Japanese Style Management
[An Overview]

Prof. Dinesh P. Chapagain

1. INTRODUCTION

1.1   Background:

Today, Japan is considered as one of the super-economic powers of the world. As the saying goes: Rome was not built in a day, Japan was also not built in a day. The process of development started 130 years backs with the restoration of Imperial (Meiji) rule I 1868. Before that period, in Tokugawa era, Japan was closed from outside world for 230 years. It is said that the Tokugawa ruler closed the country n order to sustain an economy based on total self-sufficiency. At that time, Japan was an extremely poor nation and the people lived an extremely impoverished existence. During the period 1868 to 1941(the year pacific war broke out) Japan had slowly started creating a base for industrialization and economic development.

Having lost the war in 1945, Japan had to restart the development process from the scrap. Infrastructures were demolished, the economic environment was suppressed and dominated by other countries. And the people were extremely poor did not have resources of any economic value. However, the zeal, energy and social-cultural value system of the Japanese people were not affected by the war, rather they accelerated the efforts towards the national development.

Japan as it stands today, is due to the efforts of Japanese people who were smart enough to adopt the foreign technology and management philosophy and develop suitable technological and management systems that can be effectively and efficiently applied for the development of the country.

1.2   Special Features:

The Special features of Japanese management practices can be broadly classified into two areas *[Exhibit – 1]*:

- People-oriented, and
- Work-oriented.

The Japanese style of People-oriented management practices mainly focus o personnel and human resources management aspects like the life-time employment, the seniority system and the groupism where as the work oriented management practices manly focus on Production and engineering functions which include, the just-in –Time production sysemt, the subcontracting and the Quality control.

Exhibit – 1: People/work oriented

These specific features of Japanese style of management have been developed as a result of the socio-cultural characteristics of Japanese society, which has largely contributed to the built –up competitiveness of the Japanese companies leading to make Japan a super-economic power in the world.
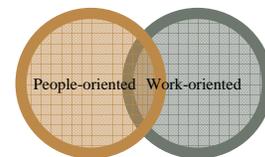
2. JAPANESE MANAGEMENT SYSTEM

The management systems of Japanese companies exhibit a number of distinctive characteristics. Some of the major areas where we can find distinction are management

philosophy and corporate identity, ownership stricture, corporate stricture, company strategy, decision-making system and communication.

2.1   Management Philosophy and Corporate Identity:

The concepts of "*Wa*" (harmony) and "service to the nation and society" can be found expressed in company creeds and mottoes. Every company has its own corporate or management philosophy expressed in various ways. The most common forms of expression are "*Shage*" (corporate constitution) and "*Shakun*" (code of behavior). Sincerity and harmony are the most favored characteristics. Refer Exhibit -2 and 3 for some examples of "*Shage*" and "*Shakun*". Recently, it has become fashionable among companies to establish and propagate a corporate identity (CI) to improve the corporate image.

Exhibit – 2 Corporate Philosophy	
Principles/Objectives	Service to Mankind
Code of Conduct Company Song	Contribution to industry and society
Company emblem	Promotion of technology
Employee diary	Sincerity & effort
Operational standards	Unity, cooperation & harmony
Rules of employment	Improvement of standards of living
Collective labour agreement and others	Human resources development

Exhibit – 3
Shage and Shakun
Corporate Constitution and Code of Conduct

Most frequently used terminology:
Sincerity, Harmony, Effort, Cooperation, Service to Society

Kirin: Sincerity, consumer orientation, contribution to pleasant life, Quality service, efficiency, creation of new values
Kanebo: Humanitarian based on love & justice, scientific rationalism, Service to society
Daihatsu: Highest technology, gain greatest trust, best harmony
Takeda: Service to the nation, harmony and cooperation, continuous study, saving, modesty and social order.
TDK: Contribution to world culture, vision, courage and reliance
Kyocera: Respect of heaven and loving people

