

The Characteristics of Japanese Style Human Resource Management

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1. Introduction

In 1958, Kuniyoshi Urabe translated James C. Abegglen's book, '*The Japanese Factory*' into Japanese, the title being *Nihon no Keiei*, but in the following 15 years there was little interest, research into Nihonteki Keiei ('Japanese' Management). In the 1970s, however, with Japan's rapid economic development and Japan ceasing to imitate Western management techniques, attention was focused upon theories about unique Japanese (Nihonteki) management. It was studied from different angles by scholars of sociology, labour economics, and management, but the resulting theories all tended to seek and emphasize differences which made Japan unique.

The results of the 'Adams Survey' (The Assessment of Development of the Ability of Managers), carried out by the author and others, however, indicated that there were a great many similarities between managerial behaviour in Japan and the USA. From this starting point, I became aware of the necessity of looking at 'Japanese style' (Nihongata-see explanation below) management through an analysis of similarities between Japan and other countries, and of practical research on these areas, which I proceeded to carry out.

I have, as a result, formulated a hypothesis on the international convergence of management systems, and attempted to verify it.

2. Theories on Japanese Style Human Resource Management

2.1 Distinguishing between 'Japanese' (Nihonteki) and Japanese style (Nihongata) Management

It was in 1973 that scholars in Japan began writing about Nihonteki management, and the 1970s became a boom period for this subject, so much so that the 'Nihon Keieigaku to Nihonteki Keiei' was the theme for the Japan Management Association's 52nd National Conference. The circumstances in which Nihonteki Keiei came so much into the limelight were Japan's astonishing economic development and the fact that Japan had ceased to imitate Western management.

The media had also made a great fuss about it, and it had become the subject of intense debate among academics and managerial staff.

I cannot say exactly when Nihongata was first used, but it first appeared in print around 1980.

Nihonteki is if anything an expression coined by the press, which then came into general usage, and it is an expression which I personally find vague. I have therefore chosen to use Nihongata in this paper, as I feel it is a more appropriate expression for describing types of management systems.

2.2 Developments since 1945

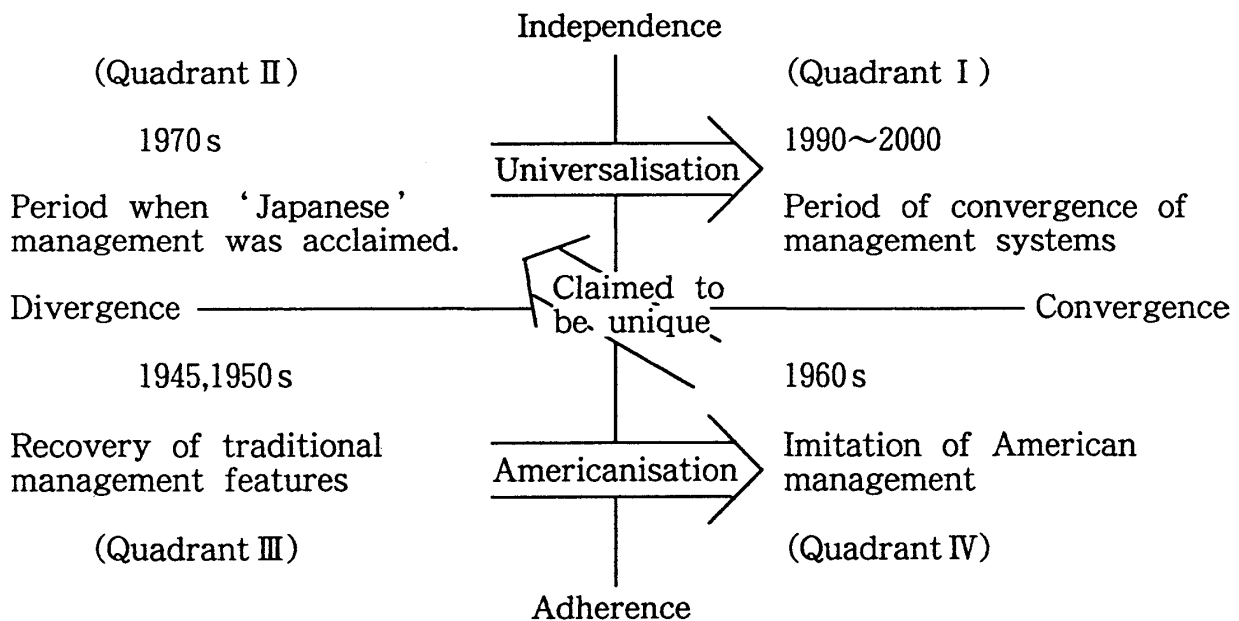
The developments in management in Japan from 1945 to the present day can be described in terms of two axes, a convergence-divergence axis and an independence-adherence axis, as shown in Figure 1.

Quadrant III represents the post-war rebuilding of the economy, in extremely difficult economic circumstances.

Quadrant IV represents the period when American management was being imitated. In 1955 a study group from the Japan Productivity Center went to study management techniques in the USA because it was one of the advanced industrial countries. In this period knowledge of management from the USA was simply swallowed whole. We could summarise the transition

from Quadrant III to IV, as being from post-war recovery to ‘Americanisation’

Figure 1 Development of Japan’s Management Systems 1945~



Quadrant II represents the period when the debate on ‘Japanese’ (Nihonteki) management was at its peak. A great many publications were forthcoming, many of which looked for the source of Japanese management characteristics in traditional Japanese culture. Examples were Taku Nakano (*Ie to Dozokudan no Riron*, pub. Miraisha 1968) and Hiroshi Hazama (*Nihon Romu Kanrishi Kenkyu*, pub. Diamondsha 1964) who argued that the source was the merchant families of the Edo Period (1600-1868), then Masumi Tsuda (*Nenkoteki Roshikankeiron*, pub. Minerva Shobo, 1968) Nagateru Tomiyasu (*Shushinkoyo to Nenkojoretsu*, pub. Rodohogaku Shuppan, 1973), and Yotaro Yoshino (*Nihon no Keiei System*, pub. Diamondsha, 1975) who argued that it was the samurai house system of the Edo Period.

There were also many scholars who criticised the above culture theories. this was a period of intense debate.

