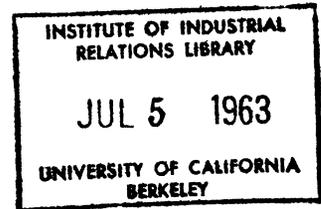


INSTITUTE OF INDUSTRIAL RELATIONS  
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UNIVERSITY-INDUSTRY SEMINAR

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MANAGEMENT IN JAPAN 1962\*

1. 500,000 Companies for 100 Millions People

The population of Japan is approximately 100 million, but it is surprising that for these 100 million people there are more than 500,000 companies incorporated as joint-stock companies. The reason for this is the peculiar tax structure of Japan. In the Japanese tax system, if an organization is registered as a joint-stock company, the tax it is subject to is appreciably less than if it were registered as an individual enterprise. Because of this, even such low-profit enterprises as variety stores and restaurants are often incorporated as joint-stock companies. Consequently, companies that are in actual practice individual enterprises form the greater part of the 500,000 incorporated joint-stock companies.

However, as a consumer market, Japan is by no means small, and the fact that there is such a large number of "companies" is but an indication that the Japanese people possess a strong spirit of enterprise.

2. "The 3000 Companies" and the "300 Companies" of Japan

Of these 500,000 companies, actually how many can truly be termed "companies"? Among this number 1/20th, or 25,000 companies, have a capitalization of over \$15,000 (5 Million Yen), and there are 3,000 companies with a capitalization of over \$300,000 (100 Million Yen). In Japan, in general it is considered that companies with a capitalization of up to \$300,000 can be managed as individual enterprises, but that at a level above this amount of capitalization, there is a need for qualitative change in management techniques.

In comprehending Japanese industry, these 3,000 companies with a capitalization of over \$300,000 are important. Furthermore, about 300 large-scale enterprises form the nucleus of those 3,000 companies. These 300 companies are all capitalized at over 10 million dollars, and the largest among them have a capitalization of from 200 million to 300 million dollars.

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### 3. The Relative Size of Japanese Companies

According to Fortune Magazine statistics, in 1961 among the "mammoth 100 corporations," (other than American companies), 14 Japanese companies are included. In terms of Japan, the important feature of this listing is that the number of Japanese companies newly entering this select list is increasing yearly, and the relative position of the Japanese companies already on the list is rising.

#### Fortune Magazine Listing

Company Name	Gross Proceeds 1961 100 Million (\$ Units)	Gross Proceeds Position '61	Gross Proceeds Position '60
Hitachi Ltd.	10.3	11	16
Yawata Iron & Steel	8.2	20	26
Toshiba Electric	6.5	29	31
Fuji Iron & Steel	5.5	41	46
Nippon Steel & Tube	4.8	55	72
Matsushita Electric	4.8	56	74
Mitsubishi Electric	4.5	63	76
Kobe Iron Works	4.3	69	(not listed)
Mitsubishi Heavy Ind., Reorganized	3.8	79	95
Toyo Rayon	3.8	80	85
Toyota Motor	3.7	82	93
Sumitomo Metal	3.6	83	(not listed)
Nissan Motor	3.3	88	(not listed)
Kawasaki Iron & Steel	3.3	90	(not listed)

Among the above 14 companies, there are 6 steel companies, 4 electrical manufacturers, 2 automobile manufacturing companies, one machinery & equipment manufacturer, and one synthetic fiber producer. Although in the past Japan has been known as a manufacturer of textiles and sundry goods, as the above listings indicate, in the present-day, heavy industrial categories form the nucleus of Japanese industry. Also, it should be pointed out that the size of the above 14 companies is not exceptional in present-day Japan. The industries below the 14 top companies are also large in scale.

Among the Japanese products well-known in the international market, ship building, motorcycles, transistor products, cameras, etc. may be mentioned. The technical skills of these industries are of the first order, and the greater part of their manufacturing equipment is of the latest design.

#### 4. The Growing Size of Japanese Industry

As the yearly advance of Japanese companies in the Fortune Magazine listings indicates the scale of Japanese industries is literally growing larger by the minute. According to economic statistics, since 1954 the industrial growth rate in Japan has maintained a yearly increase of from 13% to 17% over each previous year. In the five years following 1956, one large manufacturer of home electrical appliances quadrupled its gross sales, and the Honda motor Co., manufacturer of motorcycles, expanded nearly 10 times over during the same period.

