different areas of the company are brought into the discussions, each appearing not to know anything of preceding discussions.

When the Japanese reach the point we call a decision, they say they are in the action stage, when top management refers the decision to what they call the "appropriate people". Who these are is a top management decision. During the course of the discussions leading up to the consensus, it has become clear what basic approaches certain people or groups would take to the problem. Top management in the choice of the group in effect picks the answer, but it is an answer that will now surprise no one.

Drucker claims that the advantage of this process is that it makes for very effective decisions. Having had all the concerned people involved in the decision-making, execution creates no problems. In the Western system on the decision has been reached, time must be spent in convincing subordinates, paying off those likely to be affected detrimentally, and ensuring that the way to implement the decision is understood. Drucker points out that in our system it

[10] Drucker, op.cit., p.111f.

it is possible for the decision to be sabotaged by the organization or to be delayed so long in the execution that it is no longer effective. If the period prior to the action stage is frustrating for Westerners, the length of time in executing decisions must be frustrating for Japanese. By realising that the most important step is understanding the alternatives available, Drucker considers that the Japanese more seriously examine the various options, and are thus less likely to become prisoners of preconceived answers.

According to Ballon[11] the benefits of consensus decision-making are:

(i) Fewer aspects of decisions are overlooked, for more people are involved, including those in charge of the execution of the decision.

(ii) The traumas that accompany change are reduced, for those affected are familiar with the new decision and its consequences.

(iii) Participants feel committed to the implementation.

(iv) Bolder decisions can be made.

In the 1950s Japanese businessmen favoured American management techniques, only to find that many could not be adapted to Japanese customs. The fault was not necessarily that of the Japanese, for it seems that many of the earlier theories about hierarchical lines of command in the process of decision-making have now been modified by Western writers in favour of a more realistic assessment of the influence of informal groups within the organization. Such books as Douglas McGregor's The Human Side of the Enterprise (1960) with its emphasis on the need for group co-operation must appear to the Japanese to be a vindication of their methods, and it was interesting to see paper-back copies of McGregor's book in Tokyo bookshops. As the Japanese are consequently not likely to abandon consensus decision-making, their methods for achieving consensus need to be examined.

IV Methods of consensus decision-making: the ringi style of management.

The circulation of a draft proposal (ringisho) is a traditional Japanese practice that was the first target for criticism when American-style management was introduced into Japan. Arai[12] believes that such criticism ignores the

[11] Robert Ballon, lecturer at Sophia University, 30/7/77.

[12] Arai Shunzo, An Intersection of East and West, Tokyo, 1971, p.132

historical and social bases of these practices. Though some companies have discontinued the use of ringisho in establishing managerial consensus in business matters, the underlying ringi-style of management philosophy remains with the essence of its application in business lying in the involvement of junior staff.

For the purpose of analysis it is possible to identify several aspects in the ringi-style of management, by which consensus decision-making is achieved. These are:

A. The process of ringisei;

B. The ringi is often preceded by informal discussions - nemawashi.

C. The informal discussions may be followed by a formal conference - kaigi - to "pull the threads together" to start off execution of the policy.

Each of these aspects is examined in more detail.

A. The process of ringisei: Ringisei in its literal meaning is a system of reverential inquiry about a superior's intentions. This archaic term, Tsuji Kiyoaki[13] claims, is scarcely comprehensible to many postwar Japanese, yet is commonly used in academic and professional circles to describe a method of decision-making that has been extensively employed in Japanese government and private agencies since the early days of the Meiji era (1868-1912). Arai Shunzo[14] suggests that ringi may derive from the T'ang governmental system which was brought to Japan from China in 645 A.D., coming into the spotlight especially after the Meiji Restoration when it was widely adopted for governmental work. It subsequently appeared in the managements of contemporary businesses. He maintains that modern management specialists shun the word ringi because of its strong connotations of social rank, authority and bureaucracy.

American management specialists considered ringisei to be an outstanding example of anachronistic feudalism, but with ringisei everything except the topmost policy decisions comes from the documented suggestions of subordinates. After being drafted by an official of low rank, the proposal is circulated among other officials in the ministry or agency concerned, and they are required to affix their seals if they agree with the policy proposed. The document works its way by circuitous paths until it finally reaches the minister or top executive official. When he approves the ringisho

[13] Tsuji Kiyoaki, "Decision-Making in the Japanese Government: A Study of Ringisei" in R.E. Ward (ed.), Political Development in Modern Japan, Princeton, 1968, 1973 paperback edition, p.457

[14] Arai, op.cit., p.132

(circulating document), the decision is made.

According to Tsuji[15] the most important attributes of the ringisei process are that the initial draft is prepared by a low-ranking official without authority or leadership status; the ringisho is discussed and examined separately by officials of all relevant bureaux and divisions, and not at a joint meeting of the administrators concerned; although the power to grant or withhold final approval for the ringisho lies with the highest executive, in actual practice he is expected to approve it without change because of the long process of scruting by all concerned with its future execution.

It is easy to over-emphasise the ringisho as though it were the sole vehicle of consensus decision-making. Apart from verbal ringi and executive meetings, there are other informal discussions which have an important part to play in ensuring harmony (wa), which is the necessary pre-requisite for achieving consensus.

B. The informal discussions: nemawashi. Nemawashi is the name given to informal preliminary discussions. The primary reference is to the preparations made in advance of transplanting a large tree: digging a trench around it, cutting the thick lateral roots, and bending the smaller roots around the earth clump that will be moved. According to Noda[16] this process of prior informal negotiations and persuasion among concerned parties that will be involved in decision-making and problem-solving cannot be said to be unique to Japan, but when the participants share lifetime employment the weight given to such informal activities must be greater than in other countries. Consequently, when a ringi initiator wants to establish a certain ringi, Noda says he spares no effort in the nemawashi of major concerned parties, especially those whose consent is expected to be difficult to obtain. If the nemawashi process is very successful, the ringi may be merely the formal procedure of writing and detailing the decision. However, sometimes the participants in the nemawashi may consider that the ringisho has implications that were not apparent in the discussion. Though junior staff draft the ringi, Vogel[17] writes of the initiative exercised by Japanese executives who can guide issues through long periods of nemawashi, arriving at decisions in

[15] Tsuji, op.cit., p.458 [16] Noda, op.cit., p.128.

[17] E. Vogel, "Introduction: Towards More Accurate Concepts" in E. Vogel (ed.), op.cit., pp.149-151.

their interest, and mobilizing personnel to achieve these goals.

Depending on the complexity of the matter, the nemawashi can be perfunctory or time-consuming. The consultation varies from mundane detail to broad general issues. It may be followed by social gatherings in a teahouse or similar setting, so that difficulties within factions may be settled. Nakane[18] traces these meetings to group meetings in old-established villages, where the tradition has been to base any decision on maximum consultation. To this idea has been added the post-war concept of 'democracy' which has tended to enlarge the size of gatherings. This frequently results in long meetings dragged out in the name of democracy. This causes Nakane to say that Japan is the land of meetings, where it is not difficult to find a man who spends more time at meetings than at his desk. If these gatherings achieve consensus and co-operation for the eventual execution of the policy, management would not see these consultations as non-productive time.