The transition from Quadrant IV to II could be summarised as being from Americanisation to assertions of Japanese uniqueness.

Quadrant I could be said to represent the period when the idea of unique Japanese management was cast away. The transition from Quadrant II to I is the changeover, during ‘globalisation’, from the theories on

the uniqueness of 'Japanese' management to as the Japanese style management theories asserting the universal nature of management.

3. Formulation of Hypotheses based upon Questionnaire/Interview Surveys

3.1 The Relationship between Management and Culture

During the 1970s and into the 1980s views were expressed about the strong influence of Japanese culture (characteristics of the climate and environment, food and lifestyle, history, religion, language etc.) on management, and many terms were coined to describe characteristic Japanese attitudes (eg. Unmei Kyodotai Ishiki-an awareness of a shared fate, Anteishikosei-stability oriented, Noryoku Byodokan-a sense of equality of ability, Ittaikan-a sense of unity) and came into general use. Also, philosophies such as the company as a family, the group taking precedence over the individual, were put forward as formatory principles of Japanese style management, as theories on unique Japanese management characteristics based on a cultural viewpoint were developed.

I carried out a survey entitled 'Employees' perceptions of work in Japan, the USA, and Taiwan' the objective of which was to compare two Far Eastern countries, which have similarities in their cultural background, Taiwan and Japan, with each other, and with USA, Japan's 'leader' in management studies. The following results were obtained.

3.1.1 Work

I found that the belief that Japanese people's approach to their work is special, unique was flawed.

Also, the results of this survey threw doubt upon the widely-held 'American brick, Japanese stone wall' theory, that in American companies separate jobs are established for each individual, whereas they are not in Japanese companies. This survey indicated that the 'small groups' organisational characteristics, said to be unique to Japanese type organisation, was in fact not so, but was common to the USA and Japan.

3.1.2 Human Relations

Some scholars are convinced that the Japanese place great importance upon human relations, on harmony in dealings between people, and that it is this which supports the philosophy of the company as a family.⁽⁴⁾ However we learnt from our comparison of the three countries that Americans do not take a light view of the importance of human relations. They consider matters in a logical manner, and recognise the importance human relations, maintaining harmony in much the same way as the Japanese.

3.1.3 Lifetime Employment Customs

There is a preconceived idea that Americans do not stay at one company for a long time, that they move from company to company. However they said in their responses that they want to stay in one company for as long as possible.

3.1.4 Seniority Systems

If the basis for the formation of the seniority system in Japan was the Confucian ethic of Choyo no jo-youth giving preference to their elders -you would expect the same trends for responses in Japan and Taiwan, but there was in fact a significant difference between the Taiwanese and Japanese responses, whereas there was little difference between the American and Japanese responses. This seems to throw doubt upon whether the formation of seniority systems can be explained as the effect of culture. The above results indicate that pre-survey assumption, that Japanese and Taiwanese employees' perceptions of work would be shown empirically to be closer than American and Japanese employees' perceptions, was incorrect. This throws doubt upon the theory that the characteristics of Japanese style management were formed as a result of the effect of Japanese or Far Eastern culture.

3.2 Perceptions of the State of Management Systems

The management activities involved in lifetime employment customs and

seniority systems, which are purported to be Japanese style human resource management characteristics, are expressed by means of management systems. Hence in order to study human resource management it is essential that we have an accurate perception of human resource management systems in Japan.

In the section of the survey report on 'Japan's Human Resource Management Systems Characteristics', I identified human resource management characteristics in Japan through an analysis of management systems, and compared them with human resource management systems in the West. This was the basic data needed to verify whether they are really unique.

3.2.1 Items for which our assumptions turned out to be incorrect

For the following items, the responses to the questions showed that our assumptions had been mistaken :

- i) (Assumption 13) Relationship between allowances and salary.
- ii) (Assumption 15) Balance between appraisal results and seniority in determining periodical salary increments.
- iii) (Assumption 16) Relationship between determination of criteria for bonus payments and company performance.
- iv) (Assumption 17) Degree of importance placed upon welfare system.
- v) (Assumption 19) Number of people who participate in (Ringi) decision-making.

The responses were the opposite of what we had expected for the above 5 items, indicating that in many cases what we assume to be correct is not. This could be because we overlook changes, amendments to management systems carried out by companies in response to changing circumstances. Hence, one reason for our assumptions proving incorrect could be that our reading of changing circumstances was superficial.

3.2.2 Lifetime employment customs and seniority systems

It was adjudged from the results of the survey that the assumptions

on seniority systems, (Assumptions 13~17), which mainly concerned financial rewards, were incorrect. This suggests that seniority systems had been evolving. We also suspected that as a result of these changes, the amount of importance placed on seniority in management systems had waned. There were, however, no changes observed in lifetime employment customs. Management systems are constantly adapting to circumstances, constantly changing. An analysis of the responses to this survey indicated that management systems in different companies had their own individual flavour, resulting from company human resource management policy. In other words, human resource management systems are not the same throughout Japan, they vary from company to company, based on individual companies' human resource management policy, philosophy.

3.3 A Comparison of Managerial in Japan and the USA

The original objective of the survey of employees' perceptions of work in Japan, the USA, and Taiwan, carried out during 1980~1981, was to identify Japanese-style management characteristics. However from the results of several surveys, we identified many common elements instead of differences.

Hence in 1983, in order to recheck whether features believed generally to be unique to Japan were indeed unique, we carried out a questionnaire-based survey of 'Managerial Behavior in Japan and the USA' (the Adams Survey), comparing managers' perceptions of managerial behaviour in the two countries.

3.3.1 Points on which there was not a significant difference between Japan and the USA

We obtained a great deal of data from the responses to the 41 questions on the Adams Survey. On the following points, the difference between Japan and the USA was far less than we had anticipated :

- i) Agreement between personal philosophy of life and company policy
- ii) Consideration given to human relations
- iii) Groundwork (Nemawashi)

iv) Desire for long service in one company

v) Regulations, documentation

For the above 5 points, our perceptions prior to the survey were proved incorrect. It was here that the convergence hypothesis had its beginnings.

