

Training Japanese Managers

Allen Dickerman

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FOREWORD

Patrick M. Boarman

This book by Professor Allen B. Dickerman, who is Director of the International Management Development Department and Associate Professor of Management at Syracuse University, examines closely, yet tersely one important facet of the Japanese economic success story, namely, the Japanese art of management.

The evolution of Japanese management is traced from its beginnings in the Meiji Restoration (1868-1911) to the present. Attention is focused on the development of those special attitudes and practices of Japanese managers which were primarily responsible both for the steady growth of the Japanese economy prior to World War II and for its spectacular performance since then. The author distinguishes between those elements of Japanese management methods which are peculiar to Japanese culture and society and those which have been borrowed from Europe and the United States. A further distinction is drawn between those Japanese management techniques which might be profitably adopted by western countries in contrast with those which are probably not exportable. Most importantly, the study stresses the changes currently taking place in Japanese management philosophy in the context of the new social and political challenges facing Japan, both at home and in the international arena.

The study has a pragmatic orientation throughout, with a special emphasis on American business activity in Japan. It includes detailed information about the structure of business education and management training programs in Japan, investment opportunities open to foreigners, and guidelines for western businessmen interested in joint ventures.

Some of the many topics covered are:

- the "ringisho" decision-making process, which is one of consensus rather than decree;
- the role of the "catching up with the great powers" syndrome as it operates in Japanese industry;
- the various modalities in the striking cooperation between Japanese business and the Japanese government;
- the role of the Japanese emphasis on competition and excellence as the criteria for survival in the management education system;

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- the unique ability of the Japanese to assimilate and to improve upon foreign technology;
- the all-pervasive importance of the group and of "team-spirit" as contrasted with the western emphasis on the individual;
- the Japanese stress on long-term growth rather than short-run profits as the dynamics of the Japanese business system;
- the overriding role of "personal" and "non-logical" factors in Japanese management, as contrasted with the impersonal and analytical focus of U.S. methods;
- the Japanese obsession with quality control (for example, its "zero defects" program);
- the special problems American corporate executives face in dealing with their Japanese counterparts;
- the impact on Japan's less developed neighbors of Japanese management philosophy and techniques; and many others.

The Center for International Business of Pepperdine University (Los Angeles and Malibu, California) is pleased to be sponsor of Professor Dickerman's study. The Center is a private, nonprofit research organization, specializing in fundamental research on the frameworks—economic, monetary, political, and cultural—within which international trade and business are conducted. In discharging this function, we have occasion to review many manuscripts dealing with the above subjects. We have rarely had the privilege of receiving a study as informative, as timely, and as well-written as is Professor Dickerman's. His notable achievement is to have covered a complex subject in a brief, well-organized, and easy-to-read narrative. Though there is certainly no dearth of studies of Japanese business, we believe this short treatise will find wide readership among those executives, academicians, government officials, and the public generally who want to know more about the roots of the Japanese economic miracle, but who do not have the time to wade through a heavy tome on the subject.

Los Angeles
Summer, 1974

PREFACE

Interest in Japanese management development was stimulated by Japanese executives who have come to Syracuse University as participants in the programs of its International Management Development Department and by a brief visit to Japan in 1968. In 1970, with the help of a travel grant from the Center for International Business, Pepperdine University, in Los Angeles, a three-month research study of management development in the Far East and Southeast Asia was undertaken.

Of the countries visited, Japan had been the most successful in training managers and creating a climate for rapid economic and industrial development. Other Asian countries with equal access to technology had found it difficult to develop managerial techniques, practices, and philosophies of the type which would stimulate effective growth. Success for these nations will depend upon their ability to follow Japan's example of harmonizing (adapting—not adopting) western management within the framework of the cultural heritage of their people.

Many scholars and managers both in Japan and the United States have contributed ideas and facts for this study. Particularly helpful were the comments and insight of Professor Robert J. Ballon, of Sophia University in Tokyo; Dr. Charles L. Hughes, Director of Corporate Personnel for Texas Instruments in Dallas, Texas; and Dr. Gordon T. Bowles, Professor Emeritus of Anthropology at Syracuse University. This study would not have been possible without the assistance of Dr. Arthur L. Peterson, Professor and Chairman of the Department of Political Science of Ohio Wesleyan University and Dr. Patrick M. Boarman, Director of Research, Center for International Business, Pepperdine University, who were instrumental in furnishing financial support and in providing encouragement at each step of the research as it progressed from rough notes to the final copy.

