

Japanese management: its emergence into western
consciousness and its long term impact

Dr Neil Barnwell
School of Management
University of Technology, Sydney

neil.barnwell@uts.edu.au

Introduction

From the 1960s to the 1990s, Japanese management claimed a prominent place in western consciousness and management discourse. Discussion of the impact of Japanese management went beyond the day to day details of managing businesses; it even questioned the foundations of western society and its core institutions. The subsequent downturn in the Japanese economy from the 1990s, and the difficulties experienced by a number of high profile Japanese companies, led to a diminution in interest in Japan and its role as setter of international standards.

This paper focuses on the period when Japanese management dominated management discourse. It opens with a discussion of the difficulties business and economic historians face when discussing social movements. It then moves to the origins of what came to be termed Japanese management. It identifies the key elements of Japanese management techniques, and traces its influence through key publications over a period of thirty years. It also suggests why Japanese management became such an important discussion topic in western business circles. The paper concludes with a discussion of the long term influence of Japanese management.

Methodology

Analysis of social movements presents difficulties for economic and business historians. Methodologies favoured by these historians are closely linked to statistical analysis of quantitative data. Also, social movements have no physical track to follow such as the building of plant or introduction of new technology. Content analysis of key documents and interviews is widely used in the social sciences but this is difficult to apply where concepts are philosophical or ideological in nature. Notwithstanding the methodological difficulties, understanding the social context of key economic and business events greatly extends our understanding of their nature and impact.

However, there are a number of sources which may be accessed which provide an insight into contemporaneous thinking. The first is academic publications. The disadvantage of this source is that they are aimed at an academic audience and the influence these have upon practising managers is difficult to assess. A second and more useful source is publications aimed at a general managerial readership. These are primarily in the form of magazine articles aimed at a business readership, and books written for a general rather than a specific audience.

Influence over time may also be traced by examination of the nature of the articles written about a subject. In relation to Japanese management for instance, publications progressively moved through discussion of Japan's fast growth in the 1960s, an embryonic analysis of Japanese management the 1970s, the 1980s dominated by analysis as to whether western nations and businesses could compete with Japan and how to live with Japan as the world's dominant economy, and towards the end of the 1990s whether Japan was capable of competing on the world stage. These themes reflect publisher's concepts of what will be consumed by their reading audience, which are in turn a reflection of the concerns and interests of readers and what they will purchase.

Additional methodological difficulties arise from complications of cross cultural analysis. As Japan has such a radically different culture compared to western nations, interpretation of documents is often problematic, with the additional difficulty of many being in the kanji script. Also, Japanese companies typically have low levels of disclosure and accessibility to outsiders.

Japan is noted as being a high context culture, where communications and events are difficult to interpret without extensive cultural knowledge.¹ As a monolingual and monocultural country, with high levels of tacit understanding, relationships between the various key players and institutions are dominated by implicit agreements, in contrast to the more legalistic methods of the west. Public information is often filtered and subtleties in relationships complicate interpretation and confuse causation. This may often lead to western observers proposing causes and explanations which make sense to them but which lack fidelity as to their causes.

These limitations make any comprehensive treatment of Japanese management problematical. This paper however concentrates on the way that western audiences perceived and interpreted Japanese management. This permits access to data which is located in contexts which are easier to identify and interpret for a western researcher. However assessments will be made as to whether western interpretations are valid as, given the broad nature of the paper, sufficient information exists to make reasonably legitimate judgements in this area.

Background

Although cross cultural differences in management are well documented and inform disciplinary areas such as international management, rarely is a nation linked to a comprehensive set of management techniques. It is even less common that such techniques can significantly influence thinking for over a generation. In this sense, 'Japanese management' seems only to be rivalled by scientific management for influence. In relation to Japan, why should this be so?

The rapid growth of Japan beginning 1950 has been well documented, and the statistics capture much the impressive performance of Japan at that time.² From 1951 through to the oil shock of 1973, Japan grew at an average annual growth rate of 10%, Exports rose at an average rate 20% over the same period. Similarly impressive statistics exist for such key indicators as investment and rises in the general standard of living. Because of Japan's comprehensive defeat in the Pacific War, and the destruction of much of its productive capacity, such growth was unanticipated and it became popularly known as the 'Japanese miracle'. By contrast, while Japan was growing fast, much of Asia was mired in war, stagnation or revolution. In the 1950s, Japan was alone in growing and during the 1960s, only Taiwan, and later South Korea and Singapore were showing signs of reasonable economic performance.