2.2   Ownership Structure:

Exhibit – 4
Industrial Grouping
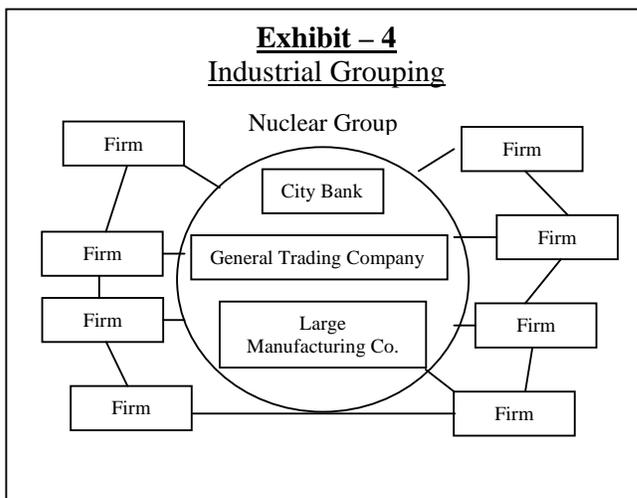
The vast majority of typical Japanese companies are not family-owned. Some of this exceptions are Toyota Motor Corporation, Oobayashi Corporation, Taisho Pharmaceuticals Co, Santory Ltd, and a few otherssome others.
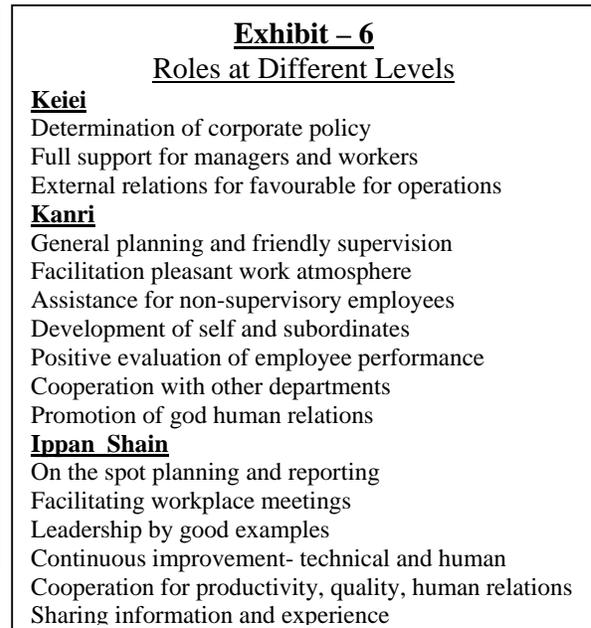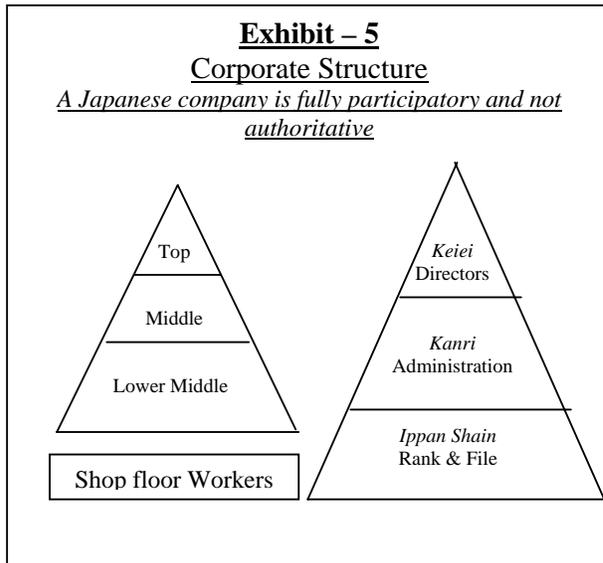
The owners are mainly financial institutions and companies that are affiliated to the same business group. Refer to Exhibit-4 for example.

The relationship among the group member institutions are mutual assistance and stockholding, interlocking directors, human resource development, joint R & D, independent members, no holding company, regular meetings.

2.3 Corporate Structure:

The top-management in Japanese companies has an extremely closed structure.