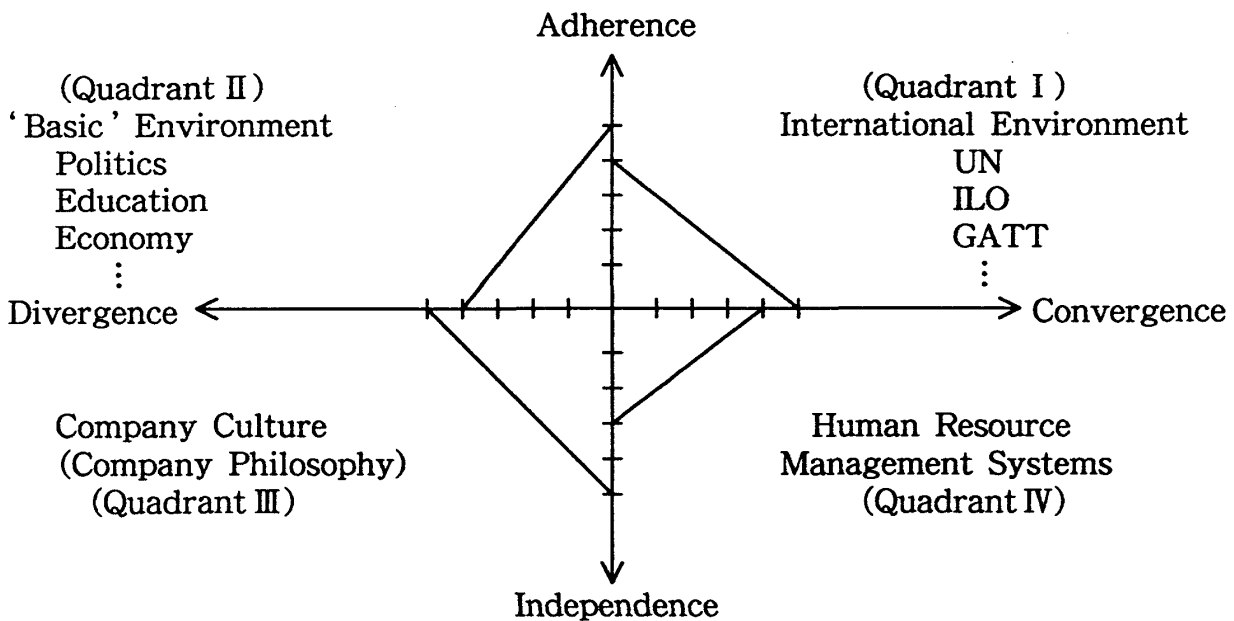
3.3.2 Confirmation through interviews

For the Adams Survey the responses were written. In 1985 we went over to the USA to check the validity of our results and supplement the content, through interviews with personnel staff. We also invited these people to participate in our presentation session on the results of the survey, and give their reactions. We came away believing that they were comfortable with the results.

4. Establishing the Hypotheses

Based on the results of the above surveys, I have created a model, hypothesis for the convergence of human resource management characteristics in Japan and the USA (and other foreign countries). We will first discuss the overall framework prerequisite for the formulation of the hypothesis, and the positioning of the human resource management characteristics convergence hypothesis within this framework.

Figure 2 Framework for Building up the Theory



4.1 The Overall Framework for the Formulation of the Hypothesis

In this paper I set up a model, the aim of which is to explain the international convergence of two 'Japanese style human resource management characteristics', lifetime employment customs, and seniority systems. This model can be understood in connection with other sub-models (systems). The overall framework is made up of 4 sub-models, shown in Figure 2.

The vertical axis in the figure represents adherence-independence. By adherence, we mean the extent to which companies are subject to their environment, it might alternatively be called 'non-independence'. Independence is the degrees of independence of company philosophy, policies, it might alternatively be called 'non-adherence'. The greater the degrees of

independence and the lower the degrees of adherence, the more individualistic companies will be, and the more likely it is that the conditions for free competition will be created.

The horizontal axis represents divergence-convergence. Divergence is the extent to which different companies, or companies in different countries, are heterogeneous, distinctive. Convergence is the extent to which there is similarity, universality.

We will describe the four quadrants in terms of the two axes-Quadrant I (adherence/convergence, international environment), Quadrant II (adherence/divergence, 'basic' environment), Quadrant III (independence/divergence, company culture), and Quadrant IV (independence/convergence, human resource management systems).

4.1.1 The sub-framework influenced by the International environment

Factors such as those shown in Quadrant I of Figure 2, ILO, UN, GATT regulations and decisions, have a significant global effect, and such factors are difficult for companies to evade. Hence the more powerful the Quadrant I forces are, the more likely it is that management characteristics and systems will converge.

4.1.2 The sub-framework influenced by the 'basic' environment

In Quadrant II are the factors in a company's domestic environment-natural, cultural, social, political, military, educational, technological, and economic factors. Hiroyuki Itami groups these factors under what he calls the basic environment in his discussion of a framework for international comparison of companies.⁽²⁾ These are also difficult for individual companies to ignore. They constitute a force which creates differences from country to country, international divergence of management systems.

4.1.3 The sub-framework formed by an individual company's culture

Quadrant III is concerned with the creation independence by individual companies; unique company characteristics formed mainly through the

capability of a company's top management. 'Corporate culture' is an internal environmental element, which influences the future formation of a company's culture. It is a force for the divergence of company characteristics.

4.1.4 The sub- framework of the convergence of human resource management characteristics

Quadrant IV concerns lifetime employment customs and seniority systems, and the hypothesis (explained later) that as the quality level of management improves, international convergence ensues. This is the main focus of this paper.

4.2 Explanation of sub- frameworks

4.2.1 The sub- framework influenced by the international environment

An 'open system' is one which interacts with the 'outside world' systems which encompass it, they influence each other. A company constitutes an open system ; it is constantly being influenced by its environment .⁽³⁾ A company's environment is generally defined as the outside world which surrounds it, but here I will define it as follows.