Japan's economic performance had a significant influence upon the consciousness of key players in western economies. It subsequently led to extensive analysis and

¹ Hall, *Beyond Culture*

² There are many publications detailing the rapid expansion of the Japanese economy after the Pacific War. See for instance Nakamura, *The Postwar Japanese Economy*.

discussion of the reasons behind this growth. Much of this discussion concentrated on economic causes and the relationship between government and industry.³ Whilst a full discussion of this area is beyond the scope of this paper one aspect contributed to the high profile of Japan in the west, that is the role of exporting as a growth strategy.⁴

Many countries during the post war period adopted policies of autarky and isolationism. Growth through exporting was new paradigm for minds influenced by long periods of isolationism and high tariffs. However Japanese policy makers did not arrive at export led growth through economic analysis but through the realisation, at American prompting, that growth would not emerge from relying upon poor domestic consumers.⁵ They would have to find customers in more prosperous markets, such as the US. In practical terms, this meant getting Japanese goods into factories, shop shelves and showrooms overseas where they eventually had a significant impact upon these markets. As “Made in Japan” appeared upon an increasing number of goods, the profile of Japan as a manufacturing nation was raised.

Economic growth in itself would not have led to such an intense focus on Japan; it was the success of its companies which concentrated the minds of managers in other parts of the world, particularly the US. The 1960s saw companies such as Sony, Honda, Nissan, Toyota, Matsushita (Panasonic), Seiko, Olympus, to name just a few, emerge as leaders in their industries. A contributing factor in raising the awareness was the leading role taken by Japanese companies in industries in which Japan had previously little presence. Pre-war, Japan only had a marginal influence in industries as diverse as motor vehicles, shipbuilding, watches, cameras or consumer electronics. Japanese companies came to dominate these industries leading to their overseas competitors reacting to their innovation and productivity. Shipbuilding was another area where Japan displaced long standing competitors. Such a strategic shift in high profile key industries in a relatively short period of time could hardly go unnoticed in the wider management world. The bullet train developed for the 1964 Olympics, also helped project an image of a technologically advanced, well organised country.

Discourse on Japanese management reached its height in the late 1970s and the 1980s. Publications during this period became both more strident in their claims for the superiority of Japanese management and widespread in their distribution, range and number.⁶ This was paralleled by western management’s concern about their own businesses, and indeed their economic system, which predisposed them to messages suggesting western decline. In short, at this time, many western managers had deep concerns about the future of their own society. It was into this environment that writings on Japanese management found a ready audience.

Contributing to western management’s lack of confidence was their experiences of the 1970s and the early 1980s. The outstanding economic feature of the 1970s was the oil shocks which saw the price of oil rise by over 300 % during the course of the decade. The oil shocks generated new problems for management as well as

³ For example from an academic approach see Chalmers Johnson *MITI and the Japanese Miracle*. For a populist interpretation and suggestions for the west to follow see Ouchi, *Theory Z*.

⁴ Nakamura op.cit.

⁵ Johnson op.cit., Allen, *A short economic history of modern Japan, Kawai Japan’s American interlude*

⁶ See for instance Ouchi op.cit., Pascale and Athos *The art of Japanese management*, Vogel *Japan as number one*

exacerbating existing ones. In particular inflation gained traction and this, when combined with low growth led to what popularly became known as stagflation. When applied to Europe, it was colloquially known as Eurosclerosis. Inflation exacerbated industrial unrest as unions engaged in strikes and other forms of non-cooperation in order to seek wage rises which 'kept them ahead of inflation'. Meanwhile as unemployment was rising and sales growth faltering, they watched as Japanese firms became even more competitive and dominant in their industries. This was a situation hardly likely to boost confidence or provide an positive view of the future.

What was of also of concern to management as well as economists and bureaucrats, was that the dominant economic philosophy of the time, Keynesian demand management, was proving deficient in tackling the economic problems. Developed in the 1930s, a time of low aggregate demand and deflation, Keynesianism was found to be inappropriate when both inflation and unemployment were both high and rising. It was also felt by economists that western economies generally were not responding flexibly to the oil shocks and the high levels of regulation and government ownership at the time were inhibiting the operations of the price system.