Exhibit – 5	Exhibit – 6
Corporate Structure	**Roles at Different Levels**
A Japanese company is fully participatory and not authoritative	**Keiei**
	Determination of corporate policy
Top	Full support for managers and workers
Middle	External relations for favourable for operations
Lower Middle	**Kanri**
Shop floor Workers	General planning and friendly supervision
	Facilitation pleasant work atmosphere
Keiei Directors	Assistance for non-supervisory employees
Kanri Administration	Development of self and subordinates
Ippan Shain Rank & File	Positive evaluation of employee performance
	Cooperation with other departments
	Promotion of god human relations
	Ippan Shain
	On the spot planning and reporting
	Facilitating workplace meetings
	Leadership by good examples
	Continuous improvement- technical and human
	Cooperation for productivity, quality, human relations
	Sharing information and experience

Although two or three directors may be invited to join the company from outside, in most cases, directors are appointed from within the company's former management level-staff. Moreover, employees are not considered to be consumable physical resources, but as important corporate members in the corporate structure. Refer Exhibit-IV for the comparison of the structures prevailing in western and Japanese companies, and also refer Exhibit-V for the typical roles at different level in a Japanese company.

2.4 Company Strategy:

The distinctive characteristics of the strategies that most of the Japanese companies adopt as:

- ✓ Investment in equipment and human resources development for long-term profit,
- ✓ Quality or customer oriented decision,
- ✓ Bottom-up problem solving rather than top-down command,
- ✓ Continuously improving products rather than developing innovative new products,
- ✓ Improving market share for long term profit, and
- ✓ Providing importance to process rather than results.
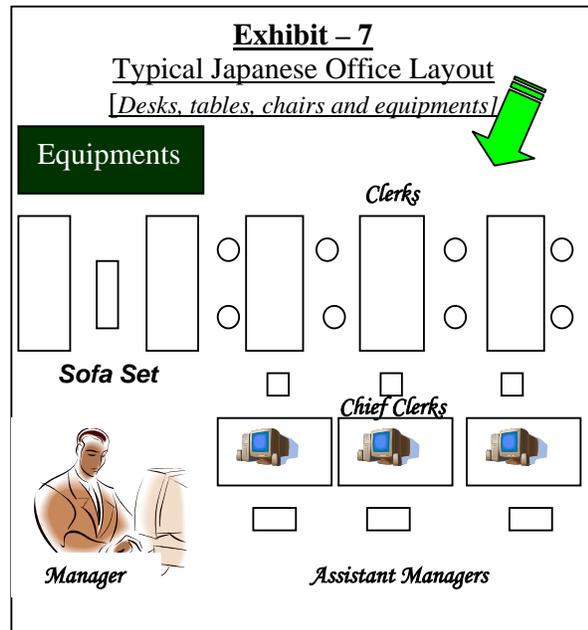
2.5 The "Ringi System: and Decision Making:

Japanese companies employ a method of group-oriented and participatory decision making called: "*Ringi*" system. This system helps in quick implementation of policies because the basic approval and the opining of persons concerned has already been taken during the process of "*Ringi*" decision making system.

2.6 Communication:

Some distinctive characteristics regarding communication methods within most of the Japanese companies are as follows:

- ✓ Regular morning meeting of top, middle level managers and other employees.
- ✓ Open working office area where all level of employees work together with managers. The layout is very conducive for good communication among employees. Refer Exhibit-VI for a typical office layout of a Japanese company.

- ✓ Regular management-Labour discussions on productivity and gain sharing.

- ✓ "*Nemabashi*" or leaking information unofficially to those concerned with or taking part I the decision on some matters and influencing them to think in a certain way before the decision is made.

- ✓ "*Nomanication*" or exchanging information while eating and drinking in bars and Japanese style pubs after work.

- ✓ High volume of information flow as a prerequisite for communication.

- ✓ "*Horenso*" or reporting system, which contains comprehensive "*Hokoku*"(report), "*Renraku*"(contacts) and "*Sodan*" (consultations).