Even though the social gatherings after nemawashi may be held after hours, workers would not expect to be paid overtime. As has been explained, work group loyalties and orientation to the workplace are very strong, so all would want to participate in such gatherings, and would be upset if they were excluded. Noda[19] maintains that many Japanese employees are so involved with company activities that they prefer short vacations, and even during vacation become restless to return to the daily life of the company.

C. The formal conference: kaigi. After the informal discussions and social gatherings, it is often possible for the ringi to be drafted immediately. However, at other times it is necessary to hold a formal conference - kaigi.[20] The purpose of the conference is "to pull the threads together" (matomari), to start off execution of the policy. As it is a formal meeting it usually is limited to strategic considerations, leaving the tactics and techniques to be handled through the ringisei. In some cases the kaigi may be the most important factor, and the ringi merely confirm the decision. At other times though agreement may be reached at

[18] Nakane, op.cit., pp.149-151. [19] Noda, op.cit., p.140.

[20] Albert Craig, "Functional and Dysfunctional Aspects of Government Bureaucracy" in E. Vogel, op.cit., p.22f.

the meeting, the final approval occurs only when the *ringisho* has been stamped with all the necessary seals.

Craig suggests that the over-emphasis that is often given to the importance of *ringisei* in the decision-making process may be due to the fact that informal consultation is hard to see and meetings so ordinary that they seem hardly worth mentioning, while ringisei is highly visible and peculiarly Japanese. It may well also be due to the fact that the Western negotiator may feel that the *kaigi* is the end of the process, only to find that he must still wait for the *ringisho* to be completed. It can therefore be easily seen that such an over-emphasis on the importance of *ringisei* could develop.

V Strengths and weaknesses in the ringi style of management:

It is false to assume that all scholars examining the *ringi* style of management view it as uncritically as Drucker appears to do.[21] It is possible to identify both strengths and weaknesses in the system. The emphasis of particular writers seems to depend on whether they are writing mainly about the bureaucracy or about big corporations, so for example, Ojimi Yoshihisa,[22] former Administrative Vice-Minister in the Ministry of International Trade and Industry writes:

> "To give my impressions, people in the ministries are not much interested in *ringi*: it is a mundane practice. We consider the *ringi* document as part of office equipment along with pencils and paper..."

On the other hand Noda Kazuo,[23] Professor of Business Administration at Rikkyo University, describes the way that the "management boom" - the movement to modernize existing management practices on the model of American company management, though it brought experimentation and reform, had eventually to revive the *ringi* system, when they came to realise the difficulty of introducing such reforms. It is now recognised that the work load of senior executives in big business is lightened considerably by the *ringi* system. Compared with practices in the 1950s, he believes that *ringi* today is a remarkably more refined system, used in a more realistic manner. If this be the case, perhaps some of the weaknesses recognised by earlier writers are now being rectified.

[21] In fairness to Drucker he admits his over-simplification and states that his purpose was not to give a scholarly analysis of Japanese management but to highlight some of those policies he considers to have been major factors in Japan's achievements, p.122.

[22] Ojimi, *op.cit.*, p.109 [23] Noda, *op.cit.*, pp.138-9.

A. Initiative by Junior Staff: Albert Craig[24] suggests that one obvious advantage is that young officials are given important work and vital experience from the time they enter the ministry, for it is the lower officials who draft the ringi. It is easy to exaggerate the junior status of the kiansha or plan initiator, for according to Noda[25] he is generally a section chief. Craig[26] admits that whoever actually prepares the draft, it is the section chief who bears the primary responsibility and his bureau chief who takes a share of it. Acknowledging this qualifying factor, it would still seem that younger people are given opportunities for meaningful work. When Craig queried this, senior Japanese officials justified their system on the grounds that the young are energetic and innovative while older officials have the wisdom needed to tone down the final product.

The weakness in this practice is that, according to Arai[27], it can lead to an over-powerful junior staff, if slothful or incapable managers merely approve policy originating at lower levels. Exposé literature on Japanese bureaucracy sees the undue influence of junior staff as one of the major dysfunctions of the system, Craig[28] identifying within this literature two kinds of examples of this phenomenon.

First, there are those who write about the influence exercised by subordinate officers in the decisions that led to the Pacific War. Craig emphasises that the majors and colonels who served as section chiefs were in their middle or late thirties, so were not that young. Many had been military attachés in Germany and therefore favoured a strong pro-German policy. He suggests that the ideological difference which set them off from the senior officers was a significant factor. It was their job to draft policy and strategy for the services, and they did not usurp this function. He suggests they were able to make their influence felt only because the generals and admirals themselves were divided on questions of policy.

The second example that Craig identifies centres on the figure of the assistant section chief, who may be a clerk who has not passed the higher examination, and may have a fairly long tenure in the post while careerist section chiefs come and go.

---

24 Craig, op.cit., p.24f.
25 Noda, op.cit., p.127
26 Craig, op.cit., p.30
27 Arai, op.cit., p.133f.
28 Craig, op.cit., p.25f.

While Craig would not deny the power that such subordinates may wield, he argues that it is office power not policy-planning power. In any system there are low-ranking staff members of long standing, who can make life very difficult for newly appointed senior officers, so this is not unique to the Japanese system.

B. Lack of managerial leadership: Arai[29] considers there is a tendency for a gradual decline in managerial ability to occur as a result of many years in the bottom-weighted *ringi* system, for executives come to regard the processing of the deluge of paperwork pouring in from all directions as a substitute for work, leading to an inability to take the initiative. Tsuji[30] goes even further in his criticism, claiming that *ringisei* prevents the minister and higher civil servants from assuming a role of leadership in decision-making. He relates the experience of a friend of his, a higher civil servant, who, whenever he thought of a plan or policy that he wanted to effect, could only send it as a mere proposal or item for future reference to to the appropriate low-ranking administrator. Even if this lowest administrator accepted and acted upon it, he still had to wait a long time until the *ringisho* concerning that policy reached him. Should he have ignored the protocol of *ringisei*, he would have antagonized his associates and created disturbances in the office.

This seems to be placing too much emphasis on the *ringisei*, ignoring the long periods of *nemawashi* where executives can exercise initiative.

C. A time-consuming process: It is obvious that by the time the *ringisho* has been completed a great deal of time will have elapsed. Tsuji[31] complains that the *ringisho* must be examined separately by each section, division and bureau. The proper officials may be absent when it arrives, or the *ringisho* may be inadvertently set aside, or even deliberately held up by an administrator who disagrees with its recommendations. Tsuji explains that it is often difficult to express explicit disagreement in the face of pressures from influential figures or interest groups, so sometimes an official may display implicit disagreement by keeping the *ringisho* for a long time. If he were to make his disagreement explicit, there would be friction between him and his colleagues, and this must be avoided at all costs. However, surely the deliberate delaying tactics would cause

---

[29] Arai, *op.cit.*, p.134 [30] Tsuji, *op.cit.*, p.463.