What are the reasons for such growth? There are of course a multitude of factors involved, and it is complicated to explain, but the following are some of the more important general contributing factors:

\*\*The Japanese people have been industrious, and had a strong desire for progress and a high spirit of enterprise.

\*\*As a result of the provision of a complete national system of education since 1870, the general level of knowledge and ability is high.

\*\*As a result of being an island country in the 'Far East,' comparatively isolated from the rest of the world, the Japanese have managed to preserve their internal market.

More recent contributing elements are as follows:

\*\*With the continuous increase of personal income, and the popularization of American-style consumer habits, submerged consumer demand, which had been repressed up to about 1955, has come to the fore. (Japanese have long considered that frugality is a virtue.)

\*\*The beginning of this growth in private consumption occurred at just the time manufacturers were entering a new period of technological advance, and as a result, the manufacturers were able to meet consumer demand with a wide range of new products.

Although the above are some of the factors which operated to produce the advance in industrial productivity, there were also several defects in this growth process. That is, this growth has been in the main the result of an internal cycle of domestic demand, and there has been a tendency for the increase in foreign exports to fall far behind the domestic growth rate. In Japan natural resources are few, and this production increase resulted in an increase in imports and an unbalance in foreign exchange, which in turn resulted in deflation, and it has been necessary to check and adjust this increase of domestic demand. Since W. W. II Japan has experienced such conditions three times, and we are at present in the midst of the fourth such recession.

## 5. The Term "Excessive Competition"

It might be thought that this rapid growth rate is the responsibility of a small number of zaibatsu, or large industries holding monopolistic powers, or possibly the result of a nationalistic economic policy, but actually the exact opposite is true.

It is true that in the past there were several large zaibatsu which, having close connections with the Government, controlled economic affairs. But with the defeat in W. W. II, as a policy of the Occupation forces, these zaibatsu were completely broken up, and in addition, following the lead of the United States, an Anti-trust Law was put into effect. As a result of the war, the damage to Japanese industries was extremely great, and for a time everyone was concerned with trying to protect the interests of their own companies. But it is still felt among management circles in Japan that the Anti-trust Law was too extreme, and there is much dissatisfaction with its present provisions.

In each industry there are from 3 to 10 leading companies, which occupy from 50% to 90% of their respective markets. There is not much difference in size among these leading companies, and the level of their technological ability, equipment, and marketing methods is about the same. The directors and middle management of these companies mutually possess a strong spirit of rivalry, and at times it is not unusual for their fighting spirit to overcome the dictates of level-headed planning.

In Japan the term "excessive competition" has a special nuance, and it has become a favorite expression among businessmen. This "excessive competition" between companies in the same industry at times causes the obliteration of the individual character of a business organization, and even in matters of mutual profit, it is difficult to reach agreement. It gives birth to excessive price competition and superfluous capital investment, and leads to needless mutual loss. Lately, there has been much reflection on the part of industry concerning this tendency, and a "new system of industry" (a sound management attitude) is being emphasized.

Why did this type of excessive competition arise? It is not because the Japanese possess an unrefined primitive spirit of rivalry. It is rather related to the "period" in which the present-day top level management and middle level business managers accumulated their experience in management techniques. With the end of the war, the management groups who had been active during the war were completely "purged," in all companies people who had no experience as general managers were forced to assume responsible positions. Amidst the damage resulting from the war, and the difficulties of inflation, these people were forced to think only of their own companies. In this situation there was no assistance from the Government, on the contrary, there was a succession of laws promulgated as a result of Occupation policy, such as the Deconcentration Law, the Anti-trust Law, and the Labor Union Law, which increased the burden management had to bear.

The present prevalence of the "excessive competition" in Japanese industries is, we feel, related to the pattern which developed as a result of these managers learning the fundamentals of management through their own experience under conditions such as these.

## 6. Salary Determined by the Size of the Company

An important fact in comprehending Japanese industry is that while on the one hand there is a group of modernized large enterprises, on the other hand, the number of medium and small enterprises is overwhelmingly large. This is indicated by the figures given previously for the total number of companies. Japan's medium and small enterprises are not only distinguished by their numbers, however. These enterprises, with rare exceptions, in general lag far behind in equipment modernization and the wages they pay are strikingly lower than those of large enterprise. According to the statistics of several years ago, the average wage for medium and small enterprises was only 60% of that for large enterprises. Thus, in Japan wages are not determined by job classification, but rather by the size of the company where one is employed.