'In order to identify a system we must identify the objectives of that system, and distinguish it from the systems around it. These surrounding systems are the environment'.⁽⁴⁾

Similarly, we can refer to the rest of the world in relation to a particular country as its international environment. The terms internationalisation and globalisation are already in general use. Teruo Yamanouchi divided the concept of globalisation into 'internal internationalisation' and 'external internationalisation'. The international environment of Quadrant I concerns what Yamanouchi refers to as internal internationalisation. Yamanouchi explains that⁽⁵⁾, 'By internal internationalisation we mean continuing internationalisation, the introduction into Japan of civilisation/culture/systems from outside Japan, that has continued uninterrupted from the

Nara/Heian Periods through to post-war Americanising. Hence with internal internationalisation the emphasis is very much concentrated upon Japan and its modernisation. External internationalisation, on the other hand, concerns current problems, which Japan is experiencing for the first time that Japan. Here the emphasis is very firmly upon people in other countries, this type of internationalisation being the transmission of data by Japan, and this is an important standpoint for globalisation issues'.

Quadrant I concerns international environmental factors such as the effect on company activities in Japan of restrictive conditions like the mutual removal of tariffs agreed at the GATT Uruguay Round or the ILO regulations governing working hours. This is one aspect of internal internationalisation.

Individual companies have no choice but to submit to the environmental factors described above, particularly those which regulate economic activities. Hence it constitutes pressure on related management systems towards international converge.

4.2.2 The sub-framework influenced by the 'basic' environment

The basic environment of Quadrant II is comprised of natural, cultural, social, political, military, educational, technological, and economic factors. The nature of these factors is such that individual companies are unable to escape their effect. One example is the current trade friction between Japan and the USA, and the resulting government policy of relaxing domestic regulations. This is having a significant effect upon certain companies. Does the basic environment have a role in supporting economic/company development? It is without a major factor for companies, which are facing increasing international competition. A complex basic environment creates factors which individual companies find difficult to escape. Looking at the differences, merits and demerits of 'basic environment' from an international standpoint clearly constitutes a force for international divergence. Demands are made in each country for provision of an environment which will enable the companies of that country to overcome international

economic competition, improve their management systems.

4.2.3 The sub-framework formed by individual corporate culture

If companies are to survive competition with other companies, they need the strength which self-reliance, independence provides. The formation of a distinctive corporate culture is essential.

Akio Okochi, in his publication *Keiei Kosoryoku* (Management Conceptualisation Capability), explains the differences between the overall capability of companies as follows⁽⁶⁾,

‘There are many differences in the corporate management behaviour of companies, even ones in the same industry, at the same point in time, in the same region, in other words even between companies which have almost identical environmental conditions. It is widely known that these differences take on a more complex aspect in companies from different, distant regions. Looking at the situation macroscopically, these regional differences in corporate management behaviour have a significant effect on the economic development of different regions; they themselves bring about such differences. If we add the concept of time, we can look at differences in corporate management behaviour in two ways. The first I will refer to as the static comparison viewpoint, in which we look at the differences after the passage of time. The other I will refer to as the dynamic comparison view point. This is the view that the differences in companies’ corporate management behaviour which exist at a particular point in time will subsequently bring about significant differences in the historical development process of these companies. Hence, the differences in corporate management behaviour in different companies at a particular point in time have been brought about through the historical development process, as a result of the differences in corporate management behaviour in these companies in the past.’

We regard these differences in corporate management behaviour in individual companies as emphasising what the so-called contingency theory describes as, ‘an attempt to shed more light upon the differences in

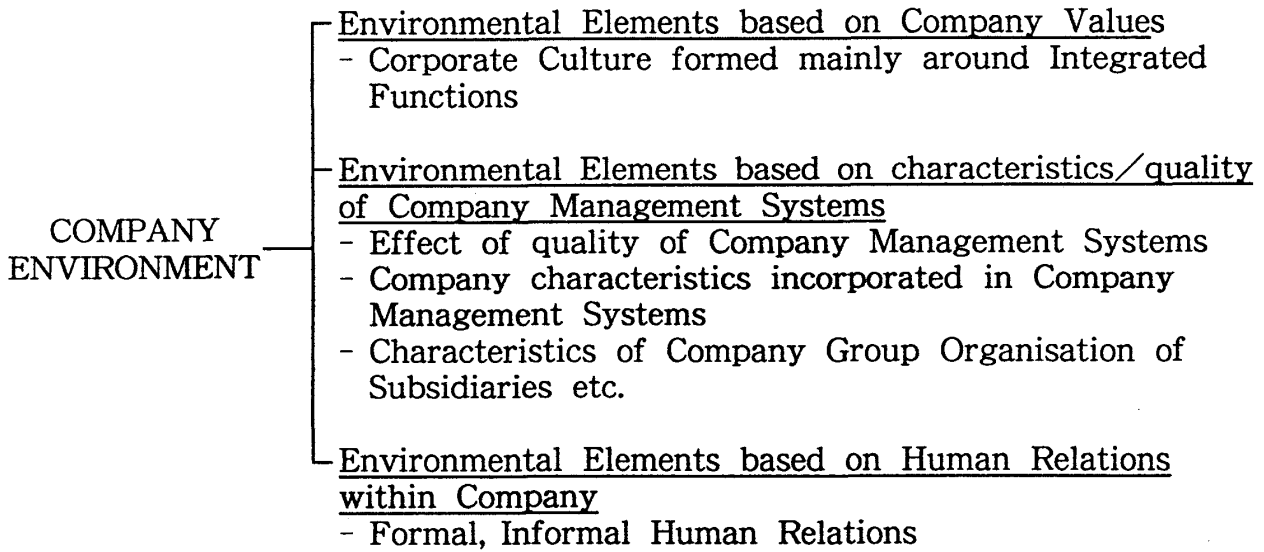
the type of action needed in order to respond effectively to different environmental conditions, which have a different structure.' Okochi, in the same publication, describes the role of entrepreneurs' management conceptualisation capability in the formation of company culture, as follows,⁽⁷⁾ 'On the other hand, when we say that management conceptualisation capability is infinite/unlimited, we mean that while management conceptualisation capability is based upon the prevailing management conditions and entrepreneurs' experience, it is the ability to create an entirely new form of management behaviour. There have been already examples identified in history of entirely new forms of management behaviour being introduced as a result of management conceptualisation capability. Management revolutions have resulted from breaking out of existing routines, in some cases affecting not only the company environment, but also development trends.'

Peters and Waterman, in their book '*In Search of Excellence*', discuss corporate culture as follows,⁽⁸⁾

'Without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies. Moreover, the stronger the culture and the more it was directed toward the marketplace, the less need was there for policy manuals, organization charts, or detailed procedures and rules.'