For western companies, this was a period of low profitability and intensified industrial disputation. In the transport and manufacturing industries, plant was often rendered obsolete by the need for greater fuel economy and consumers were demanding cheaper and less energy intensive products. Stock markets ended the 1970s at much the same level as they entered it.

Whilst Japan was affected by the oil shocks, its economy suffered far less than its western counterparts.⁷ Indeed, many high profile Japanese firms benefited from conditions experienced during this period. The Japanese motor vehicle industry greatly increased its sales and market penetration because it specialised in small, fuel efficient vehicles. Electronics companies produced goods which were low users of energy. This was also the period where the full effect of Japanese productive efficiency was felt as it coincided with a period of sluggish productivity growth and fractious industrial relations environments in western countries. It appeared that the major strides needed to match Japanese quality and productivity by western companies would be extremely difficult to make given the current workplace environment and institutional arrangements.

Japanese companies were also taking the lead in applying emerging technologies. Companies such as Sony and Matsushita (Panasonic) clearly led their western counterparts in the application of the transistor and microelectronics to consumer products, and many lesser known companies applied the technology to capital goods manufacturing. CNC lathes and computer controlled process machinery provide examples.⁸ The impact of watch manufacturers such as Sony and Citizen in supplanting the Swiss as the major providers of watches, for the world provided a further high profile example of Japanese business success. Similar success was shown by Japanese camera companies in dominating their industry.

⁷ Nakamura op. cit.

⁸ The growth of Sony is described by Morita *Made in Japan*, and Panasonic in Pascale and Athos op.cit. See also Rafferty, *Inside Japan's power houses.*, Gould, *The Matsushita phenomenon*, Anon, *Toyota, fifty years in motion*, Sakiya *Honda: the men, the management and the machines*

In recent years, the effect of emerging technologies on those firms with significant sunk costs in superseded technologies has been referred to as the 'innovators dilemma'.⁹ As capital investment, skills and existing power bases are based upon an existing technology, firms take some time to realise that entirely new ways of doing things are required. Meanwhile, first movers may acquire a significant advantage. The innovator's dilemma explains much of the delayed reaction by western businesses to the success of Japanese companies in the 1960s and 1970s and into the 1980s.

A further contributor to American crisis of confidence in relation to Japanese competition was the continuing trade surpluses built up by Japan. These combined with the continuing penetration of the US car industry by imports from Japan, led to the agreement by Japan to exercise voluntary restraint in the export of motor vehicles to the US. This restraint was widely publicised and was debated extensively within US politics. It further reinforced the perception that Japanese business was both superior to its competition and only stoppable by political action.

One reaction to the eulogising of Japanese management was the publication of "*In search of excellence: lessons from America's best run companies*" By Peters and Waterman.¹⁰ This book was published in 1982, which was a time of a crisis of confidence in American management. Peters and Waterman identified that there were many well managed US companies and that they all tended to share the same characteristics. This book had an extremely wide readership and was influential in boosting morale in American industry.

As many of the problems faced by western companies were complex and difficult to comprehend, and any solution seemed to be beset with institutional difficulties, particularly in the areas of industrial relations, it is not surprising that in Western countries, particularly the US, were confused as to how to respond to the challenge. Did Japan merely constitute a passing challenge or did its internal organisation and institutional structures provide it with an enduring advantage? Whilst political changes saw the election of the Regan and Thatcher governments, their policies of deregulation, privatisation and reducing protection were not initially seen to be a panacea, indeed they initially created a further layer of difficulties for management.

What constituted Japanese management?

This section considers how western authors and managers constituted Japanese management. There was considerable discourse on the influence of economic and industry policy on the rapid rate of Japanese growth, and much of that conversation is only tangential to this paper. Examples of areas which were widely discussed, are the role of government, particularly MITI, the ownership structure of companies and the keiretsu system, the role of capital and financial considerations such as the exchange rate.¹¹ This paper concentrates on those roles and tasks of

⁹ Christensen, *The innovator's dilemma*

¹⁰ Peters and Waterman *In search of excellence*

¹¹ Respectively, Johnson op.cit., Miyashita and Russel *Keiretsu*, and Nkamura op.cit.

managing the corporation rather than environmental factors not directly under the control of a corporation's management.