This situation has long been prevalent, and the pre-war problems of low wages and "dumping" were directly related to this "dual structure." However, during the past several years this dual structure system has undergone rapid revision, and the wage gap between large enterprise and medium and small enterprise is yearly decreasing markedly. Recently the wage increase rate for medium and small enterprise has been higher than that of large enterprise, and this trend is expected to continue.

## 7. The "Feudal" Tradition in Japanese Industry

But why, if there is a 40% difference in salary, do workers remain in the medium and small enterprises? This is another important point in understanding Japanese industry.

One reason for this is that Japan has always had a high population growth rate, and the rate of increase in population has for many years exceeded the growth rate and absorption power of large enterprise. Thus, the people who are employed in medium and small enterprises are, in effect, people forced out of large enterprise employment by population increase. Another cause originates in the attitude of Japanese workers toward their employers. Japanese customarily feel a lifetime loyalty to the company they first enter upon graduation from school, and they do not frequently change places of employment. Even if there is an opportunity for higher wages, this does not usually become a strong motive for changing jobs. This is a reflection of the Japanese feudal tradition. Management, for its part, in general feels strongly that it is obligated to assure all employees steady employment until their retirement, and unless the company becomes bankrupt, it is not customary to discharge employees.

This feature of Japanese industry has been known as the "system of lifetime employment," but in recent years this system also has begun to disintegrate. The concept of mutual loyalty between employer and employee in Japanese industry has probably contributed to Japan's industrial growth power, but in the end this has brought about a shortage of manpower, and it has become necessary for companies to seek employees from outside the organization to fill this need, and this has contributed to a break down in the concept of loyalty. Another contributing factor has been the post-war development of a more rational outlook among the younger generation. However, as yet these factors are not strong, and for the most part large industry still follows this tradition.

## 8. Managers Rather Than Specialists

One problem still remains unexplained, however. Regardless of the remaining influence of Japanese tradition, why have not workers in the same types of jobs organized into unions along craft lines? By this means it would be possible to strive for equal wages determined by job category, irrespective of the size of the place of employment.

In the past, it is true, there have been organizations of craftsmen in Japan. These craft organizations first originated over 1300 years ago, and maintained a long tradition, separate from the feudal society. However, beginning in 1860, for the purpose of accomplishing the rapid modernization of Japan, the Government gave preferential treatment to a small group of exceptionally competent entrepreneurs, and adopted a policy of wholesale importation of foreign industrial technology. At that time, since there was such a technological gap between the traditional Japanese craftsman and the newly imported foreign technology, rather than retraining these old-style craftsmen, the management of the time chose to employ young unskilled graduates of the new educational system, and have them trained in the new techniques by foreign technical experts. By this process, the long established craftsman tradition was discarded, and new organizational methods based on each separate enterprise began to take form. Also, at the time Japan began to modernize, the feudal tradition was still very strong, and this gave impetus to the tendency of viewing the organization of workers not as a "society of similar craftsmen," but rather as a "Society of employees belonging to the same company."

In Japan each year over 100,000 new university graduates are employed by companies. These graduates do not necessarily seek a "job" fitting their own particular individual qualities, but rather search for a "company" to which they can entrust their entire future careers. On the part of the companies, since it is difficult to attract talent by means of job-transfer in mid-career, each year they are dependent upon the new graduates as their sole source of new personnel. And each year this in turn results in "excessive competition" in the search for new talent. Furthermore, the companies do not seek "specialists," but rather seek university graduates who can be trained to become managers. Within Japanese enterprises, not much importance is attached to the specialist, or technician, and the greater part of the people aim at management positions or similar lines.

This tradition bears an important relationship to the high growth potential of Japanese companies. The growth ability of a company is, in the main, determined by the number and quality of management personnel that can be developed. The power of specialists or technicians is not a direct determining factor in this problem, since their services, if necessary, can be purchased from abroad. Thus, the fact that the greater part of university graduates aim at a management career should probably be considered as extremely beneficial to the growth and diversification of enterprises.