[31] Tsuji, *op.cit.*, p.459

friction too. Arai[32] points out that the revolution in office copying machines has made it possible to distribute copies of the *ringisho* in advance, so that when the original eventually comes around, the contents are known and each person can put his stamp on it immediately. It was always possible for the initiator of the proposal to circulate the document in person, bowing low before each participant and requesting his seal. Delays in approval are not unique to the Japanese system, and in many respects the process is similar to any submission that must pass through the ranks to the responsible officer. The main difference is that the *ringisho* is not circulated on a merely hierarchical path, as Figure 1 clearly demonstrates. Though *ringisei* in its traditional form is criticised for maintaining a strict sense of rank among administrators, in its present communications system it is used as a method of consensus decision-making, so its horizontal aspects at the lower level are as important as the strengthening of vertical relationships. The possibility of delay in the circulating process can be compensated for the lack of delay in the execution process, to which reference has already been made.

Verbal *ringi* also exists. Arai[33] explains this is simply a procedure whereby the staff member checks verbally with the manager to get his approval for a plan, before filling out a full formal *ringisho*. This procedure, though a great time-saver, has caused some grave problems, Arai maintains, for the Japanese spoken language is vague and more ambiguous than the written language. The subordinate may therefore obtain general permission for his plans by verbal *ringi* but be required to prepare a written document which the executive will often feel has implications that differ distinctly from those of the verbal proposal which was approved. Meanwhile the staff may have already started the project on the basis of the verbal approval, and the resulting confusion may waste more time than had the usual procedure been followed.

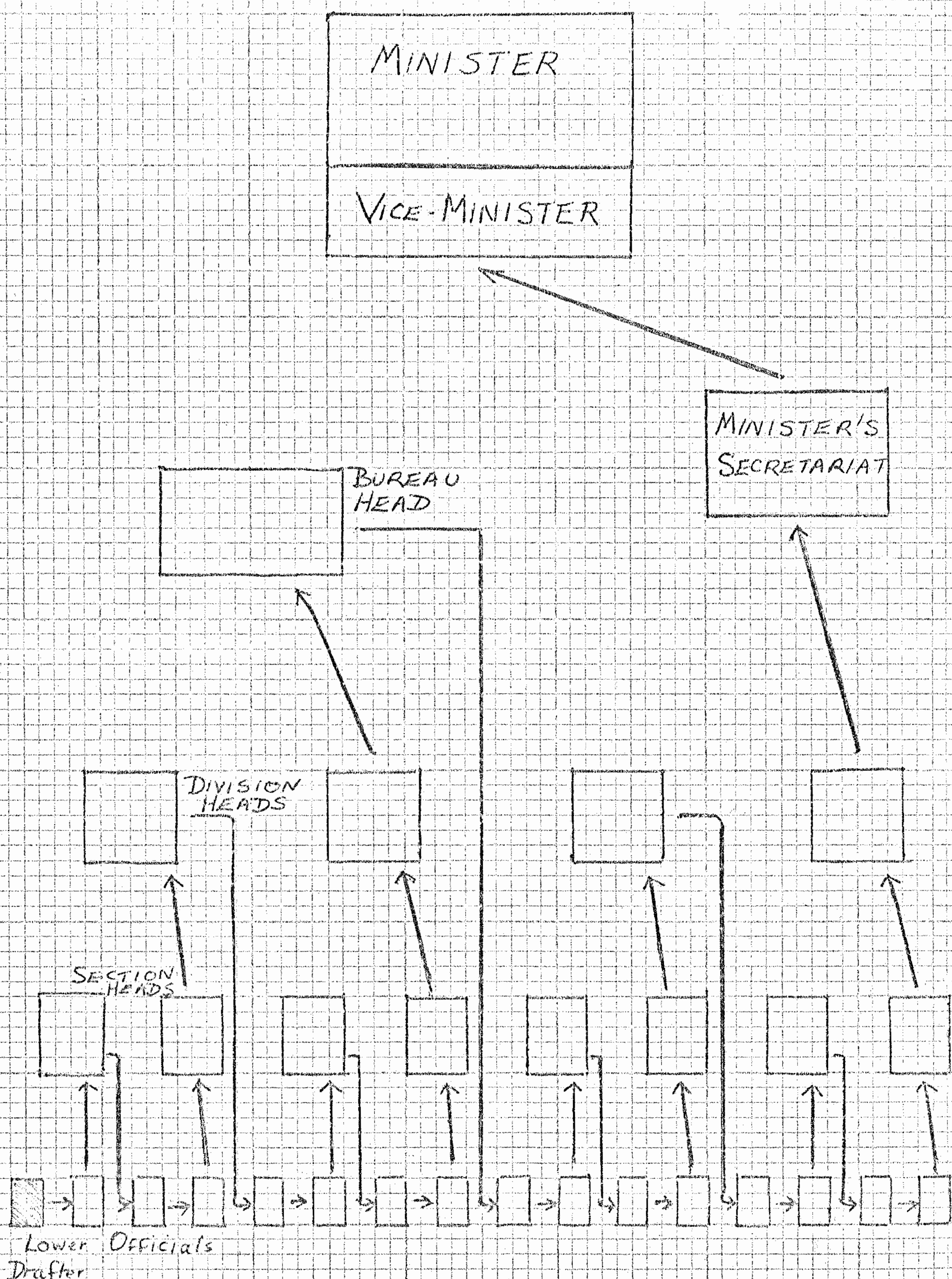
D. *Diffusion of responsibility*: While all relevant administrators examine the *ringisho*, they can hardly be expected to have a strong sense of responsibility for the policy involved, because the responsibility is not really theirs. Tsuji[34] suggests that each

---

[32] Arai, *op.cit.*, p.136. [33] Arai, *op.cit.*, pp.135,136.

[34] Tsuji, *op.cit.*, p.462

FIGURE I.[35]
Model of *Ringisei* Communications System.
(Arrow indicates circuitous path of *Ringisho* →)



[35] Adapted from Tsuji, *op.cit.*, p.460.

administrator's sense of responsibility is affected by the fact that he knows his seal is only one of many seals, and apt to mean no more than that. Foreign negotiators may well complain that it is impossible to discover who is the person responsible, for they are accustomed to responsibility being specific not general. According to Noda[36], however, it is a mistake to assume that decision-making by consensus means that no individual assumes responsibility, for it is divided among all members. He claims that the final complete consensus is entirely separate from the question of attributing responsibility for success or failure. Even in cases when a decision is made by all members, if the result is a serious failure, the representative director - the company president - either alone or with a small group of senior directors may take responsibility for the failure, or a junior director who has had no actual influence in a final decision may be forced to resign.

Craig[37] maintains that the problem of responsibility or lack of it in the Japanese bureaucracy is even more complex. The tendency to vest all responsibility in the head of the organization is carried to an extreme. He cites as an example, if a train crashes and lives are lost, be it sabotage or the negligence of a switchman, the director of the national railways may offer his resignation. This year an example was provided by the Finance Minister offering his resignation following criticism of his department's decision not to request the return of the ransom in the recent "high-jacking" on an aeroplane. Craig asserts that this notion of responsibility was influenced by German legal concepts adopted during the Meiji period, according to which total responsibility was vested in each minister, but it also reflects the fact that organizational solidarity in Japan is symbolized by loyalty to its head. It seems that Westerners assume that such work groups are egalitarian, ignoring the hierarchical relationship of each member of the group to the leader. It is the leader who thus has the responsibility, even though in the negotiating stage he is not the sole person contributing to the final decision.