There are inevitable difficulties in interpreting a management system in another culture. All observers and writers bring their own cultural backgrounds and preconceptions to the task of description and explanation. Also as time advanced and writings on Japanese management expanded, discourse came to include those who wanted to enter a promising publishing area but who only had a passing knowledge of Japan. This writing concentrated upon the contrasts between Japanese and western management systems. In doing this they drew upon their own preconceptions as the basis for discussion, and also what they sensed their audience wanted to hear. Other writers simply joined in what was a fashionable area of discourse but had little original to contribute. Many Japanese writers were tempted to interpret management through a western lens. Through the 1970s and early 1980s this writing became increasingly eulogistic and triumphalist and neglected much of what was either unpalatable to western human rights sensitivities¹² or that which was difficult to understand for those not versed in Japanese culture.¹³

A further complication when examining this period was that not all organisations in Japan were managed the same way. Attention focussed on management practices in what were emerging as large multi national corporations, especially those with recognised brand names and high international profiles.¹⁴ Japanese management practices in government, domestically focussed industry and those parts of the economy which were not internationally competitive were subject to limited analysis. What analysis did take place was not complimentary to Japanese management leading to the observation that Japan was a two tier economy.

Japanese management, as it was interpreted by western audiences, comprised two major streams; a human resources stream and an operations management stream. Although these were interrelated, they will be covered sequentially, with symbiotic areas highlighted.

Human resource management

Human resource management techniques dominated discourse on Japanese management. These comprised a number of features which were in no way distinctive, and could be easily identified and understood by western audiences. Overall, they were constituted as showing a holistic concern for people.¹⁵ The major components will be discussed in turn.

Lifetime employment: Japanese companies offered most of their workers lifetime employment. In effect this meant that workers could not be dismissed without their consent. Variations in demand for labour were met by a number of strategies. Voluntary redundancies and retirements were offered, and some writers inferred that such offers were not entirely without coercion. Japanese companies were also

¹² The role of women in Japanese society is an example

¹³ The idea of the company being a family and treating employees rather poorly as a result. See Abegglen *The Japanese factory*, Kamata, *Japan in the passing lane*

¹⁴ Pascale and Athos provide a good example

¹⁵ Hatvany and Pucik *An integrated management system: lessons from the Japanese experience*

typically part of a conglomerate and surplus labour could be transferred to other parts of the company, often requiring the bread winner to move away from home. Casual workers were not covered by the lifetime employment policy.

A number of benefits were seen to derive from lifetime employment. Primarily, as change and technological innovation did not lead to loss of employment, resistance was minimised. Other reasons to resist change, such as loss of power or skill redundancy were subsumed by a sense of commitment to the company.

Another effect of lifetime employment was that periods of socialisation were long. This enabled the development and transmission of attitudes, values and ways of working which aligned with the goals, strategies and practices of the company. This came to be more commonly known as corporate culture. Japanese firms were viewed more as social movements than as economic entities, and this was seen to harness greater productivity and other desirable outcomes that the short term hire-fire process of western companies.¹⁶

Employment practices: Employment practices generally were seen to promote equality in the workplace. Promotion was largely by seniority and rapid promotion was rare. Wages reflected number of years of service rather than being based upon subjective assessment of a subordinate's performance. Equality in the workplace was also a feature of the Japanese system. Most employees dressed in standardised clothing, there was little distinction between staff and shop floor workers, and a common cafeteria was used by all.¹⁷ Professional workers, such as engineers, mingled at the workplace with lower level workers and each worked together to solve problems. This did not mean that power and status differentials did not exist but were difficult for an outsider to discern in a high context culture.