### 9. If Age is High, Salary is High

Thus, in Japan the concept of "job" is weak, and the concept of "company" is strong. The salary systems of the companies also reflect this, and this gives rise to certain special features.

The salary one receives upon first entering a company is determined by the number of years of education and schools attended, and persons with the same academic background, regardless of field of specialization, receive equal salaries. This may be illustrated by the following typical example of a person employed in a large enterprise. His salary upon graduation from college is about 20,000 Yen (\$55) per month. During his first five years his rate of salary increase is exactly the same as other university graduates who entered the company at the same time, with very little difference resulting from his type of job or ability at that job. After this, a slight difference in amount of salary begins to appear as a result of his "general ability," but this still has no connection with his type of job. From this time on his yearly salary increase begins a rather rapid rising curve, but after the age of 40, the rising tempo of this curve begins to taper off. If you plot his age on the horizontal axis of a graph, and his salary on the vertical, the salary increase increments take the shape of an elongated S. In Japan this is called the S-shape curve, and is in general the basis of the salary systems of most companies. Consequently, even the salary of a person who for many years has held a comparatively minor position, increases with the passing years. Thus, in effect, the system exists in all companies where for persons doing the same work, even if the ability of a younger person is greater than that of an older person, his salary is less. This phenomenon has not been considered particularly irrational, and the system has remained in effect up to the present-day.

The tradition that "the company guarantees the livelihood of its employees" is followed by all enterprises without exception. Such welfare facilities as company housing, summer camps, sea-side resorts, recreation facilities, etc., are all built or purchased by the company, and it is common for the company to bear all maintenance expenses. The scale of these facilities is large, and to maintain equal opportunities in their use is a considerable burden. For the purpose of managing these facilities all companies have a welfare department. For the employees, these welfare facilities thus become a source of "hidden income" that does not appear in actual salary figures.

Retirement pay systems are also in general effect. At the time persons who have worked for a company for 30 years retire, they are given severance pay equal to for 30 to 50 months of their actual salaries. In recent years a pension system has also begun to be developed.

A twice yearly bonus system is also quite common. This is paid every June and December. The amount varies from 1/4 to 2/3 of the yearly salary, and is determined by the amount of business of the company.

## 10. A Labor Union for Each Company

The labor union movement in Japan began in the 1920's, but up to the end of W. W. II, workers did not have the right to organize and make labor contracts with employers. To advocate this kind of movement was considered to be a type of "dangerous thought." With the end of the war, however, upon the advice of the Occupation forces, a wide range of labor rights were legislated. Accompanying the wave of democratization and the difficulties of inflation, the labor union movement witnessed a rapid expansion, resulting in a "labor union boom."

In Japan labor unions are formed entirely on enterprise lines, and all of the employees of each company, regardless of their job category or speciality, belong to the company's union. An employee becomes a union member at the same time he enters the company, and if he resigns, he also drops out of the union. These enterprise unions form associations on the basis of type of industry, and these separate industry associations are affiliated into nation-wide organizations, such as the General Council of Japanese Labor Unions (Sōhyō) and the Japan Trade Union Congress (Zenrō). The most common type of organization in Japan is therefore not the craft type or the regional, but rather the type based upon each separate enterprise.

In addition to the extinction of the traditional craft-type society, there are many reasons for the appearance of this type of enterprise unions. Since depending on the size of the company, its productivity and paying capacity is different, it has been impossible to organize unions along horizontal lines. A second factor is that at the time of rapid union organizational activity in the immediate post-war period, businesses were in extremely difficult circumstances, and the employees were forced to work for restoration of productivity on an enterprise basis.

However, the above does not imply that the capacity for economic struggle of these enterprise unions is weak. The union of workers on an enterprise basis is solid, and their position vis-a-vis management is strong. Because living conditions were straitened during the first 10 years after the war, these labor struggles were carried out separately in an extremely violent manner, and each year the union members achieved a large "base-up" (a uniform raise for all members). Since this time, under the leadership of the national confederations such as Sōhyō and Zenrō, each year a "Spring Struggle" has been held, and most of the enterprise unions have acted in concert and participated in this as a group. Engulfed in this struggle the months of March and April have been a busy season for management and labor alike.