Noda[38] considers that a critical factor in complete consensus decision-making is the number of members in the group. Prior to

---

[36] Noda, op.cit., p.122f. [37] Craig, op.cit., p.29
[38] Noda, op.cit., p.122.

the expansion of the economy in the mid 1950s, the number of directors even in fairly large-scale enterprises never exceeded ten, but now a number of companies have twenty to thirty directors. The increase was intended to strengthen top management within each enterprise to ensure that they could cope effectively with the rapid changes in the business environment. The nucleus of this effort was the establishment of a company organ composed of only senior directors, the jōmukai (executive committee of managing directors). In addition to the company president, members of the executive committee number five to ten. Adequate daily communication is easily possible among a group of this size, thus putting into practice the principle of consensus decision-making when it comes to items of serious consequence. It also enabled the executive committee to carry out much greater top-management functions than previously, for though Noda speaks of consensus decision-making, it is consensus merely among the managing directors. It would seem that it is therefore easy to exaggerate the undue influence of subordinate officers, who will not have any part in these daily meetings of the executive. The existence of such an executive also indicates that it is easier to identify those responsible for the most important policy matters.

VI Concluding Comments:

By examining the total process of consensus decision-making it is apparent that it is an extremely complex aspect of Japanese management. Consensus decision-making is an active conscious process in which the leadership explores all options offered by a broad range of company employees in the hope that an obvious solution will emerge from the long discussions so that, when a decision is finally made, the overwhelming majority in the company can see why such a decision is desirable and necessary, so Noda[39] asserts that leadership is much more vigorous and adaptable than many accounts of consensus decision-making allow . The success of many large Japanese corporations testifies to the effectiveness of such a system of decision-making.

It is consequently unreasonable to expect the Japanese to abandon their form of decision-making when they find it is

[39] Noda, op.cit., pp.144,145.

successful in their own business dealings. The Japanese have made long-term contracts with Australia, e.g. Australia supplies thirty million tonsof coal and over fifty million tons of iron ore to Japan, all under long-term (ten- to fifteen year) contracts.[40] Gregory Clark[41] points out that if Japan had insisted on Australia sticking to all its contracts, uranium and iron-ore miners would be out of business. Flexible contracts made as the result of a long process of informal discussions, conferences and adjustments to written documents, can work for the mutual benefit of both parties. Clark suggests we cannot maintain the bland Anglo-Saxon assumption that the Japanese have to learn our way of doing business - or else! Such an attitude reflects a tendency to overestimate our resource importance to Japan, and to minimise our dependence on Japan as a buyer of our raw materials.

Morgan[42] reports that in his experience, although the Japanese may make concessions to Western ways of doing business, negotiations he has had with the Japanese in the past eleven years have not been negotiated in a Western style. He recommends that those who conduct negotiations in a country where the system of ethics is entirely different from their own, must know the rules which are actually operating in the negotiations, and this requires a prior knowledge of the rules by which the other side is accustomed to play. Allowance can then be made for these rules, and an awareness of possible pitfalls to be avoided should result in more successful negotiations.

This advice is applicable to negotiations with any foreign country, not only with Japan. It may well be asked why an understanding of Japanese practices is of special significance to Australians, and this question is now examined in the concluding chapter.

---

[40] James V. Martin, Jr, "Problems of Australian-Japanese Relations", _Asian Affairs_, Vol.III, No.4, March-April, 1976, pp.217-246.

[41] G. Clark, _op.cit._, p.4. [42] W.M. Morgan, _op.cit._, p.57.

CHAPTER V

THE NEED FOR AUSTRALIANS TO UNDERSTAND JAPANESE BUSINESS PRACTICES

At a conference sponsored by the Australian Institute of International Affairs on 'Japan and Australia in the Seventies', held in Sydney in June 1971, Sir William McMahon,[1] who was then the Prime Minister, said he believed that when the history of this decade is written the changes in Australian-Japanese relations will be seen as one of the most significant developments of our time. The decade is now more than half over and it is possible that the recent ratification of the Australian Basic Treaty of Friendship and Co-operation may be considered a most significant development, reflecting the changes in the relations between the two countries.

The purpose of this concluding chapter is to examine Japan-Australia relations, bearing in mind the previous chapters on Japanese business practices. Such an examination will include an assessment of how significant an understanding of Japanese business practices is for Australians. Since it may not be self-evident that relations with Japan have been seen as important to Australia, a brief survey of the history of these relations and their present situation is necessary.

I Brief Historical Survey of Japan-Australia Relations:

Whether viewed from the Japanese or from the Australian side, the history of Japan-Australia relations reveals bitter memories. One of the first laws passed by the new Australian Parliament was the Federal Immigration Restriction Act, which, when it came into effect in February 1902, completely closed Australia to further settlement by Japanese. At that date the Japanese population in Australia was 3,593, and that total has never since been exceeded.[2] The discriminatory treatment of Japanese subjects on account of race remained an important issue in Australian-Japanese relations. It was not restricted to the question of immigration, for laws were passed restricting the rights of the Japanese already in Australia.[3]

---

[1] Sir William McMahon, op.cit., p.2.

[2] Warren Reed, "An Era of Interdependence: Australia and Japan Today", The Japan Interpreter, Spring 1974, pp.43-44

[3] Details of these laws are given by D.C.S. Sissons, "Immigration in Australian-Japanese Relations, 1871-1971" in J.A.A. Stockwin, 1972, op.cit., p.200.

In 1915-17 Japan tried to remove these disabilities, as well as to secure her export markets, when she tried to barter additional naval assistance to the Allied cause in exchange for Australia's entry to the Anglo-Japanese Treaty of Commerce and Navigation, but Australia refused to end her discrimination.

Similarly at the Paris Peace Conference of 1919 it was Australia that played a prominent role in bringing about the defeat of Japan's attempt to insert in the Covenant of the League of Nations a clause whereby members would undertake to accord equal treatment to aliens in their territories, irrespective of race.[4] At the outbreak of war in 1941 all Japanese residents in Australia, and with a very few exceptions their Australian-born children - a total of 958 - were interned. At the end of the war the Australian-born were permitted to remain though all but seventy-five of the Japanese born were compulsorily returned to Japan.[5]

Australia was a very reluctant signatory to the San Francisco Peace Treaty of 1951, especially due to the provision of limited re-armament considered necessary for Japan's self-defence. A public opinion poll taken at the time showed sixty-seven per cent of Australians questioned were opposed to the ratification of the treaty.[6] It was only assurances by the United States that persuaded Australia to ratify the treaty, despite local opposition. Even the trade treaty of 1957 was greeted with hostile outbursts, though when it was renewed in 1963 it was generally welcomed.

From the Japanese point of view the history of Japanese-Australian relations have been marred by Australian racist attitudes towards them. From the Australian point of view the history is equally bitter. Encel[7] traces Australian fears of Japanese aggression back to the Sino-Japanese War of 1895. From this time onwards, Japan was the focus of concern, and for many years the Australian outlook on defence was dominated by the conviction that Britain was incapable of understanding the Japanese threat. Though Australia automatically joined in wars against Britain's enemies, the Australian government stressed their country's independent role in world affairs by taking steps to enable the Governor-General,

---

[4] E. Scott, Official History of Australia with War of 1914-18, Vol.XI, Sydney 1937, pp.789-97.

