

# THE CHANGING NATURE OF MANAGEMENT AND CULTURE IN JAPAN

Bolshova  
Ekaterina  
MA-1

# INTRODUCTION

## Sources of success

- 'unique' form of management
- industrial structure
- life commitment of Japanese workers


## Management practices

- lifetime employment
- seniority promotion
- consensual decision-making
- continuous on-the-job training



- strong employee identification with the firm
- high commitment to improved productivity

# INTRODUCTION

- collapse of the 'bubble' economy in the late 1980s
  - onset of the recession in the early 1990s
  - Asian and global financial crises in 1997 and 2008
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- need for change of the Japanese management system

## Changes

- not uniform or clearly transparent
- management of human resources sphere


# HISTORICAL AND CULTURAL CONTEXT

## 17<sup>th</sup> century

- Japan attempted to close from the external world
- did not stop economic and demographic expansion
- growing importance of business values and economic problems
- distinctions in rank and conditions were slowly erased
- development of big trading houses
- business profit as an important social value

# HISTORICAL AND CULTURAL CONTEXT

## 1868 – Meiji Restoration

- limited organizational resources
  - simple and functional organizations with strong collaboration between them
  - adoption and adaptation of Western practices
  - foreign technology
  - rapid organizational learning
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# HISTORICAL AND CULTURAL CONTEXT

20<sup>th</sup> century

lack of skilled labor force

- long-term employment
- wages based on life stages
- creation of company unions

high levels of absenteeism

- job-rotation system

Unions

- exchanging information
- bargaining on company-specific working conditions
- promotion agreements



# HISTORICAL AND CULTURAL CONTEXT

“community of fate”

- earlier - little confidence in the power of the individual to devise, control and execute his or her own destiny
- now - fulfilment of security and stability needs can occur not only within the traditional bounds
- young no longer wish to be bound to a single company
- sacrifice their private life to it
- desire to develop closer relations with family and friends
- pursuit of leisure or volunteer-type activities outside the organization

# THE DEVELOPMENT OF JAPANESE BUSINESS AND MANAGEMENT

## Confucianism and Shinto Buddhism

- balance between the emphasis on social harmony and the company as a family
- paternalistic principles

## Taylorism

- market rationality
- the interpretation of mass production



# THE DEVELOPMENT OF JAPANESE BUSINESS AND MANAGEMENT

## enterprise

- market rationality of management systems
- horizontal coordination between departments
- rotation of employees between departments
  - autonomous problem-solving
  - employees' ability to process and use information
- adequate training
- raising of wages through the career
  - diligent and hard working personnel
  - no voluntarily retirement

# THE DEVELOPMENT OF JAPANESE BUSINESS AND MANAGEMENT

## Basic principles

- hierarchy-driven career development schemes
- promotions based on continuous employment
- frequent appraisals
- long-term profit maximization strategies
- strong work discipline
- businesses were relationship-based psychological contracts

# THE DEVELOPMENT OF JAPANESE BUSINESS AND MANAGEMENT

- rapid industrialization and urbanization
- company-based communities
- country is run according to a concept of hierarchy
- meritocratic and not an inherited social privileges
- lifetime employment
  - ‘unwritten guarantee’
  - ‘social norm’
  - ‘moral imperative’
- employment at-will is not recognized
- *uchi – soto* concept

# RECENT ECONOMIC DEVELOPMENT

- role of agriculture falls
- more and more work in services
- GDP growth slowed down
- decline in industrial production
- relocation of manufacturing
- rise of unemployment
- new jobs in services are part-time
- increase of non regular employment
- ageing of population
- decline in birth rate

# MANAGEMENT CHANGE AND TRANSITION

significant transformation of the economic, social and cultural environment since 1980s

- Japanese companies have lost their innovative poise
- struggling to remain afloat
- 'Cool Japan'
- more workers in knowledge industries
- more start-ups
- seniority based pay and promotion system is questioned
- *noryoku shugi*
- *seikashugi*
- 'Management by Objectives'
- *three-tiered* workforce structure
- high performance work systems (HPWS)
- knowledge management
- glass ceiling for women

# MANAGEMENT TODAY: DYSFUNCTIONAL ASPECTS AND SYSTEMIC PROBLEMS

- mentality of denial of responsibility
- relationships are based on specific mutual interests
- tensions between regular employees and non-regular employees
- more emphasis on philosophy and guiding principles than on formal administrative processes
- mistrust and feelings of betrayal
- collective values are still at the center of private and public life
- *karoshi*

# CONCLUSION

- adoption of Western approaches
- reduce of expensive full-time regular workers
- new system is unstable
- reduction of security for all workers
- lack of opportunities for younger workers
- no individualism