Syracuse University has been most generous in releasing time to undertake this research activity. A special debt of gratitude is due Mrs. Sarah Dollard, Mrs. Susan Ingles, and Mrs. Beth Ruddock who typed the manuscript.

LIST OF ABBREVIATIONS

APO	Asian Productivity Organization
CIOS	Conseil International pour L'organisation Scientifique
CSS	Civil Communications Section
GNP	Gross National Product
IBAM	Institute of Business Administration and Management
IESC	International Executive Service Corps
IMAJ	International Management Association of Japan
IMCC	International Management Cooperation Committee
JIBA	Japan Institute of Business Administration
JMA	Japan Management Association
MITI	Ministry of International Trade and Industry
MTM	Method Time Measurement
MTP	Management Training Program
MVE	Japanese Management Volunteer Executives
OECD	Organization for Economic Cooperation and Development
OTCA	Overseas Technical Cooperation Agency
SCAP	Supreme Commander of Allied Powers
TWI	Training Within Industry
UNCTAD	United Nations Conference on Trade and Development
WF	Work Factor
ZD	Zero Defects Program

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In the Far East, Japan not only has taken the lead in adapting western management to its economy, but also, since World War II, has achieved a growth rate which has moved its per capita income from 20th place to close to first place. Consequently, because of the significant influence of Japan on the economy of the Far East and more recently on the world, an analysis of Japanese management is important to an understanding of Japan and its relationship to industrial and economic development.

Four significant areas concerning management are particularly relevant to Japan. One is the management movement by means of which Japan has absorbed Western technology and management know-how. A second concerns the management practices of Japanese firms, particularly with regard to organizational structure, decision-making, and personnel administration. A third important factor is the selection and training of managers which will be described in the section devoted to management development. Since part of the focus of this study is on the development of foreign nationals for U.S. multinational corporations, a fourth topic is that of the effect of Japanese management traditions on the operating affiliates of U.S. corporations in Japan.

Because Japan has been successful in attaining a high degree of industrial and economic development, the means by which this has been accomplished should be of significance to the less developed nations which are seeking a better standard of living for their people. The rapid development of Japan resulted in many changes during the decade of the 1960s. In the 1970s, even more rapid changes are taking place in governmental policies and managerial thinking and practices: Japan's industrialization has created internal problems, and its sudden switch from a debtor to a creditor nation has caused revisions in its international economic policies.

CHAPTER

2

THE MANAGEMENT MOVEMENT

From 1639 until the signing of a Treaty of Friendship between the Tokugawa Bakufu government and Commodore Matthew Perry of the United States in 1854, Japan remained rather completely isolated from the rest of the world except through the Dutch factory on Dejima Island in the harbor of Nagasaki. Although during this isolationist period the Tokugawa Shogunate maintained a feudalistic structure and followed a policy of prohibiting all contacts with foreigners, the Dutch instructed the young scions of the feudal houses to understand the Dutch language, through which they gained access to the knowledge of the West and world events in Europe and later America. In Kyoto there was an academy run by some of the Japanese who had learned from the Dutch. Although the ability to read and write was quite widespread, only a few of the privileged classes enjoyed higher education. For example, at the Academy in Kyoto only about 100 of the elite future leaders were admitted at any one time. Some contact with the outside world was also maintained through a substantial Chinese colony in Nagasaki.

During this feudalistic period the economy remained relatively stable, not only through the maintenance of a fairly static population but also because the system was based upon rice quotas. Each feudal lord was permitted to produce so much rice and no more. Lords were ranked by title which equated so many sacks of rice to a given rank. (One might be known as a 20,000 rice lord.) Under this kind of system the feudal economy could not expand. The eventual collapse of the Tokugawa Shogunate in 1868 and the restoration of the Emperor Meiji resulted in the abolition of feudalism and the opening up of Japan to western culture.