[5] D. Sissons, op.cit., p.202

[6] S. Encel, op.cit., p.426 [7] ibid., p.423.

Lord Gowrie, on the advice of his ministers to proclaim a state of war between Australia and Japan.[8] Fifty years of fear and suspicion reached their climax in the Pacific War of 1941-45, which seemed to vindicate all the years of talk of a yellow peril of invading hordes of bloodthirsty Asiatics.

Encel[9] recalls that the immediate result of the war was a general insistence on a tough policy towards Japan, one symbol being the hostile speech of the Australian commander-in-chief, Sir Thomas Blamey, when he received the surrender of the Japanese Second Army. This continued with a policy of non-fraternisation laid down in a directive issued by General Northcott, the first commander of the British Commonwealth Occupation Force in Japan, a body in which Australian influence predominated. Australia was determined to keep Japan disarmed, but was ineffectual in the face of American determination to build up Japanese strength to counter the Communist threat.

Encel[10] suggests that a deep-seated fear of the Japanese may still lurk in the psyche of many Australians, even though its expression is beset by inhibitions and reservations in recognition of Japan's economic importance to Australia. The loosening of the links between Britain and Australia may have reduced any remaining resentment Australians feel towards Britain's former enemies, but the situation is not the same for the Japanese, as they are the only people to have invaded Australian territory. Australian businessmen and politicians are of the age to have either participated in the war against Japan or to have been children in the war, growing up in an atmosphere of propaganda without the maturity to recognise that it was propaganda. It is not easy to be aware to these long-held prejudices. Peter Robinson,[11] editor of the Australian Financial Review said in 1971 that there had been very little real improvement in the relationship between Japan and Australia within the preceding decade. He had reported on eleven annual meetings of the Australia-Japan Business Co-operation Committee, and had found it difficult to discern much difference between the issues raised a decade before and those raised in 1971, and little improvement in the level of debate.

---

[8] Commonwealth Parliamentary Debates, Vol.169, pp.1078-81.

[9] Encel, op.cit., p.426. [10] ibid., p.427.

[11] P. Robinson, "Australian-Japanese Relations" in J.A.A. Stockwin, 1972, op.cit., p.154.

If the ratification of the Australia-Japan Basic Treaty of Friendship and Co-operation really marks an improvement since he wrote, it indicates the amount of painstaking negotiations that must have been undertaken to overcome the bitter history of our relations, together with a growing recognition of our mutual interdependence.

II The Importance of Japan-Australia Relations:

It is possible to examine the importance of relations between Australia and Japan in terms of economic interdependence, in terms of strategic considerations in a world context, as possible partners in aid to developing countries, and as a way of strengthening multi-lateral relations. Since it is the intention of showing the significance for Australians to understand Japanese business practices, each of these aspects of Japan-Australia relations is examined briefly.

A. Economic Interdependence of Japan and Australia: Starting from zero in 1945, Australia-Japan trade developed rapidly, reaching £A62 million in Australian exports to Japan in 1950-1951. Of this amount, £A52 million was for wool and the remainder for wheat and barley. In the same year Japanese exports to Australia were £A16 million but rose to £A44 million in 1951-1952, due to the rapid development of the Australian economy and the consequent demand for Japanese steel and other products[12]. The expansion of trade since then, both in its volume and share of the market is evident from Table 4.

TABLE 4.

DEVELOPMENT OF AUSTRALIA-JAPAN TRADE RELATIONS.
(in millions of Australian dollars)

	Exports to Japan	Share (%)	Imports from Japan	Share (%)
1950-51	123.1	6.3	31.2	2.1
1955-56	173.0	11.1	45.2	2.8
1960-61	323.0	16.7	130.9	6.0
1965-66	470.4	17.3	280.2	9.5
1966-67	586.5	19.4	296.0	9.7
1967-68	642.1	21.1	343.3	10.5
1968-69	822.1	24.4	414.7	12,0
1969-70	1 021.4	24.7	481.2	12.4
1970-71	1 187.6	27.1	573.6	13.8
1971-72	1 360.0	27.8	629.0	15.7
1972-73	1 934.0	31.1	739.0	17.9

[12] Material for whole paragraph and accompanying table from W. Reed, op.cit., p.47.

Japan and Australia are now of first-rank importance to each other economically.[13] Japan is Australia's chief trading partner, taking some thirty per cent of Australia's exports and providing eighteen per cent of its imports. Australia is Japan's second trading partner (after the United States), normally supplying eight per cent of Japan's imports, including half its iron ore and a third of its industrial coal, and taking 3.5 per cent of Japan's exports. Apart from the increase in volume, the other main significant factor is the change in importance from primary products to raw materials, especially since 1960, as the analysis in Table 5 demonstrates.[14]

TABLE 5.

CHANGES IN THE STRUCTURE OF JAPANESE IMPORTS FROM AUSTRALIA
(in millions of Australian dollars)

	1960		1971	
	Value	Share (%)	Value	Share (%)
Raw Wool	222	64.5	235	13.4
Other Agricultural Products	40	11.6	397	22.7
Minerals	58	16.9	942	53.8
Manufactured Goods	10	2.9	132	7.5
Others	14	4.1	46	2.6
Total	344	100.0	1 752	100.0

The most vital part of the trade for both nations is Australia's raw materials. Kahn[15] lists the discovery in Australia and elsewhere of large new mineral deposits as one of the favourable international conditions that contributed to rapid Japanese growth rates, while Martin[16] claims that Australia's prosperity depends on their sale, for there is no prospective alternative buyer. Japan wants to assure access to minerals, and eighty per cent of Japanese investment in Australia is in mineral extraction, primarily in the form of a minority equity in joint ventures. Robinson[17] suggests that as the Japanese, unlike many other investors, are not basically interested in setting up wholly-owned subsidiaries, they should be

[13] Figures in this paragraph from Martin, op.cit., p.217.
[14] Table taken from Reed, op.cit., p.47.
[15] Kahn, op.cit., p.86 [16] Martin, op.cit., p.220.
[17] Robinson, op.cit., p.155.

encouraged to invest in Australia. Whether they will be permitted to expand depends partly on the attitudes of those governing Australia. The main assurance that Japanese require is that if restrictions are made against foreign investment, they apply equally to all foreigners irrespective of race.

Martin[18] devotes a whole article to a discussion of problems in Australian-Japanese relations, each of which highlights the need for an understanding of Japanese business practices. One of the main economic problems concerns the perennial bilateral trade balance, with Japan regularly buying twice as much from Australia as it sells to Australia. In an effort to correct the imbalance, the Australian car market was inundated with Japanese cars, causing repercussions for Australian car manufacturers and their employees. This led to negotiations to entice Japanese car makers into joint venture manufacturing in Australia, jiggering the tariff to promote joint ventures, and putting restrictions upon car imports. It is obvious that a great deal of patient negotiating must have been necessary before the agreement was reached in July 1975 for the government of Australia, Chrysler, Toyota and Nissan (Datsun) to build an $A100 million plant in Australia to make Toyotas and Datsuns. These joint ventures will have Japanese and Australians working together, so it will be necessary for Australians participating in these ventures to understand the Japanese approach to management problems.