In other words, all companies have their own culture. Whether this culture continue to survive will determine whether a company is in a progressive or a regressive stage. Peters and Waterman said that excellent companies have an excellent culture, and that this culture permeated the entire organisation. Company philosophy, as well as being influenced by company culture, is one of the main environmental factors influencing the formation of new company culture. Also, as an environmental element, company culture influences company management systems.

Figure 3 Composition of Company Environmental Elements



The composition of the main environmental elements may be classified as shown in Figure 3.

4.2.3.1 Environmental Elements based on Company Values

The various management systems are inevitably influenced by environmental elements, and also have the ‘integrated function’ of forming company policy, company strategy, company organisation, company planning, and the relationship with the environment, and determining the direction company systems should proceed in. This ‘Integrated functions sub-system’ influences the direction of a company’s systems, atmosphere, and culture, in other words it influences the formation of the values held in a company. The integrated functions sub-system has the role of leading the other management sub-systems; in this sense it is an environmental element which influences the other management sub-systems. For example, aspects of ‘Toyotaism’, the company philosophy of Toyota Motors, such ‘research and creativity’, ‘keeping ahead of the trend’, provide a psychological pillar of support for technical activities.⁹ This philosophy and the basic policy it has given birth to, of placing great emphasis on research and creativity, has been implanted throughout the whole Toyota group of companies, where the development of strategical plans is based on research and creativity.

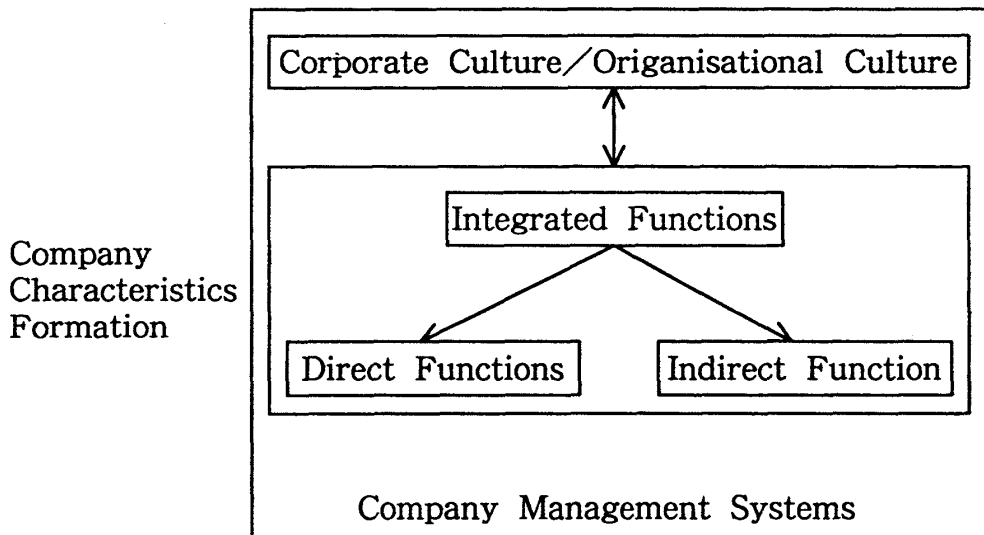
Company values, formed by these integrated functions, can also be

explained in terms of two concepts increasingly discussed in recent years, corporate culture and organisational culture.

4.2.3.2 Environmental Elements based on Characteristics/Quality of Company Management Systems

Organisational culture is formed by the characteristics and quality of the various direct-activity/indirect-activity management sub-systems. In other words the characteristics and quality of company management systems are determined by the characteristics of organisational culture. This is shown diagrammatically in Figure 4.

Figure 4 Corporate Characteristics Concept



For example, in a company where company policy dictates that great emphasis be placed on the development of the capabilities of their employees, they will strive to improve staff development management systems, which are sub-systems of the Personnel Management System.

If the stage is reached where in spite of all possible efforts having been made, a company has reached the limit of its development potential, cooperation with other companies, through the formation of a company group, becomes important. The objective in forming such groups is the synergetic effect that can be achieved through specialisation and cooperation. The mutual effect on each other of companies within such groups then

becomes a significant environmental element.

4.2.3.3 Environmental Elements based on Human Relations within Companies

When a number of people gather together, an organisation, and human relations among those people, are formed. Because their emotions and attitudes are an expression their situation, relationships within the organisation and formal/informal human relations constitute environmental elements which influence other systems.

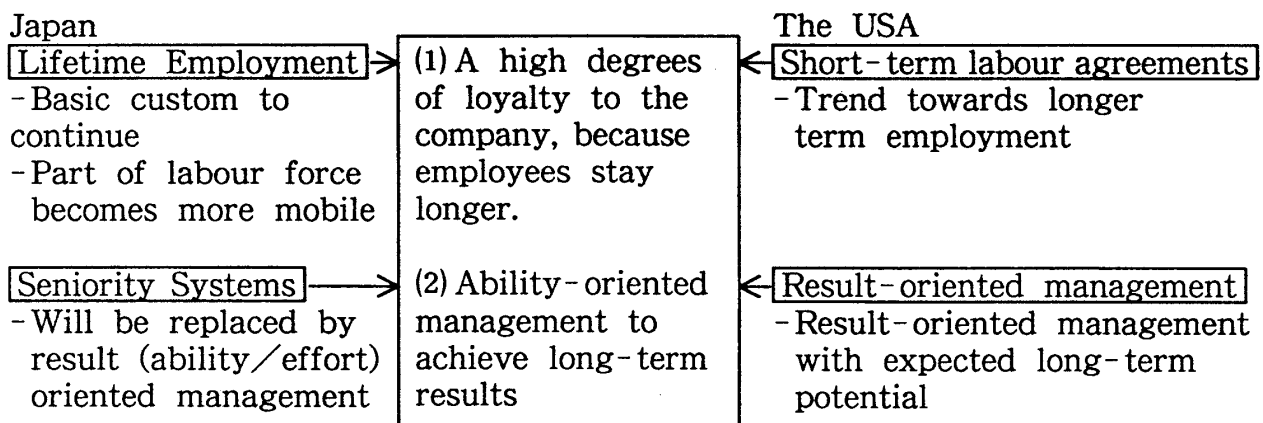
One example (involving formal relations) is when a good atmosphere within a department or section has a beneficial effect on the operation of its management systems. Human relations developed in informal situations, meals with colleagues (friends) or sharing of interests, hobbies, are also environmental elements which influence management systems.