Exhibit – 7
Typical Japanese Office Layout
[*Desks, tables, chairs and equipments*]

Equipments

Clerks

Sofa Set

Chief Clerks

Manager

Assistant Managers

3. HUMAN RESOURCES MANAGEMENT PRACTICES

The personnel and human resources management practices of Japanese companies are mainly oriented towards people and their development. There are some specific characteristics, which are not found in the traditional western management system. Some of these distinct characteristics are the life –time employment, seniority based promotion and wage system and groupism.

3.1 Lifetime Employment:

The lifetime employment system involves hiring people who have just graduated a high rate of stability among employees and guaranteeing work until the mandatory retirement age. The system is oriented towards human relations, human development and training guaranteed employment, equality, participation and welfare. Thus, in a Japanese company, employees are "born", and develop in terms of work as shown in Exhibit-8.

Exhibit – 8
Importance of Workplace
Workplace = Industrial Family
[Ballon's Model]

1. **Birthplace**
   All regular employees and managers (even a majority of the directors) were born in the company; most joined the company soon after the graduation "True born"
2. **Working Community**
   All work, live, and develop together (and share corporate fate)
3. **Growth and development**
   Human growth (maturity) and technical development are nurtured by learning from and helping one another, and by the company's career development programs

   Employees identify themselves by **where** they work (company), and not by **what** they do (job/occupation)
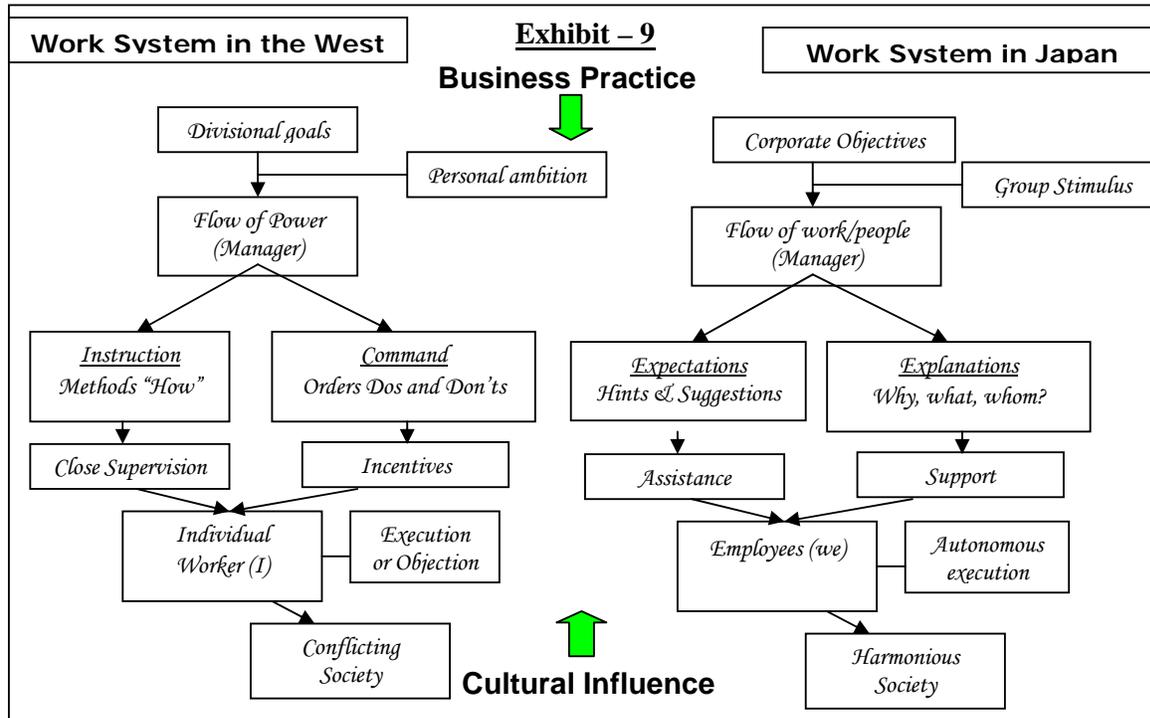
3.2 Seniority based promotion and wage system:

The promotion from lower level to immediate higher level is mostly based on seniority. However, the pace of promotion is very slow though. It does not mean to say that promotion does not take account of performance evaluation and qualification of the employee. Higher weight age is given to senior person, or on the number of years he or she has worked with the company. Wage structure is also based on seniority.