These vigorous struggles have each year resulted in successive "uniform raises". Especially of late, with the brisk activity of industry, each year there has been a 7% to 20% increase in wages, and income level is rapidly rising. Despite the success of these "struggles," however, the union leadership is at present beginning to feel doubts about the enterprise type of union organization. This is because the feeling on the part of the workers of being a part of the company and the self-interest of workers organized on a separate enterprise basis to some extent destroys the effectiveness of the union movement.

11. A Turning Point

The three factors "lifetime employment," "seniority-orientated pay system," and "enterprise union" are intimately inter-connected, but this does not necessarily imply an actual feudalistic system of human relations. It is rather a reflection of the traditional Japanese society in which Japanese industry developed.

The system of lifetime employment has been important to the growth of Japanese industry. The degree of cooperation on the part of employees in developing Japanese industry has been high, and management has not been faced with losing competent employees or the problem of scouting outside the organization for new employees, and has thus been able to devote its efforts completely to the business itself. Since it has been difficult to secure trained personnel from the outside, efforts have been concentrated on the training of personnel already in the organization, and this has been a beneficial factor.

However, the seniority-orientated pay system has given rise to many problems. This system has in the past contributed to the sense of belonging on the part of employees, and it has had the advantage of simplifying the determination of salary, but simultaneously, it has had the tendency of suppressing motivation for individual self-development. In addition, because of technological innovation, the balance of supply and demand for workers in each job category is changing, and there are many who are now contemplating a change to a job-orientated pay system.

Japan has long been a country with a surplus of labor. However, as a result of the recent striking industrial growth and the phenomenon of the low post-war birth rate appearing simultaneously, a shortage of labor is now beginning to be felt. The recent successive rises in personal income are not simply the result of the strength of the labor union movement, but also are a reflection of this change in labor supply and demand.

Japan is no longer a low wage country. Salary levels are rapidly rising, and if the extensive welfare facilities and related services which each company provides are included, the over-all salary level becomes quite high. Because the pace of salary increases has been fast, many changes are beginning to appear. The earning power of the cotton spinning industry, long a speciality of Japan, has suffered successive decline, and it is now feared that it will lose its competitive power. All types of service fees, which in the past have been comparatively low, are now rapidly rising, due to the increase in labor costs. Such items as haircuts and cleaning costs, for example, have almost doubled in the past several years.

Despite the yearly productivity increase in large enterprise production, and despite fierce competition among manufacturers, due to the pressure of labor costs, price decreases have been few.

## 12. The Private Group

As a result of defeat in the Second World War, numerous storms appeared in the industrial world. One such storm was that the greater part of the industrial leaders of the wartime period were purged, and personal ownership ties in industry were broken up. At this time a great number of persons who were at the top of the general employees class in one jump rose to the positions of company president or vice-president.

For the purpose of completely severing the ownership ties of the large zaibatsu who had cooperated in the war effort, the shares they had held were thrown open into the stock market and all enterprises which were felt to display excessive concentration were dissolved. Furthermore, since as a result of the post-war inflation most enterprises were forced to carry out successive capital increases, the part remaining to the owner-manager suffered relative reduction. Thus it can be said that at present Japan is a country in which the separation between capital and management is fairly complete. The greater part of management are salaried managers, and these persons are for the most part ones who after college graduation have worked their way up in their respective companies.

Movement of managers within industry is infrequent, and most managers feel a close attachment to the company in which they have literally been raised. One exception to this, however, is that there is some movement of bank managers and middle-level executives into the management group of industry. But there has been little movement of industrial management into government or politics. Management seems to prefer to exert its power indirectly through financial groups. Their concern with politics usually does not go beyond the prevention of government and intervention and the occasional seeking of some necessary policy.

The greater part of large enterprises are interested in diversification, but rather than absorption or merger, they aim at growth and expansion by means of their own strength, and the "sale of an enterprise" occurs only in rare instances. Also, in self-diversification the tendency to form separate companies and increase the number of related companies is strong, and methods such as enlarging the scale by means of an operations division system are relatively new.

The greater part of management of these related companies is derived from the vice-presidents and middle-level executives of the parent company who have reached the age when they should make way for the new generation. Thus, a group built up on the basis of this type of ties is the common form of large enterprise in Japan. The type of management which strives to purchase or merge with, or acquire complete management control of, other companies, and by this build up their own industrial empire is definitely in the minority. Most managers prefer rather to effect internal growth by their own strength, and to build a group of enterprises centered on their own private group.