The formation of company culture in companies in the ways described above is a force which brings about divergence of different companies' characteristics.

4.2.4 The Sub- framework of the Convergence of Human Resource Management Characteristics

Quadrant IV, the human resource management systems framework, is the main focus of this paper.

Figure 5 An International Convergence Model for Management Systems



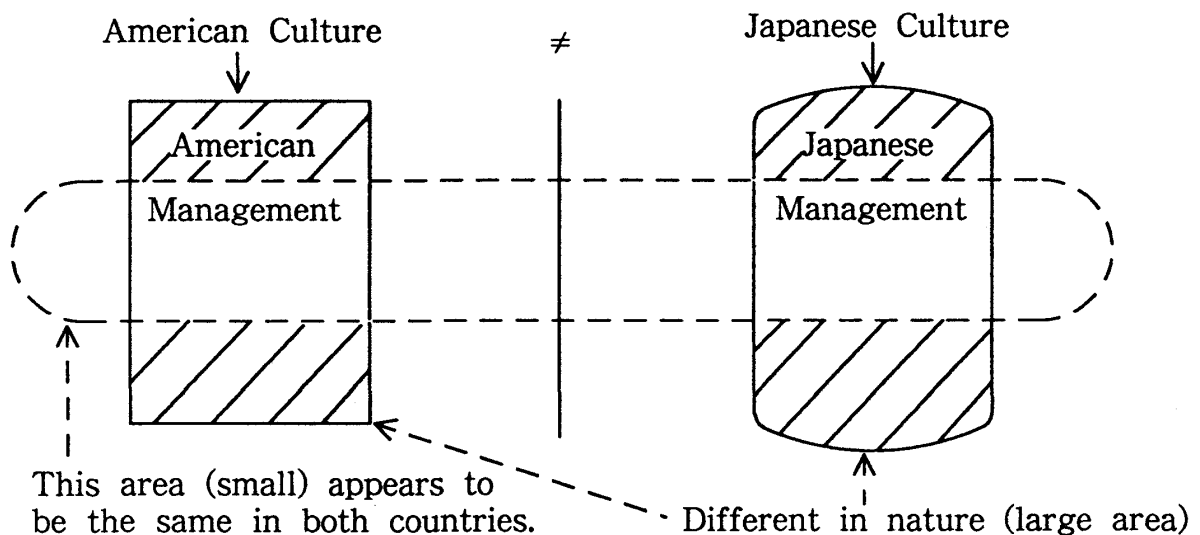
Quadrant IV is of course a sub-framework of the total framework, coming

below the upper sub-framework quadrants I, II, and III. We illustrate how convergence is taking place in Figure 5, by referring to what are said to be two unique features of Japanese style human resource management and their corresponding features in the USA. The objectives of convergence are (i) a high degree of loyalty as a result of employees staying at the same company a long time (ii) ability-oriented management in order to achieve good long-term results. The final objective is long-term corporate growth/development based on the organisation generating a high level of motivation.

The responses to the Adams survey indicated that there are many aspects common to managerial behaviour in Japan and the USA. We also found that their respective management systems are converging.

The yardstick of culture (rather than the yardstick of management itself) has probably been over-used in formulating hypotheses on management in different countries; up until recently its usage had hardly been questioned. This trend is represented diagrammatically in Figure 6.

Figure 6 Views on Management



There are of course large cultural differences between the USA and Japan, represented respectively by a rectangle and an ellipse. The cultural approach has emphasised differences in styles of management supposedly attributable to culture. However the results of exercises such as the Adams survey

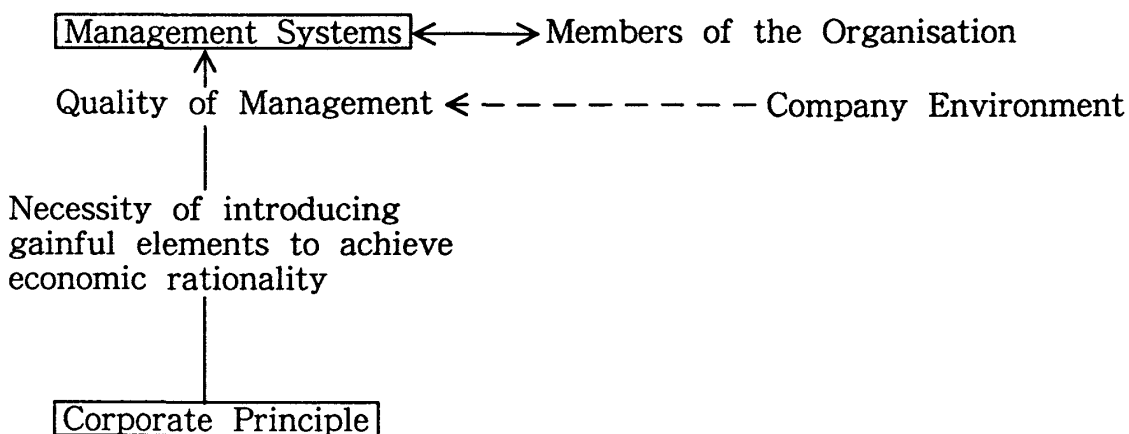
indicate that these differences, and the influence of culture, have been exaggerated.

To compare management in different countries we need a common yardstick. If we use management itself as our yardstick it becomes clear that there are many common aspects.

Management is founded upon the corporate principle of seeking economic rationality, and this corporate principle is a common international element. We believe that companies will, in order to ensure their survival, strive to introduce necessary reforms, make improvements, study/introduce management systems from other companies and countries, and that it is as a result of such efforts that differences emerge in the quality of management systems from company to company. This is illustrated in Figure 7.

Various opinions have been expressed, published regarding what constitutes the company environment, which influences management systems.¹⁰ We believe that the company environment has a strong influence upon the quality of management, and have illustrated this influence by the dotted line from the former to the latter in Figure 7.