The Meiji period (1868-1911) has been referred to by historians as a Restoration,¹ not a revolution of the masses from below, but a recognition by the leaders that a new course was needed for Japan,

one which would mobilize resources for modernization, industrialization, and international trade. The mission of the new government was to replace the traditional feudal system with an adaptation of European civilization in such a way that Japan could become a modern, powerful, independent nation free from the threat of colonization by western powers.

Initially, it was anticipated that the large merchants of Tokyo, who controlled even the feudal lords through loans, would be the leaders in the new development. However, since these big merchants had become accustomed to their positions as heads of monopolistic organizations under relatively stable conditions of isolation, they were extremely conservative and feared any change. Consequently, even though the Meiji government encouraged them to take the leadership in developing a modern economy, they were reluctant to do so. As a result, the establishment of Japan's modern economy was left to enterprising groups who could understand the western economy and its advantages and profitability for Japan. The only class possessing higher education was the bushi (samurai) who traditionally looked down upon commerce and industry. As the rice economy stagnated and these samurai elite were reduced to poverty and heavy indebtedness, intermarriage with rich mercantile families became a way of relieving their destitution and led to a gradual change in attitude. They further justified their entrance into commerce and industry on the basis that it was not primarily for individual profit, but for the national interest and the retention of earnings to build a strong independent country.

From the standpoint of management development in Japan, three significant reforms were introduced during the Meiji Restoration. First was the change in political structure which permitted anyone regardless of family background to enter government service, business, or the military and to advance to a high position. Actually, the big family lords who remained loyal to the Emperor were given commoner titles such as baron, count, or marquis and in fact, the head of the Tokugawa family was made a prince. They received substantial stipends as peers of the new realm and formed the upper house in the new government. A second change was the introduction of the corporate form of organization and financing of the large enterprises through small capital investments by many. The former feudal lords also took advantage of the corporate form to invest part of their stipends in new industries and in commercial enterprises. As a third reform, education was made compulsory as a means of strengthening the national consciousness and an understanding of modern civilization. Universities and polytechnical schools were added resulting in a several fold increase in the number of university students between 1890 and 1940. Practically from the beginning of

the Meiji period, students were free to enter any university or other institutions of higher learning. Since promotion in industry was based on education and ability, regardless of social position or place of birth, young people sought education. This, combined with a homogeneous race maintained for more than 2,000 years, contributed to the rapid economic development and political stability of the country.*

As early as 1872 the Meiji government began employing foreign experts to take charge of Japan's industrialization and modernization. During the next thirty years the number of foreign experts coming to Japan to work for the government alone exceeded 6,000. These advisors from Europe and the United States were active not only in industry, but also in education, the military, medicine, finance, and diplomacy. As a result, by the end of the nineteenth century Japan had absorbed much of the leading western technology into its military and civilian cultures.²

In the beginning of the Meiji Restoration the government initiated industrialization by setting up model enterprises under state sponsorship. The private businessman was familiar with commercial activities but did not want to take the risk of producing industrial goods. In some instances, the government imported the whole production process including new materials, machinery, engineers, and technicians as well as sending Japanese to the Western Hemisphere to learn engineering and management.

From 1870 until World War II, Japanese management increasingly applied European and American technology in fabricating imported materials into exportable finished products. During this period in many phases of its development, Japan tended to imitate and adopt western technology. Commercial banking and cotton spinning were strongly influenced by English experts, as was the architecture of many of the buildings. The French and the Scotch built the first shipyards and a French engineer designed the first mechanized silk thread factory. Procelain manufacturing and the chemical industries were developed by German experts. The French influenced civil law and the Germans, public law and the constitution. Accounting systems came primarily from the Germans. After the publication of Taylor's Scientific Management, the influence of the American management methods became stronger in Japan, and much emphasis was placed on efficiency.

Western culture, as opposed to techniques, was introduced primarily in the public domain in such systems as government,

*For much of this background on social structure and political change, the author is indebted to Dr. Gordon T. Bowles, Professor Emeritus of Anthropology at Syracuse University.

education, justice, and, to a certain extent, in the economy which was divided between external industry and trade and internal subsistence. The agricultural areas were often self-contained and largely independent of urban industrialization except for the effects of the shift in manpower, improved transportation, and changes in governmental policies.