3.3   Groupism:

The special cultural quality of Japanese society has a great deal of impact on the Japanese management practices. The typical Japanese ways of thinking –"*Uchi*" (insider) and "Soto" (outsider) is actually practiced in Japanese management system. The special character of "WE" is very strong in Japanese companies. Refer the comparison of structure of command in the west and Japan in Exhibit-9.

Exhibit – 9
Business Practice

Work System in the West

Divisional goals

Personal ambition

Flow of Power (Manager)

Instruction Methods "How"

Command Orders Dos and Don'ts

Close Supervision

Incentives

Individual Worker (I)

Execution or Objection

Conflicting Society

Cultural Influence

Work System in Japan

Corporate Objectives

Group Stimulus

Flow of work/people (Manager)

Expectations Hints & Suggestions

Explanations Why, what, whom?

Assistance

Support

Employees (we)

Autonomous execution

Harmonious Society

4. OPERATIONS/PRODUCTION MANAEMENT PRACTICES

The operations or production management practices of Japans companies has some specific characteristics quite different from traditional or western management system. The Japanese production management system attempts to pursue efficiency in connection with work while at the same time, shows due considerations for human factors in the company. Some of the major distinctions can be found in the just in Time production system, subcontracting and quality control.

4.1   Just-In-Time (The Production) System:

Producing and dispatching the products just in time is the main objective of employing JIT. This contains many other areas of improvement like low cost of production, low inventory cost, low investment for warehouses, immediate checking of abnormalities, high value-added per person, better quality and improved productivity.
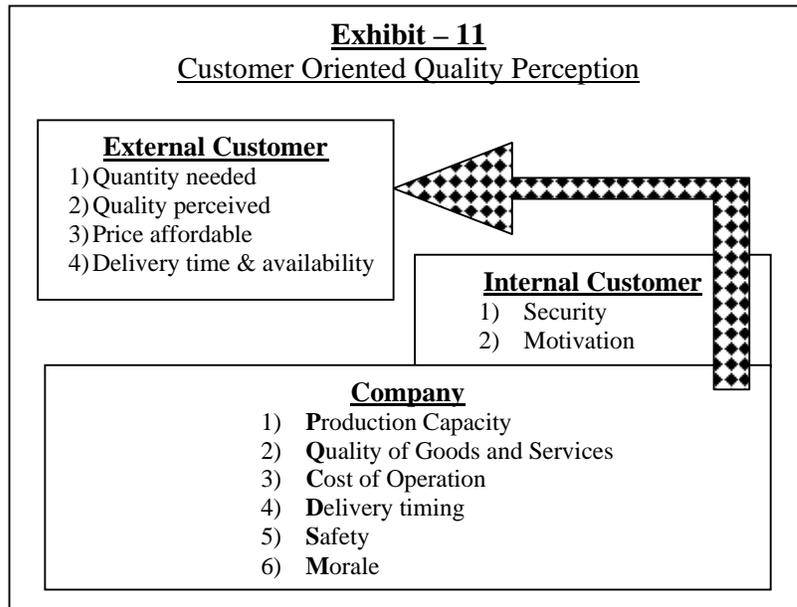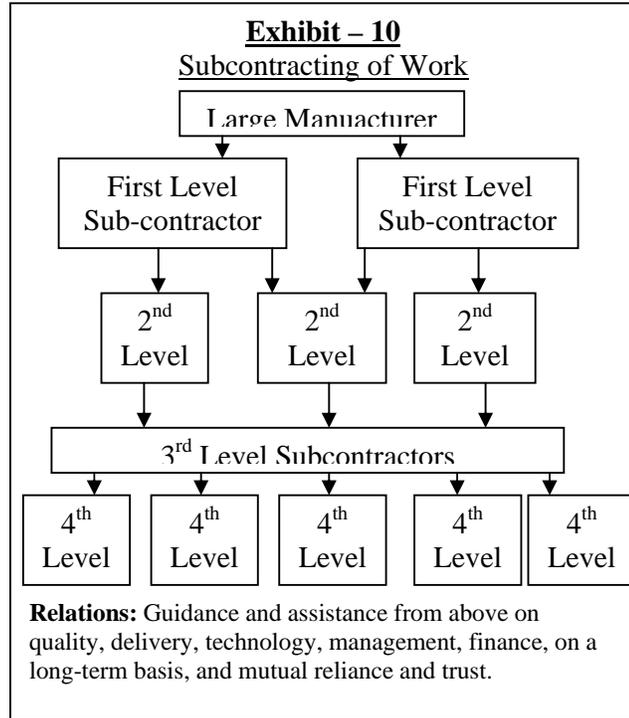
4.2   Subcontracting:

Large companies, particularly in manufacturing sector, rely heavily on a regular subcontracting system. To secure punctual and regular supply of quality parts and semi-finished products from subcontractors at various levels, large companies provide smaller ones with technical, managerial and financial assistance in various forms. This way, the large and small companies need not compete and contract for every supply and purchase. Mutual trust is the basis of their long-term transactions. Refer Exhibit- 10 for example of subcontracting levels.

4.3   Quality Control:

The Japanese production management now cannot work without considering the concept of quality or customers in a broader sense. Now –a-days, the Japanese style of management is also referred to as Management by Quality. This does not mean controlling the quality but rather managing the company with the "Quality First" concept. Japanese management philosophers together with Dr. Juran and Dr. Demming of USA has substantiated that quality and productivity are positively related, and not a contradictory phenomena as traditionally believed.

Quality and productivity are also defined in a broader perspective encompassing customer's interest. Refer Exhibit-11. The productivity (quality) is:

✓ Production or service capacity of the organization,

✓ Quality specification of the product or service,

✓ Cost of Production products or service, and

✓ Delivery time of products or service.

Exhibit – 10
Subcontracting of Work

Large Manuacturer

First Level Sub-contractor

First Level Sub-contractor

2nd Level

2nd Level

2nd Level

3rd Level Subcontractors

4th Level | 4th Level | 4th Level | 4th Level | 4th Level

Relations: Guidance and assistance from above on quality, delivery, technology, management, finance, on a long-term basis, and mutual reliance and trust.

Exhibit – 11
Customer Oriented Quality Perception

External Customer
1) Quantity needed
2) Quality perceived
3) Price affordable
4) Delivery time & availability

Internal Customer
1) Security
2) Motivation

Company
1) **P**roduction Capacity
2) **Q**uality of Goods and Services
3) **C**ost of Operation
4) **D**elivery timing
5) **S**afety
6) **M**orale

To continuously improve the P,Q,C,D factors of productivity and quality, an organization gives special priority to the safety and Morale of the people working in the organization. Beside, all employees from top-management to workers concentrate on improving these six fundamentals of quality management to improve productivity and ensure sustainable future growth of the company.

5.   CONCLUSION

5.1   Summing up:

The Japanese style of management can be understood better by comparing it with the Western or traditional style.