Industrial relations structure: At the end of the Pacific War, the US occupation of Japan dismantled many of institutional structures which supported the previous military regime. In place they created institutions which were intended to decentralise decision making. One of these institutions was the creation of company based unions. Company based unions proved beneficial in facilitating low levels of industrial disputation. No matter what their attitudes towards managers, workers were aware that much of their prosperity relied upon the success of the company they worked for and as a consequence did little to disrupt normal production. Company unions minimised much of the industrial disputation associated with craft unions. They also facilitated the building of a common culture as workers could focus their key loyalties to their company rather than to a union.¹⁸

Harmony and consensus: Management practices were intended to promote harmony in the workplace. Japanese decision making was characterised as bottom up rather than top down, with input from all those concerned with the outcome.¹⁹ Techniques ranged from the ringi system of circulating proposals for comment through to quality circles and other ways in which shop floor workers were involved in decision making

¹⁶ Ouchi, *Theory Z*

¹⁷ The memoirs of prominent entrepreneurs, or their biographies, provide an interesting insight in this area. See for instance Morita, *Made in Japan*, Sakiya, *Honda Motor*

¹⁸ Kinzley *Industrial harmony*

¹⁹ Hattoti, *A proposition*, Rohlen, *For harmony and strength*

relevant to the workplace. Japanese societal values also facilitated harmony and consensus by avoiding introduction to the workplace external concepts of status and class and the political confrontations which were common in western workplaces, particularly in the UK. Status differences were also downplayed with outward shows of rank being frowned upon.

The cumulative effect of these management practices was that Japanese managers were far more successful than western companies in merging the interests of the workers and the company at this time. Other social subtleties, not noted in the above practices no doubt also contributed. This was a period of severe industrial disputation in most western countries and in many companies there was a substantial gulf between managers and workers. This problem was particularly acute in Britain in where societal class structures were replicated in companies. Many workplaces were also surrogate areas of political conflict.²⁰

It is difficult to unravel the strengths of the various factors which led to the success of Japanese companies in managing their human resources. Possible causes are a need to exert common effort after the defeat in war, institutional structures which unified the interests of business and workers, the benefits of an homogeneous society or the human resource management practices described above. Either way, it was impossible not to notice the contrast between Japanese or western experiences during this period.

There was however a side to Japanese human resource management practices which western observers failed to highlight or often discuss. Many western observers were influenced by the humanist tradition in industrial relations which emphasised the rights of workers to a high quality of working life, and they somewhat optimistically perceived this to be present in Japan. But there appears ample evidence that many in Japan did not enjoy such conditions and further many management practices would be considered by western observers to be a breach of human rights. An example is the experience of women in Japanese companies and society generally.²¹

Kaizen

The second stream of Japanese management practice which was the subject of intense western scrutiny fell under the general rubric of operations management techniques. This included quality control, just in time manufacturing, and a combination of techniques commonly known as 'kaizen'.²² These came to be known over time as lean production.

Lean production had its origin in the harsh times which were experienced by Japanese companies in the aftermath of the Pacific War. Materials and productive capacity were in short supply, leading management to seek ways which would maximise the

²⁰ Dore *British factory, Japanese factory*

²¹ There have been many publications by insiders in Japanese companies which fail to paint the rosy picture of an engaged and respected workforce common in western publications. See for instance Lo *Office ladies*, Kamata *Japan in the passing lane* More recently see Fowler *San'ya blues*

²² Imai *Kaizen*

use of scarce resources. A second factor also emerged from Japan's poverty after the war; the Japanese were so poor, they had to export in order to sell. This meant that they had to overcome the poor perception of quality with which Japanese goods were associated. Thus external factors were influential in developing one of the most enduring features of Japanese management.

The key operations management techniques either developed or adopted by Japanese management will be discussed in turn.

The application of quality control There are various approaches associated with quality, and this paper does not seek to describe them all. It is sufficient to observe that Japanese companies were well in advance of their western competitors in addressing quality issues. The nature of the products which the Japanese produced, for instance motor vehicles and complex electrical products, were composed of thousands of individual parts. This type of production lent itself to sophisticated quality management techniques. One defective part could render the whole product inoperable.

The origin of the Japanese emphasis on quality has been well documented. The US occupation after the war realised the need for the Japanese to raise quality standards so they invited some well known figures in the quality movement to Japan to give lectures on the topic. These included J. Edwards Deming a person of some standing in the area. Whilst being largely overlooked in their home country, they found a ready audience in Japan and their theories were adapted to the Japanese workplace. Thus the Japanese emphasis on quality was born.