13. "Interest Rates are too High!"

"The interest rates are too high!" This is a favorite complaint of Japanese businessmen, and actually the money rates paid by Japanese companies are exceptionally high. The average percentage of gross sales paid as interest in Japan's manufacturing industry is 3.02% (1959), and this is over 7 times the amount of 0.47% (1957) paid in the United States. The interest paid per one ton of steel compared internationally is as follows:

Japan (top 6 companies average)	\$7.7
United States (top 10 companies average)	\$1.2
W. Germany (top 3 companies average)	\$2.2

As this indicates, interest rates have an important bearing on management.

There are two reasons why the situation in Japan is like this. First, the interest rate itself is high. The interest rate a first class enterprise pays on borrowed money is approximately 8.4% per annum. This is partly because the Central Bank's discount rate of 7.3% is also very high, and there are many problems connected with the lowering of these rates.

Another cause is that in general Japanese enterprise depends greatly on borrowed capital: of the total capital, the average percentage of owned capital is only about 30%. That interest rates become high is only natural. In pre-war Japan the percentage of owned capital ranged from 50% to 60%, and short term borrowing was quite rare. However, Japan's companies were dealt a severe blow by war damage and defeat, and because an increase in capitalization was difficult, they were forced to consolidate and expand with borrowed capital. Later, the stock market was normalized, and at present increases in capitalization are quite prevalent, but still, since labor organization is strong, and the desire for technical innovation is extensive, profits have not passed into capital accumulation.

Of course Japanese management knows that this method of operation is not proper. Furthermore, the movement to correct this situation is quite strong, and there are of course many companies which have a strong capital composition. But in general, compared with the pre-war situation, the criteria of judgement in this regard on the part of Japanese management have changed, and as a result, few companies have gone bankrupt.

Since the situation is thus, the position occupied by banks in Japan's industrial world is relatively important. This of course does not mean that banks hold the power to influence the industrial world as a whole. Also bankers have confidence in the strength of industrial management. However, Japan's banks have a long tradition of enterprise, and their personnel resources are abundant. Consequently, banks have considerable say toward enterprises financed by them which fall into difficulties, and they frequently commission suitable industrial management personnel to assist in the companies reorganization, and with few exceptions these ventures are successful. Because of this kind of relationship, there is a large number of managers with banking backgrounds in the management of Japanese enterprise.

#### 14. Management Organization

As a result of the separation between capital and management being fairly complete, a general meeting of stock-holders in Japan tends to take on the character of "a play without an audience." With the exception of a few companies, the board of directors meeting is but a formality, and the greater part of the directors are selected from persons who have risen within the enterprise. There are few important non-company members. The actual initiative for the direction of management is possessed by the company president and from 5 to 10 working executives under him. During the past ten years, most large enterprises have systematized these members into a management committee, and in substance all top-level management planning is handled by these committees.

Most company managers explain their company organization in terms of the "line and staff" relationships. However, most "staff" members do not have a strong professional consciousness of their speciality, but rather consider it as but one step in the training necessary to become a manager. Also, becoming a specialist is not considered an end in itself. All executives feel that it is to the specialist's own benefit to strive for a managerial position.

Lately, together with the diversification of operations, there has been a large number of enterprises which have sought to decentralize authority by adopting the "operations division system." This has not been as a result of external assimilation of enterprises, but rather has resulted from the reorganization of operations complicated by the internal growth of a wide range of products. Japanese enterprises are at present in the midst of learning from actual experience with this type of operation.

#### 15. The Management Research "Boom"

In Japan, methods of scientific management began to be popularized from about 1920 on. The Nippon Management Association, which sponsors this Junior Executive Study Team, had its beginnings approximately 30 years ago, when several types of organizations joined together to form this association. At present the NMA has as members about 700 companies drawn from large enterprise, and in its executive office there are 150 management specialists, who together with a 150 man service staff, provide consulting, management education, and management publications services, etc. Up to W. W. II, only a few enthusiastic enterprises showed interest in the association, but since the war, the size of the association has rapidly increased. This growth was accelerated by the productivity movement beginning in 1955, and in 1958 there was a boom in management publications in the publication field, and from that time on management problems have attracted widespread interest. In all fields, such as general management, sales, production, research & development, personnel, and management accounting, Japanese enterprise is to a large degree adopting new methods of thinking and systems of operation.