The second major economic problem Martin considers to have been caused by the breakdown of the international monetary system. Prior to December 1971, long-term supply contracts between Australia and Japan were written in United States dollars and made no allowances for exchange fluctuations. When a Japanese trade and investment survey mission visited Perth in March 1973, the Premier of Western Australia requested the Japanese leader to persuade his associates to re-negotiate the iron-ore contracts. In the ensuing talks with Japanese purchasers, the Australian companies vigorously supported by the Australian government, managed to adjust the contracts.[19] This was due most likely to the Japanese recognition that the changes in the exchange rate made the original terms of contract unfair. It is to be regretted that more recent long-term contracts have not received a reciprocal flexible response from the Australian side.

---

[18] Martin, op.cit. [19] Reed, op.cit., p.50.

One can see that the traditional Japanese attitude to contracts is more in keeping with rapidly changing circumstances, and could benefit either party, and ensure a more harmonious working relationship between the two countries. All the economic problems Martin discusses show the need for Australians to understand Japanese business practices, because of the great economic interdependence that exists between the two countries.

B. The strategic importance of Australia and Japan: Though Expo '70 may have been the first time to have highlighted the fact that Australia and Japan are neighbours on longitude 135°, Australia has always been aware of Japan's proximity, for many years as the source of the threat from the north, and in more recent years as a close trading partner. Japan-Australia relations cannot be considered in isolation, for they are affected by the international scene. Japan and Australia have a common interest in political stability in their region, and the United States and Great Britain's disentanglement from South-East Asia is obviously an important factor in drawing Japan and Australia closer to one another. Richard Mason[20] points out that Australia has a tendency for a single mother figure, first Britain, then the United States, and now could come to rely too much on Japan. Miller[21], on the other hand, does not consider that Japan has any interest in occupying the vacuum the United States' withdrawal from South-East Asia has created, and will not offer any country the kind of guarantee the United States gave to non-communist countries in the area. He considers Japan's main interest will lie in asserting its own independence while cultivating friendship with as many other countries as possible. He acknowledges the possibility of Japan arranging joint defence production agreements with other suppliers such as Australia, and of activities such as joint naval exercises with naval powers in the Pacific, including Australia.

Such defence agreements and joint exercises will require consultations at government and departmental levels, requiring Australians working in such areas to understand the Japanese ways of handling staff and the use of consensus decision-making. Defence production will involve the large enterprises being brought into the consultations, so one can see that Australians will need

[20] Richard Mason, "Discussion" in J.A.A. Stockwin, 1972, op.cit., p.189.

[21] Miller, ibid., p.177.

to be aware of the complex linkages between Japanese government, bureaucracy and big business, for strategic and not only for economic considerations.

C. The possibility of joint-aid projects in South-East Asia:

At the Conference on 'Japan and Australia in the Seventies', there were discussions about the desirability of joint-aid projects for South-East Asia. Miller[22] claimed that the Japanese notion of economic aid is different from Australia's. He attributed this to a lack of a sense of guilt that characterizes Western people's attitude to the under-developed countries, and a lack of that humanitarian urge on which so much Western effort in the aid field has been based. He maintained that the Japanese see no sense in giving other people money to spend as they please, but consider it sensible to provide them with things which will develop particular resources on which an increase in bilateral trade can be based. Drysdale[23], on the other hand, while acknowledging the emphasis on mutuality in the aid operation in Japanese aid policy, maintained that there is a humanitarian element in Japanese aid programmes, and Australians need to avoid being culture-centric in judgments on such important policy matters.

Japan and Australia are already members of such multilateral organizations as ECAFE, ASPAC, the Asian Development Bank, the Colombo Plan and the Development Assistance Committee of the OECD. If there are also to be joint Japanese-Australian aid projects in South-East Asia, it is obvious that nothing is to be gained by Australians maintaining their form of aid is superior. Drysdale acknowledged that the official aid component is very high in the Australian aid programme, while the investment and credit aid component is very high in the Japanese aid programme. There is a place for each, so there is a need for Japanese and Australians to work together to provide an integrated programme that will allow the developing countries in the area to receive the maximum benefit.

It is apparent that this is another area in which Japanese and Australians need to understand one another. The Japanese are already familiar with Western ways, but Australians need to appreciate the Japanese situation more. One of the factors that helped Japan recover from the effects of World War II was massive

[22] Miller, op.cit., p.179 [23] Drysdale, op.cit., p.185.

American aid. However, as has been shown in preceding chapters, other important factors in Japan's economic recovery was the co-operation of government, bureaucracy and business interests, together with the hard work and dedication of the Japanese people. All money given in aid has been repaid to the United States, and Japan is proud of its independence. If their idea of aid is to help develop particular resources to increase trade, this ought not to be judged to be motivated by self-interest only, for in the Japanese experience this has proved to be a way of regaining independence and expanding the economy. In the joint consultations that will need to take place, Australians might well acknowledge the achievements of the Japanese people and the contribution their experience can make in assisting the economic development of the region.

D. The development of multilateral relations: The American futurologist, Herman Kahn, foresees an increasingly profound Japanese influence on Australia, socially and culturally as well as economically, forcing Australians away from "their rather parochial and inbred life into the most stimulating and cosmopolitan existence."[24] Prior to the post-war migration programme, Australian culture was almost exclusively Anglo-Saxon in origin. Now many Australians are beginning to value the cultural heritage of the European-born Australians, but we need also to appreciate the further enrichment that an appreciation of Asian culture would bring.

There are aspects of Japanese culture that have a growing popularity, from the cultivation of bonsai trees, traditional flower arrangement and tea ceremony to Japanese forms of self-defence. These, however, tend to be studied in isolation, and may over-emphasise traditional aspects of the Japanese way of life. What is also needed, if we are to develop a sensitivity to Asians, is an understanding of the way of life of Japanese people in a highly urbanised sophisticated post-industrial society. As a result of thousands of years of historical development in isolation from other countries, Japan has developed a society that is decidedly homogeneous in comparison with other countries. They have consequently devised their own solutions to the problems of their society, but as many of these problems are similar to those of other countries, the solutions they have found merit our study.

---

[24] Kahn, op.cit., p.207.

The ratification of the Basic Treaty of Friendship and Co-operation places Australia in a special relationship with Japan. We therefore need to take every opportunity for understanding Japanese practices to develop this friendship and co-operation. At the same time there is a danger that the two countries could form an exclusive affluent club, ignoring other countries in the region. Japan is only one of our Asian neighbours. We need to develop friendship and co-operation with other countries too. By developing a sensitivity towards the Japanese people and their way of life, this can lead Australians to develop a similar attitude towards other people in the region and a similar examination of the solutions they are adopting in coping with the problems of a rapidly changing society, problems that face most of us.

III Conclusion:

For all these reasons, it has been argued, an understanding of the Japanese people and their business practices is of great significance to Australians. There is much to admire in the way that the Japanese people have worked together to restore their country's economy, and they have reason to be proud of their achievements. Japan is now among the most advanced countries in the world, and deserves treatment as an equal partner in any negotiations undertaken by Australians at every level - government, ministerial department and private enterprise. It needs to be recognised that the links between government, bureaucracy and big business have helped in the Japanese post-war recovery. At the same time, it cannot be assumed that an agreement with one is an agreement with all three, for the linkages are extremely complex. The Japanese government is subject to many conflicting demands from pressure groups within and outside the country. These conflicts must be resolve through a series of consultations until a consensus is reached. Australians will need to be patient while these negotiations are taking place, realising that once the issue has been settled, a very speedy execution of policy will follow.