In applying quality techniques, the Japanese challenged management's perceptions of the "cost of quality". Previously, quality was largely "inspected in" after a good was produced. Any necessary rework then took place. Often the customer was part of the inspection process; an example being returning cars during the warranty period to repair quality glitches.

Stretched as they were for resources, the Japanese realised that this process led to considerable waste. It was far better to "build quality in", thus reducing costs by avoiding rework and rejection of parts. It also would lead to greater customer satisfaction. This was the origin of the aphorism that 'quality does not cost, it pays'. One widely quoted Japanese innovation in quality, associated with Honda, was that any worker, no matter how lowly, could stop the production line if they observed a quality problem.²³ The production line was not restarted until the quality problem was fixed. This contrasted with western management techniques in mass production industries at the time which were to keep the production line always in motion, regardless of what was coming off it.

The most widely disseminated Japanese quality technique was 'kaizen'.²⁴ It is typical of the Japanese approach to quality in that it merges statistical quality control with the social system of the factory. It highlights that quality requires the cooperation of all workers, and the widely discussed techniques of quality circles provides an example.

²³ Sakiya Honda

²⁴ Imai op.cit.

Again the contrast with the strained industrial relations in many western countries is quite marked.

Whilst quality techniques were widely applied throughout the Japanese export sector, over time companies developed their own approach to quality which suited their circumstances. The Toyota production system is a good example. Quality techniques were often widely dispersed through industry as key companies applied them throughout their supply chain. Machine that changed the world

Lean production techniques The aim of lean production techniques was to reduce costs and improve capacity utilisation.²⁵ If idleness was mentioned to a western manager at this time, idle workers would have been the first thing to spring to mind. However the Japanese redefined idleness, downplaying its human implications and emphasising that idle equipment, work in progress and the accumulation of inventories was more costly than idle labour. Consequently the thrust of lean production was to reduce inventories, reduce work in progress and to optimise machine utilisation.

“Just in time’ management provides a good example of Japanese innovation in this area. Parts for the next stage in the production process were delivered ‘just in time’ to be used, thus avoiding the cost of storage and handling of inventories. Suppliers to car factories for instance were told to deliver small quantities at frequent intervals for immediate use on the production line. Within a factory, a kanban or card system was used to order parts as required. This process also provided the advantage of revealing problems with the production system, which would otherwise have been concealed by an extensive inventory of parts.

Lean production techniques and quality control systems existed in a symbiotic relationship. If Toyota needed fifty windscreens per hour, it could not afford for any of the fifty to be rejected, thus quality had to be assured throughout the supply chain.

These practices contrasted with typical western car plants which had extensive stockpiles of parts and components in case of disruptions to the supply chain, strikes at that time being a common event. During the 1970s and 1980s, a Japanese car plant was up to 30% more cost effective than a typical western car plant, not because of wage rate differentials but because of more effective use of resources.²⁶

Strategy

The strategy of Japanese firms during this time differed radically to their western counterparts. This was not just because of their emphasis on exporting, but because their main stress was on market share, rather than return on investment or profitability. Japanese firms rarely incurred significant losses, but then neither did they show much in the way of profit. Again their environment in the form of financial and ownership structures underpinned this strategy. Equity only provided a small amount of capital for Japanese firms, most came from loans. These loans were often provided by a bank at the centre of a keiretsu, or family group of companies. Further,

²⁵ For an extensive discussion of lean production in the motor vehicle industry see Womak, Jones and Roos *The machine that changed the world*. The experience of other industries in Japan is similar.

²⁶ Womak, Jones and Roos *ibid*

controlling shareholdings were held by other members of the group or by the group's bank, thus insulating firms from the often short term demands of the financial markets.²⁷

For western observers, the strategy was easy to understand, and certainly provided an advantage for Japanese companies at a critical stage of their growth. But the institutional arrangements, differing as they did from western practices, raised concerns that Japanese business and financial structures were inherently superior to western practices and would eventually supplant the dominance of western business.