By the end of the Meiji era in 1911, light industry, of a crude rather than precision nature, was internationally competitive. Japan's basic chemical and heavy industries, on the other hand, were rather weak and unable to compete with those of the United States and Europe. With the advent of World War I, Europe's semimonopoly in producing and exporting industrial goods was destroyed and Japan was in an excellent position to take advantage of this market and to add to its industrial progress.

In 1920, Japan experienced an economic panic followed by an earthquake in the Kanto area in 1923 and a financial panic in 1927. Japan's economy suffered further because of the U.S. depression of 1929. This caused the Japanese Ministry of Commerce to establish the Industrial Rationalization Board in 1930. The Board's duties included the standardization of industrial products through the formation of cartels similar to those of Germany. In addition, the Board undertook the modernization of management by recommending the application of the scientific methods of the United States and the practices of American industry. The Board's Financial Committee standardized accounting practices along German principles and these were later widely adopted by Japanese enterprises. Most of the early professors of business administration in Japan were accountants who were influenced by German theories of management. However, in actual business management, Japanese companies employed American methods, not German.

In fact, within industry itself, American management methods began to replace British and German technology in Japan after the translation and publication of Taylor's Scientific Management in 1913. The spinning industry was the first to adopt some of Taylor's approach. Later applications were made in such areas as pharmaceuticals, cosmetics, footwear, machinery, and railway repair. A pioneer in stimulating the application of American scientific methods was Yoichi Uyeno who in 1921 became head of the Industrial Efficiency Institute of Japan. Uyeno went to the United States and Europe where he met with Frank and Lillian Gilbreth, F. W. Taylor, William Leffingwell (office management), and Harrington Emerson. Upon his return he expanded the functions of the Industrial Efficiency Institute to include lectures, publications, consultations, technical assistance, technical training in time and motion study, aptitude tests, and efficiency research. As a result of these expanded activities, the organization later became the Japan Federation of Efficiency Associations.

Another early leader of Japan's management movement was Nobuo Noda, Professor Emeritus of Seikei University, who in 1968 was awarded the Taylor Key by the Society for the Advancement of Management for his significant contributions to the management movement. Noda was primarily responsible for the drafting of the recommendation of the Production Management Committee of Japan's Industrial Rationalization Board. In order to disseminate its recommendations, the Japan Industries Association, a private organization, was formed. In 1942 this organization merged with Uyeno's Federation of Efficiency Associations to form the Japan Management Association (JMA), the largest management consulting firm in the country and a leading organization in top and middle management training.

However, in general, during the period from 1930 to the end of World War II, Japan made limited progress. The controlling power shifted from the financial and political groups to the military and the bureaucrats. Management knowledge was exchanged, but basic emphasis was on cost-reduction and efficiency and only a few progressive enterprises showed real interest in the management movement. Once the military was in complete control, all efforts were directed toward mass production of war goods.

Japan's defeat in World War II and consequent occupation by American forces had an influence on its industrial prosperity of today. Along with the defeat went Japan's policy of extending its power through military occupation and this was replaced with a concentration on economic development and penetration for the good of Japan.

In addition, the war had virtually destroyed the old industries of the country. This necessitated the building of new production facilities, permitting Japan to start over again industrially with the most modern technology and patents from abroad. The achievements of Japan during the first ten years after the war were outstanding and served as the base for the country's continued development both domestically and internationally.

The occupation by American forces immediately following the war also had an impact on Japan's industrial management. SCAP (Supreme Commander of Allied Powers) initiated efforts to establish a democratic industrial economy in Japan. In order to achieve greater uniformity in financial statements, SCAP formed a committee under the leadership of Professor Ohta to improve accounting practices and procedures.

SCAP also initiated a CCS (Civil Communications Section) training program for managers of Japanese communication equipment makers. American company practices were introduced dealing with policy formulation, organization principles, management systems, and operating problems. These lectures, although aimed at one industry, attracted wide attention and were published for nationwide distribution.