In management concepts and methods before the war, Japan was influenced by Germany, and in the post-war period by the United States, and recently much interest in West German concepts has developed. But in the past in this field a lack of independent spirit has prevailed, and the stage has now been reached where we are beginning to search for a new system of management in agreement with Japan's special features and the Japanese constitution.

#### 16. The Problems Facing Japanese Companies

The problems facing Japanese companies at present are many. Scientific and technical research is still lagging behind as a result of lack of exchange of information with other countries during W. W. II, and the time required for post-war reconstruction. This lag has been compensated for by the large-scale importation of technological know-how, but still more time is needed to regain the power of independent research and development.

The recent rapid growth rate and the resulting increase in the size of firm has produced a relative shortage of management personnel, and one pressing problem is to overcome this gap and provide the personnel necessary to meet this growth. In addition, the systems of "lifetime employment" and "seniority-orientated pay system" have met with many difficulties, and the course these systems should take in the future is another important problem. But the greatest problem facing us at present is that the low rate of trade liberalization, which has been tolerated in the past due to the low foreign exchange reserve, will attain 90% liberalization this fall. In Japan there are many industries which can be considered as having reached first rank level internationally, but oppositely there also are many industries which have been expanded excessively inspite of their small competitive power from the standpoint of industry's international division of labor. There is the possibility that these industries will receive some sort of set-back as a result of the trade liberalization.

Japanese business marketing has for long developed centered around domestic demand, and we do not have sufficient experience in the problems of foreign marketing. Also, there are few enterprises with experience in foreign business management, and this could be a hindrance to Japanese business development in the future.

At any rate Japan's management and middle-level executives are fully aware that at present Japanese enterprise is entering a new and challenging period of change, and are quite conscious of the fact that new concepts and courage will be required to meet this challenge.

#### 17. Conclusion

In Japanese enterprise the old and the new are jumbled together in a strange mixture, and at present everything is in a process of dynamic change. We feel that the above introduction is an up-to-date account

as of the Summer, 1962, but undoubtedly if we were to write the same report one year from now, many changes to account for new developments would be necessary.

We feel that Japanese enterprise is a part of the international industrial society, and that to be of service to the peoples of the world, continuous healthy change and growth will be necessary. The members of this study team all feel this strongly, and for this purpose we hope to receive many useful suggestions and advice.

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#### N.M.A. AT A GLANCE

Nippon Management Association is a private non-profit management consulting and educational organization, of which main office is located in Tokyo, Japan. Today, the main activities of NMA in research, education, and advisory services are without parallel among independent institutions not connected with Government.

1. Consulting: Nearly 100 experts are available for consulting service in every field of business and all phases of management. Surveys, consultation, guidance in achieving improvements, and continuing advisory services are offered in the areas of finance, production, marketing, personnel and industrial relations, as well as in general management.
2. Management Education: A 35-member staff assisted by other authorities from NMA's consultant staff and outsiders present a wide variety of regularly programmed courses, seminars and workshops. These are offered in NMA's own conference rooms and laboratories, or upon special arrangement on an in-plan basis.
3. International Activities: The International Division maintains continuous relations with management and business organizations abroad, inviting foreign specialists to cooperate in NMA's consulting and educational work, and arranging study trips abroad for teams of Japanese executives and technical specialists. The Division also conducts a business information service, responding to the request of foreign business for factual advice.
4. Business Machine Center: A fully equipped center makes possible research and training in the use of advanced mechanical and electronic equipment for the solution of problems in office mechanization and data processing. Client companies consulting with NMA may thus obtain assistance in the most recently developed business techniques.
5. Management Research: Continuing research is conducted by NMA both in connection with its current consulting assignments and for the basic purpose of expanding the range and application of managerial knowledge. Staff members are regularly assigned to such projects on a full-time basis. Scientific surveys in the field of management are also accepted as projects from clients in Japan and abroad. The immediate result of all research activity in the enrichment of all NMA's other activities through the improved understanding of its own staff.