Discussion

By the beginning of the 1990s, commentators were predicting that Japan, already entrenched as the world's second largest economy, would be the world's largest economy in the not too distant future. The merging of past success with a financial bubble was leading to inflated expectations both on the part of the Japanese and foreign observers. Easy finance saw Japanese companies go on a spending spree. The price of land became astronomical, with tiny plots in Tokyo fetching up to a million dollars. Japanese companies bought icons ranging from Hollywood studios to high profile real estate. Most casual observers opined that the Japanese had discovered, found or developed a system of organising their society, economy and businesses, which was far superior to anything to be found in western countries.²⁸ This would lead to significant changes in the world's power balance and have deep implications for western society, challenging the foundations upon which it was built. The Japanese themselves succumbed to the temptation to self-satisfaction with numerous self congratulatory publications addressing the problem of what would happen when Japan was 'number one'.

Contrary to expectations, the early 1990s saw a rapid reversal in Japan's fortunes ushering in what proved to be fifteen years of economic stagnation. For much of the 1980s and into the 1990s, the Japanese central bank had run a loose monetary policy, which had led to significant asset inflation, particularly in stocks and real estate. It was a classic financial bubble, which when it burst, led to a slowing economy. It coincided with Japanese companies facing stiffer competition from regenerated foreign competitors. For Japanese companies, maintaining growth in a more mature and competitive market was proving difficult, and a number of companies, for example Nissan, Mazda and Sony, were struggling with poor strategy and hidebound management. No longer was Japanese management eulogised. Further, the trend in the popular press turned quite sombre with questions being raised as to how Japan could compete in the modern world.²⁹

The causes and effects of this downturn exceed the scope of this paper, but it does provide a bookend to an era and an opportunity to assess the long term effect of "Japanese management".

²⁷ Neff et.al. *Mighty Mistubishi*

²⁸ See for example Ouchi *Theory Z*

²⁹ Porter, Takeuchi and Sarakibara *Can Japan compete*

Very few of the human resource management techniques, which formed the basis of so many publications, have had a long term impact. In part this arises because the institutional arrangements relating to industrial relations and human resource management began to change in western countries in the 1980s. Moves by government, particularly in the “Anglo” countries of the US, UK, Australia and New Zealand to increase the level of competition and reduce costs through privatisation, deregulation and reduction of tariffs led to deregulated labour markets. This in effect meant the end of compulsory unionism. Technological change, particularly computerisation, and movement of manufacturing to cheaper jurisdictions such as China, led to companies engaging in extensive downsizing. Japanese human resource management seemed to have little to offer. The way forward was through deregulated labour markets and the skilling of employees for lifetime employability, not lifetime employment. Large companies started to deconstruct their internal labour markets and hire senior managers from outside the organisation, something which was rarely previously practised. The social contracts underpinning much of Japanese human resource management were no longer applicable.

One part of Japanese human resource management which has become widely incorporated into management discourse is the awareness of corporate culture as a factor in organisational effectiveness. Most managers are aware of culture’s importance with it having been brought to wider management attention through examination of Japanese companies. But rather than trying to clone Japanese organisational cultures, managers attempt to generate cultures relevant to their own environment, technologies and circumstances. Notwithstanding its central part in management discourse, corporate culture is difficult to manage and resistant to change,

Japanese developed and applied operations management techniques have proved to be far longer lasting and to have a wide applicability. Perhaps this is because they are not as culturally based as human resource management techniques. The importance of quality is now widely recognised and the Japanese no longer enjoy the quality lead they once enjoyed. The lead seems to have passed back to the United States, with development of techniques such as six-sigma. Although just in time inventory control was easier in Japan because of the close proximity of suppliers, ideas of cutting supply chain costs through reducing inventory and other techniques is well established.

Similarly, western management have put greater emphasis on involving workforces in such areas as quality, safety and cost saving. In part this has been made possible by the institutional changes noted above. Changes to the structure of industrial relations have reduced the incidence of strikes and other barriers which led to the incentive to hold extensive inventories.

Conclusion

Management tends to be fashion and fad driven. Parts of management can be fairly mechanically applied; this the science side of management. Examples are scheduling, budgeting, project management and so on. But other parts of management

are far less amenable to standardised management techniques. Examples are strategy formation, interpreting future states, innovation, managing people and understanding how the organisation works, particularly if it is a large one. Managing in these areas is often approached with far less assurance, and it is into this vacuum of confidence that many writers seek to promulgate their ideas. Management confidence can also be eroded by external factors such as poor economic conditions, major shifts in technology or changes in the competitive landscape. Nations, and companies, often experience crises of confidence, where external models are sought which offer a panacea to present ills.