Figure 7 The Formation of Management Systems



We believe that the main element of the company environment is the search for economic rationality led by the top management, who create company philosophy and policy, that the thinking which determines the direction a company takes (which Akio Okochi calls management

conceptualisation capability) is a the most significant environmental element.

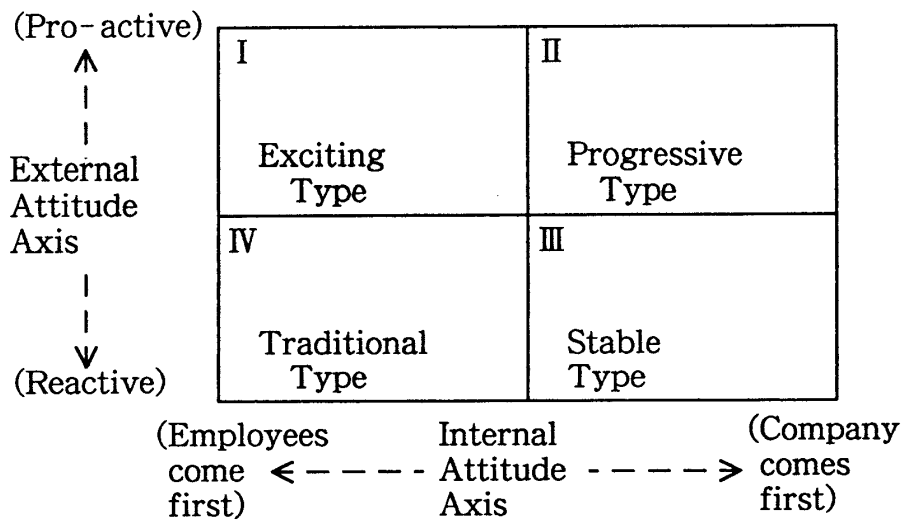
Management systems are operated by the members of the organisation, and there is a correlation between their behaviour/perceptions and the nature of the management systems. Kozo Nishida, and others, refer to such a framework for formation of management systems.¹¹

We believe that differences in management systems stem from the quality of company management, and that such differences exist in all countries. In other words, seen in international terms, 'good management' or 'excellent management' tends to converge. The question then of course arises of what 'good management' is. It is not simply a question of excellent management being management which produces good results; it has excellent structure, strategy, staff, management style, systems and procedures, guiding principles, shared values, and present and hoped for corporate strengths or skills- 'the Mckinsey Seven S'.¹²

Teruo Yamanouchi talked of¹³ 'good management' and '4 types of company' in *Shin Gijutsu Keieiron* 'New Theory of Management Technology' and described good companies in the following was; 'What kind of companies are 'good companies'? Up until now 'good companies' have generally been regarded in economic circles as those with superior economic indicators - increasing sales, high market shares, a high level of profitability, stable management - in other words companies which attempt to be thoroughly efficient and profitable. As we move towards the 21st century, I wonder whether the same evaluation criteria will continue to be used.'

In 1990 we carried out some research into evaluation of companies, concentrating on research and development potential, based mainly upon a questionnaire survey involving 225 stock market-listed companies. Based on the results we formulated a hypothesis for the different types of companies, which is shown in Figure 8. It is based on two axes, the 'external attitude' and the 'internal attitude' axes.

Figure 8 Types of Companies



We will begin by describing the extremes of these axes, the qualities that determine the position of a company along them.

- Pro-active : Present new concepts to society, instigate changes, develop new frontiers, accepted warmly by people all around the world.
- Reactive : Obediently follow changes in society, feel it is important to respond passively to changes in their environment.
- Employees come first : Place great importance on their employees' job satisfaction and their personal lives.
- Company comes first : The efficiency and results of the company as a whole are regarded as more important than employee job satisfaction.

There are, based on their position on these two axes, 4 types of companies :

- I Exciting : pro-active, employees come first.
- II Progressive : pro-active, company comes first.
- III Stable : reactive, company comes first.
- IV Traditional : reactive, employees come first.

The detailed results are in the survey report, but our perception was that companies with high performance/quality products and appropriate prices, and hence a range of products which are internationally competitive, are achieving excellent business results and putting product after product

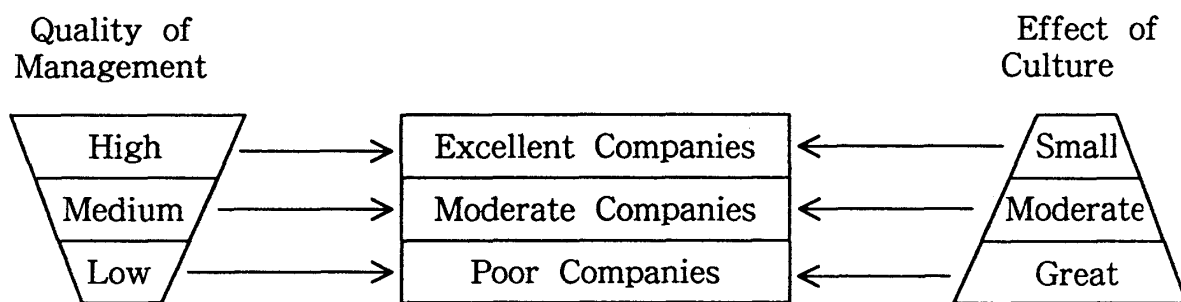
onto the world's markets. There is, however, a suspicion that in such companies the main departments and the employees are, in the fierce inter-company competition, working so hard that their efforts could almost be described as heroic, and that their lives could hardly be described as joyful. Also, it is not only exciting companies that are excellent companies, and companies may be exciting but have poor business results. This was the basis for our suggested hypothesis on different types of companies. Companies may aim to be one of several types.

The question of what constitutes 'good management' or 'excellent management' is a difficult one, and there have been many hypotheses put forward.

For the purposes of this paper 'excellent management' is management in which management systems, particularly human resource management systems, are of a high quality.

We can grade management, companies according to the level of quality of their management systems, and illustrate the relationship between the extent to which companies are influenced by culture and the level of quality of the management systems diagrammatically, as in Figure 9.

Figure 9 The Relationship between the Effect of Culture (on companies) and the Quality of Management



This figure illustrates our hypothesis, 'There is an inverse proportional relationship between the effect of culture on management systems and the level of quality of management.'