Australians and Japanese can expect to have increasing contacts with one another. It would seem that the freedom for foreign investment in Australia that existed prior to 1968 is not likely to be repeated, irrespective of whichever political party is in power. A growing interest in joint ventures can be expected, and this will heighten the need for more Australians to understand aspects of Japanese management. The Japanese for their part will have to come to terms with Australian unions and award wages. On the other hand, there is much that Australians might learn from Japanese executives about making workers feel they are people not "hands", and can show them ways of raising morale, working together in small groups and responding to changing situations in more flexible ways. At the same time the Japanese emphasis on sales volume and the Australian emphasis on profit margins could create difficulties. To avoid confrontation there will need to be a willingness for both sides to discuss matters to reach solutions that will satisfy all participants.

Japan will have a continuing need to obtain raw materials from Australia, and Australia will continue to want to sell her primary products, energy resources and minerals. While long-term contracts may appear to be in Australia's interests for long-range planning, such commitments could become a risk. It is becoming cheaper for Japanese companies to set up joint venture factories in Korea and Taiwan, thus reducing the need for energy at home. The Japanese demand for coal and uranium could change, while on the other hand changes in the Australian political scene might make it difficult for Australians to keep long-term contracts. A flexible approach more in keeping with the Japanese traditional way would appear to be more realistic.

Above all there is a need for a relationship of trust to be built on both sides, so that the bitterness of the past history of Australian-Japanese relations might be forgotten in a new understanding for which the Basic Treaty of Friendship and Co-operation is the written word of intention. Only then will future history judge the development of Japanese-Australian relations to have been the most significant development to have occurred in this decade.

BIBLIOGRAPHY

Books and Journal Articles:

ABEGGLEN, James, The Japanese Factory, Glencoe III, 1958, 1959 Indian edition

______ and the Boston Consulting Group, Japan in 1980: The Economic System and its Prospects, London, 1974.

ALLINSON, Gary, Japanese Urbanism, Berkeley, 1975.

ARAI, Shunzo, An Intersection of East and West, Tokyo, 1971.

ARNDT, H.W., "Australia's Economic Relations with Japan: Dependence or Partnership?" in J.A.A. Stockwin (ed.), Japan and Australia in the Seventies, Sydney, 1972.

BENEDICT, Ruth, The Chrysanthemum and the Sword, Boston, 1946.

BRYANT, William, Japanese Private Economic Diplomacy: An Analysis of Business-Government Linkages, New York, 1975.

BURNS, T. and STALKER, G.M., The Management of Innovation, London, 1961, Second edition 1966.

CAIGER, John, "Educational and Cultural Aspects of Australian-Japanese Relations" in J.A.A. Stockwin (ed.), op.cit.

COALDRAKE, Maida, Japan in Asia: A Dialogue in Co-existence, Adelaide, 1973.

COLE, Robert, Japanese Blue Collar, Berkeley, 1971.

______ "Changing Labor Force Characteristics and Their Impact on Japanese Industrial Relations" in Lewis Austin (ed.), Japan: The Paradox of Progress, New Haven, 1976.

CRAIG, Albert, "Functional and Dysfunctional Aspects of Government Bureaucracy" in E. Vogel (ed.), Modern Japanese Organization and Decision-Making, Berkeley, 1975.

CURTIS, Gerald, "Big Business and Political Influence" in E. Vogel, ibid.

DOI, Takeo, The Anatomy of Dependence, (trans.J. Bester), Tokyo, 1973.

DORE, Robert, British Factory - Japanese Factory, Berkeley, 1973.

DRUCKER, Peter, "What we can learn from Japanese Management", Harvard Business Review, March-April 1971, pp.110-122.

DRYSDALE, Peter, "Japan in the World Economy: The Decade Ahead" in J.A.A. Stockwin, op.cit.

ENCEL, S., Equality and Authority: A Study of Class, Status and Power in Australia, Melbourne, 1970.

FUKUTAKE, Tadashi, Japanese Society Today, Tokyo, 1974.

GALE, K.C., "Business Ethics - Japanese Style", The Australian Manager, Vol.VIII, No.3, June 1968, pp.16-17.

HAGIWARA, Yoshiyuki, " "Economic Animal" Reconsidered," The Japan Interpreter, Vol.VII, No.2, Spring 1972, pp.138-149.

HSU, Francis, Iemoto: The Heart of Japan, New York, 1975.

INOUE, Keichi, "From labour surplus to labour shortage economy: the case of Japan", International Labour Review, Vol.113, No.2, March-April 1976, pp.217-225.

ISHIDA, Takeshi, Japanese Society, New York, 1971.

ISHIHARA, Shintaro, "A Nation Without Morality", The Japan Interpreter, Vol.IX, No.3, Winter 1975, pp.276-291.

JACKSON, R.G., "Comments on Negotiating with the Japanese" in J.A.A. Stockwin, op.cit.

JOHNSON, R. Tanner and OUCHI, William, "Made in America (under Japanese Management)," Harvard Business Review, Vol.52, No.5, Sept.-Oct., 1974, pp.61-69.

KAHN, Herman, The Emerging Japanese Superstate, Middlesex, 1970.

KOGANE, Yoshihiro, "Value Judgements and Economic Activities of Japanese People: A Dynamic Economy and a Stable Culture" in G. Fodella (ed.), Social Structures and Economic Dynamics in Japan up to 1980, Milan, 1975.

MARAINI, Fosco, "Japan and the Future: Some Suggestions from Nihonjin-ron Literature" in G. Fodella, ibid.

MARTIN, James V., Jr., "Problems of Australian-Japanese Relations", Asian Affairs, Vol.III, No.4, Mar.-Apr.1976, pp.217-246.

MASON, Richard, "Discussion on Japan in Australia's Future" in J.A.A. Stockwin, op.cit.

McGREGOR, Douglas, The Human Side of the Enterprise, New York, 1960.

McMAHON, William, "Australia and Japan" in J.A.A. Stockwin, op.cit.

MILLER, J.D.B., "Japan in Australia's Future" in J.A.A. Stockwin, ibid.

MIYAZAWA, Kiichi, "Income Redistribution: Prescription for a Welfare Society", The Japan Interpreter, Vol.IX, No.3, Winter 1975, pp.257-276.

MORGAN, W.M., "Negotiating with the Japanese" in J.A.A. Stockwin, op.cit.

MORRIS, V. Dixon, "The Idioms of Contemporary Japan", The Japan Interpreter, Vol.VIII, No.1, Spring 1973, pp.121-136.

NAGASU, Kasuji, "Super-Illusions of an Economic Superpower", The Japan Interpreter, Vol.IX, No.2, Summer-Autumn 1974, pp.133-148.

NAKAMURA, Takafusa, "The Tarnished Phoenix", The Japan Interpreter, Vol.IX, No.4, Spring 1975, pp.403-419.

NAKANE, Chie, Human Relations in Japan, summary translation of Tateshakai no Ningen Kankei, Tokyo, 1972.