It was a result of such a crisis of confidence amongst western nations, particularly the US, that “Japanese management” managed to gain traction and influence discourse for over twenty years. As confidence returned to western business in the 1990s, and problems started to emerge in Japan’s leading companies, attention moved to other areas, and the Japanese in turn, entered a period of introspection and concern about their own competitiveness. As a result, Japanese management no longer dominates western management agendas. But a number of management techniques associated with Japanese management during its ‘golden years’, namely an emphasis on quality, the importance of operations management and an awareness of corporate culture have been integrated into mainstream management discourse and remain as long lasting legacy to our knowledge of management.

REFERENCES

- Abegglen, J. (1958) *The Japanese factory* Arno Press
- Allen, G.C. (1981) *A short economic history of modern Japan* 4th Ed Macmillan London
- Anonymous (1987) *Toyota: a history of the first fifty years* Toyota City, Toyota Motor Corporation
- Christensen, C. (1997) *The innovator’s dilemma: when new technologies cause great firms to fail* Boston Mass. Harvard Business School Press
- Fowler, E. (1996) *San’ya blues: labouring life in contemporary Tokyo* Ithaca NY Cornell University Press
- Dore, R. (1973) *British factory, Japanese factory: the origins of national diversity in industrial relations* London Allen and Unwin 1973
- Gould, R. (1970) *The Matsushita phenomenon* Tokyo Diamond Sha
- Hattori, J. (1977) A proposition on efficient decision making in the Japanese corporation *Management Japan* Autumn 1977 Vol 10. 14-23
- Johnson, C. (1982) *MITI and the Japanese miracle: the growth of industrial policy 1925-1975* Stanford Cal. Stanford University Press

- Hall, E. (1976) *Beyond culture*, Anchor press, Garden City, N.Y.
- Hatvany, H., and Pucik, V. (1981) An integrated management system: lessons from the Japanese experience *Academy of Management Review* Vol.6, No. 3, 469-480
- Imai, M. (1986) *Kaizen: the key to Japanese competitive success* New York Random House
- Kamata, S. (1983) *Japan in the passing lane: an insider's account of life in a Japanese auto factory* London Allen and Unwin
- Kawai, K (1960) *Japan's American interlude* Chicago University Press Chicago
- Kinzley, W.D. (1991) *Industrial harmony in modern Japan: the invention of a tradition* London Routledge
- Lo, J. (1990) *Office ladies, factory women: life and work at a Japanese company* Armonk, NY M.E. Sharpe
- Morita, A. (1986) *Made in Japan: Akio Morita and Sony* New York Dutton
- Nakamura, T. (1980) *The postwar Japanese economy* University of Tokyo Press Tokyo
- Neff, R., Holstein, W., Treece, J., Crock, S. and Armstrong, L. (1990) *Mighty Mitsubishi on the move* *Business Week* Sep 24, 98-102
- Miyashita, K. and Russell, D. (c1994) *Keiretsu: inside the hidden Japanese conglomerates* New York, McGraw Hill
- Morita, A. (c1986) *Made in Japan: Akio Morita and Sony* New York Dutton
- Ouchi, W (1981) *Theory Z: How American business can meet the Japanese challenge* Reading Mass. Addison Wesley
- Pascale, R.T. and Athos, A.G. (1981) *The art of Japanese management; applications for American executives* New York Simon and Schuster
- Peters, T. and Waterman, R (1982) *In search of excellence; lessons from America's best run companies* Sydney Harper and Row
- Porter, M., Takeuchi, H. and Sarakibara, M. (2000) *Can Japan compete?* Basingstoke Macmillan
- Rohlen, T. (1974) *For harmony and strength* Berkely University of California Press
- Rafferty, K. (1995) *Inside Japan's powerhouses* London Weidenfeld and Nicholson

Sakiya, T. (1982) *Honda: the men, the management, the machines* New York
Kodansha International USA

Vogel, E.F. (1979) *Japan as number one; lessons for America* Cambridge Mass.
Harvard University Press

Womack, J.P., Jones, D. and Roos. D. (1990) *The machine that changed the world*
New York Rawson Associates