(Western) Traditional style	Japanese Style
1. Capitalism	1. Companyism
* Maximization Profit	* Increasing value-added
* Growing company	* Growing with company
2. Shareholders' satisfaction	2. Customers' satisfaction
3. Office priority	3. Shoofloor priority
4. System oriented	4. Human oriented
5. Innovation approach	5. Kaizen approach
6. Top-down method	6. Top down+ Bottom up
7. Theory by specialist	7. Practice by all people
8. Result oriented	8. Process oriented
9. Sophisticated technology	9. Simple technology
10. Optimization	10. Continuous challenge

5.2 Total Quality management (TOM):

The Japanese management philosophy, system and practices, all focusing mainly on people and work is also termed as "Total Quality Management". The common goal of TQM is to produce and serve the quality the customers need in a most economic manner. To achieve this goal, common approaches adopted in TQ M are:

- ✓ Policy deployment (PDCA cycle),
- ✓ Small group activities (QC circle)
- ✓ Systematic problem solving (QC story)
- ✓ Statistical methods (7 QC tools)

We can consider Total Quality Management (TQM) as an umbrella under which many components of Japanese management practices work simultaneously for improvement of productivity and quality. Refer to Exhibit-XII for some examples.

5.3 TOM in Nepal:

When Japanese management practices such as TQM began to spread to other parts of the world, the managers and practitioners of business of other countries considered them as an special management practices applicable only in Japan, a country with specific socio-cultural value system. However, these days TQM is gaining popularity all over the world. It is adopted as a significant system to improve productivity and quality at the enterprise level, improving competitiveness and market share of the enterprises and thereby enhancing the capability for sustainable growth.

In Nepal, TQM is a relatively new management concept. Nepalese entrepreneurs and managers working in this land locked and resource constrained country, has to understand how to adapt the Japanese management practices-whether it can be directly applied or with necessary medications to suit our special environment. Nepalese too can enhance competitiveness through productivity and quality improvement through the application of TQM.

Our culture, in some areas is very similar to Japanese culture in many respects.

- ✓ We are very hard working. We can work even in a very difficult situation, which has been proved by our "*Gurkhali Lahures*".

- ✓ We believe in groupism (close social and community groups) as can be seen by the effective and sustainable "*Guthi*" system of many ethnic groups like "*Newar*", *Thakali*" ect.
- ✓ We Highly respect the decision of our seniors. Our culture asks us t obey our seniors "*Hajurbua*","*Hajurama*", "*Bua*", etc.

Drawing-up the positive aspects of these characteristics, we can implement TQM in Nepalese enterprise making the necessary modification. If Nepalese entrepreneurs are convinced with the development possibilities as proved by Japan, it only needs the total commitment and involvement of the top and middle level management if they are to implement TQM in their organization.

5.4   Institutions Assisting TQM Implementation in Nepal:

Some institutions have already initiated their activities in the promotion of TQM in Nepal. Institutions like NAAS, Kathmandu University, BISCONS and NPEDC which are involved in human resources development program have been instrumental to some degree in the implementation of TQM in Nepalese organizations.

- ✓ Nepal AOTS Alumni Society (NAAS) is promoting TQM with the help of the Association for Overseas Technical Scholarship(AOTS), Japan through its various regular training programs.
    - ➢ One-Week long training program on Basic Tools of Operations Management (BATOM) conducted at Yamamoto Talirn Ghar by local experts trained in Japan.
    - ➢ Recommending appropriate managers for various training programs conducted by ATOS at Japan.
    - ➢ Two-day conceptual training course at Kathmandu on various subjects of Japanese management conducted by Japanese experts invited form Japan.
    - ➢ TQM implementation training program in specific companies by involving local and or external consultants.
    - ➢ Domestic lecturing tour for training course o Japanese Management for improvement of Productivity and Quality at various parts of the country.
    - ➢ Publishing books on Japanese management (QC and 5"S) in Nepali language making them useful for implementation.

- ✓ Kathmandu University (KU) has incorporated a course on TQM for its MBA Students since 1998. It is taught as an elective subject in 4th semester of the masters degree course.
- ✓ BISCONS, a private management consultancy firm, is regularity involved in providing consultancy of TQM implementation at enterprise level of various companies.
- ✓ National Productivity and Economic Development centre(NPEDC), a public sector entrusted with the responsibility of national productivity organization, send managers of public sector enterprise to Japan on Japanese management training programmers. The centre also conducts several training on the topic within Nepal.
- ✓ Network for Quality, Productivity and Competitiveness Nepal [NQPCN]