________ Japanese Society, Middlesex 1970, 1974 edition.

NOBUTAKA, Ike, Japanese Politics, New York, 1957, second edition 1972.

NODA, Kazuo, "Big Business Organization" in E. Vogel, op.cit.

ODAKA, Kunio, Toward Industrial Democracy, Cambridge, Mass., 1975.

OJIMI, Yoshihisa, "A Government Ministry: The Case of the Ministry of International Trade and Industry" in E. Vogel, op.cit.

ONOE, Hisao, "Japan: Obstacles on the Way Towards a Welfare-Oriented Economy" in G. Fodella, op.cit.

OTSUBO, Kenichiro, "The Smaller Enterprise and the Application of Labour Legislation in Japan", International Labour Review, Vol.106, No.2, Aug.-Sept.1972, pp.167-180.

REED, Warren, "An Era of Interdependence: Australia and Japan Today", The Japan Interpreter, Spring 1974, pp.43-44.

REISCHAUER, Edwin, Japan the Story of a Nation, New York, 1970, 1974 edition

ROBINSON, Peter, "Australian-Japanese Relations" in J.A.A. Stockwin, op.cit.

SCHEPPACH, Walter, "Supplementation of GNP with NNW" in G. Fodella, op.cit.

SCOTT, E., Official History of Australia with War of 1914-18, Vol.IX, Sydney, 1937.

SISSONS, David, "Immigration in Australian-Japanese Relations, 1871-1971", Appendix I in J.A.A. Stockwin, op.cit.

STARBUCK, W.H., "Organizational Growth and Development" in W.H. Starbuck (ed. ORGANIZATIONAL GROWTH AND DEVELOPMENT, Middlesex, 1971.

STOCKWIN, J.A.A., preface in Japan and Australia in the Seventies, Sydney, 1972.

__________ Japan: Divided Politics in a Growth Economy, London, 1975.

SUZUKI, H., "Age, seniority and wages", International Labour Review, Vol.113, No.1, Jan.-Feb.1976, pp.67-84.

TAKAHASHI, Nobuko, "Women's Wages in Japan and the Question of Equal Pay", International Labour Review, Vol.III, No.1, Jan.1975, pp.51-68.

TANI, Yutaka, "Status, Role and Self-Identity in Japanese Social Relationships" in G. Fodella, op.cit.

TSUJI, Kiyoaki, "Decision-Making in the Japanese Government: A Study of Ringisei" in R.E. Ward (ed.), Political Development in Modern Japan, Princeton, 1968, 1973 paperback edition.

VOGEL, Ezra, "Introduction: Towards More Accurate Concepts" in E. Vogel, op.cit.

VOS, George de Book Review, The Japan Interpreter, Vol.VII, No.2, Spring 1972, p.206.

WATANABE, Susumu, "Entrepreneurship in small enterprises in Japanese manufacturing", International Labour Review, Vol.102, No.6, Dec.1970, pp.531-576.

YAMAMURA, Kozo, Economic Policy in Post-War Japan, Berkeley, 1967.

YANAGA, Chitoshi, Big Business in Japanese Politics, New Haven, 1968.

YASUZO, Horie, "Modern Entrepreneurship in Meiji Japan" in W. Lockwood (ed.) The State and Economic Enterprise in Japan, Princeton, 1965.

ZANDT, Howard Van, "How to negotiate in Japan", Harvard Business Review, Nov.-Dec.1970, pp.45-56.

Documents and Official Reports:

"The Imperial Rescript on Education", 1890 in Tsunoda Ryusaku, de Bary, W. Theodore, and Keene, Donald, Sources of Japanese Tradition, Vol.II, New York, 1958, 1964 edition.

"Imperial Precepts to Soldiers and Sailors", 1882, ibid.

"Imperial Rescript on Surrender", 14/8/45 in Lu, David, Sources of Japanese History, Vol.II, New York, 1974.

"Emperor Hirohito's Rescrpt Disavowing His Own Divinity, 1946, ibid.

"Outline ...
Japan ... Jap...

"The Economic ...

"Operating ...
Business ...

"Financial ...
Tokyo, Febr...

"A Handy Gui...
Tokyo, Febru...

"Female Emplo...
Sophia Univers...

BROWN, William

BALLON, Robert

GLAZER, Herbert,

SAKURABAYASHI, Ma...

HANAMI, Tadashi,

Editorials and News...

"Labour Unions under ...
No.2, April-June 197...

"Longer Employment Wi...
Vol.XXIV, No.1, Jan.—...

Japan Supplement, The ...

"Something went wrong w...
Australian, 3-4 Decembe...

"A special Strength: A ...

"The Myths of Japanese B...

Gregory Clark, "Where we ...
National Times, 3rd-8th Oc...

Other pamphlets and bookle...

"The Women of Japan", About ...
July, 1977.

De MENTE, Boye, "The Japane...

JORDAN, Frank, "The Labor M...

MARSHALL, Gavin, "Economy and ...

"Outline of Social Insurance in Japan 1977", Social Insurance Agency, Japanese Government, Tokyo, 1977.

"The Japanese and Their Society", Part II of the Report on National Life, Economic Planning Agency, Japanese Goverment, Tokyo, December 1972.

"Operating a Business in Japan", Japan External Trade Organization (JETRO), Business Information Series 1, Tokyo, February, 1974.

"Financial and Labor Practices in Japan, JETRO Business Information Series 2, Tokyo, February, 1974.

"A Handy Guide for Businessmen", JETRO Business Information Series 5, Tokyo, February, 1974.

"Female Employment in Japan", JETRO, Tokyo, December 1975, No.19.

Sophia University Socio-Economic Institute Bulletins:

BROWN, William H., Management: The Japanese Way (An Essay), 1965, No.8.

BALLON, Robert J., Labor Relations in Postwar Japan - An Essay at Interpretation, 1966, No.9.

GLAZER, Herbert, Development of Japanese Business Executives in Foreign Firms, 1966, No.13.

SAKURABAYASHI, Makoto, Japan's Enterprise Unionism and Wage Increases, 1968, No.19

HANAMI, Tadashi, Labor Disputes and Their Settlement in Japan, 1968, No.20

Editorials and Newspaper Articles:

"Labour Unions under Abnormal Inflation", Japan Quarterly, Vol.XXI, No.2, April-June 1974, pp.127-131

"Longer Employment With Pay Freeze After 40", Japan Quarterly, Vol.XXIV, No.1, Jan.-March 1977, pp.8-11

Japan Supplement, The Australian, 19th May, 1975.

"Something went wrong with the ball game near Tokyo", The Weekend Australian, 3-4 December, 1977.

"A special Strength: A Survey of Japan", The Economist, 31st March, 1973.

"The Myths of Japanese Business Practices", Focus Japan, Tokyo, July 1977.

Gregory Clark, "Where we are going wrong" in "The New War with Japan", National Times, 3rd-8th October, 1977.

Other pamphlets and booklets:

"The Women of Japan", About Japan Series 5, Foreign Press Center, Tokyo, July, 1977.

De MENTE, Boye, "The Japanese Firm", Business in Japan, Tokyo, 1975.

JORDAN, Frank, "The Labor Movement", Business in Japan, Tokyo, 1975.

MARSHALL, Gavin, "Economy and World Trade", Business in Japan, Tokyo, 1975.