The influence of culture on excellent companies with high quality management is extremely insignificant, whereas its influence on companies

with low quality management is considerable. The excellent companies we refer to here are not determined by size or amount of profits ; there are some smaller companies which have high quality management and are influenced only slightly by culture, and of course large companies which have low quality management and are considerably influenced by culture.

Our hypothesis, on the correlation between the extent to which companies are influenced by culture and the level of quality of the management, applies to Japan, the USA, and any other country.

From this hypothesis, in conjunction with the convergence hypothesis, we believe that in the future, as management techniques improve and those techniques are disseminated throughout the countries of the world, international differences in management will shrink.

4.3 The Hypotheses

The hypotheses put forward in this paper refer to the fourth (Quadrant IV) of the four quadrants in Figure 2. Thus the two hypotheses described in the section entitled, 'The sub-framework of the Convergence of Human Resource Management Characteristics' are :

4.3.1 'The human resource management systems of excellent companies in different countries are converging.' This is illustrated diagrammatically in Figure 5, An International Convergence Model for Management Systems.

4.3.2 'There is an inverse proportional relationship between the effect of culture on management systems and the level of quality of management.' This is illustrated diagrammatically in Figure 9, The Relationship between the Effect of Culture (on companies) and the Quality of Management.

5. Verification of the Hypotheses

The results of our attempts to verify the above hypotheses are explained here.

5.1 The Method of Verification

Deciding how to verify the hypotheses was very difficult. Empirical methods such as multivariate analysis, processing of statistical data are often used. On this occasion we used non-mathematical methods. To verify the human resource management systems international convergence model, we compared human resource management systems, mainly those of Japan and the USA, to identify similarities and differences. We were particularly keen to ascertain what changes were taking place in Japan in the relationship between human resource management systems, lifetime employment customs, and the seniority system, and we also attempted to forecast changes that will occur in the future. Through an analysis of the present situation and a prediction the future, we can say whether the degree of similarity of Japanese and North American companies is increasing whether their human resource management systems are converging.

The method used for verification of the hypothesis on the relationship between quality of management and influence of culture was based upon the following approach. We believed that by clarifying the process of improvements, reforms to human resource management systems in Japan since the Second World War, we would be able to say whether the direction of the improvements taking place in the various companies was the same, and thus judge whether the effect of culture on individual companies was decreasing. By culture here, we mean the basic environmental elements mentioned earlier, natural, cultural, social, political, military, educational, technological, and economic elements. These are difficult elements for companies to evade, but if companies are to improve the quality of their management systems, they need to be able to eliminate or weaken these elements. The extent of the influence of environmental factors varies greatly from company to company within the same country. In Indonesia,

for example, the extent of the Islamic religion varies widely in different companies. In some they are allowed to stop the machines in the plant during working hours in order to pray to Mecca. In others no prayers whatsoever are permitted, and in others they are allowed to pray only on Fridays in a place of prayer erected in one corner of the factory. We see the reduction of cultural influences as improving the quality of management and increasing efficiency, as the independent policy of individual companies. Seen from an International point of view, it indicates that convergence of management systems is taking place. The more they converge, the less will be the influence of culture.

5.2 Verification

5.2.1 Verification of the Convergence of Human Resource Management Systems

5.2.1.1 Verification by means of Prediction of the Future

In our 'Prediction of the future of human resource management systems in Japan using the Delphi Method', we predicted the future of lifetime employment customs, the seniority system in 5 years time and in 10 years time. It indicated that human resource management systems in Japan would move in the direction of convergence. Here we will summarise the predicted state of lifetime employment customs, the seniority system, and based on this, the predicted state of human resource management systems in Japan. Here 5 years hence means in 1995, 10 years hence means in the year 2000.

5.1.2.1 (a) Lifetime Employment Customs

(i) 5 years hence

The core labour force, who will be lifetime employees, will make up the majority of the company labour force. However, the use of outside labour will become increasingly common, and the activities of consultants, advisors conspicuous. The main reasons for using outsiders will be the increasing

needs of companies for advanced specialist knowledge/skills, and to avoid fixed labour costs. Also seconded employees will constitute about 10% of the total labour force, and it is feared that this could lead to many human relations/ morale problems.

A tentative prediction is that related companies, companies located in the same region, will indulge in 'human lease' and the perception of the company as a family which belongs only to its members will begin to weaken. Mobility of labour will increase as a result of these developments; we will no longer be able to talk proudly of lifetime employment being one of Japan's unique management features.

(ii) 10 years hence

The proportion of 'limited career path employees' who, because they hold different values, prefer restrictions on working hours, work locations, duties to enhanced promotion prospects, will increase to about 30% of the total number of employees. The proportion of male employees on 'general career paths', a type of limited career path will increase to 30%.

The proportion of foreigners working in manufacturing divisions will be almost 10%, it will become the general practice to employ foreigners.

About half Japan's companies will use outside groups with advanced technical skills, establish close relationships with think tanks, consulting firms, universities.

In ten years time lifetime employment will have become much less prevalent than 5 years hence, and we will no longer be able to say that it a feature of Japanese style management.

5.1.2.1 (b) Seniority system

(i) 5 years hence

Performance appraisal will have improved greatly. It will be more precise and fair, and it will have become normal for it to have a direct bearing on promotion, salary increases, allocation of bonuses, and staff development sub-systems. Appraisal will increasingly focus upon results, and appraisal data will be processed on computers for use in personnel management.

Problems with older employees will increase, as ability-oriented management, selection based on appraisal, is applied to them in all companies. They will be forced to make efforts to develop their specialist skills through training.

In 5 years time there will be little sign of seniority systems in operation. Statement 29 on the survey talked about the likelihood of 'people ceasing to think in terms of promotion through seniority (people talking instead about the old days, when the seniority system was one of the so-called characteristics of Japanese style management)'. The median value for the likelihood of realisation was fairly low, 40%, but 43% of the respondents (One person said 90%, four 80%, one 70%, one 60%, eight 50%) thought it was probable. The replies suggest that even if the scenario described in Statement 29 does not come to pass, the demise of seniority systems is almost inevitable.

(ii) 10 years hence

The situation predicted in 5 years time was the collapse of seniority systems; ten years hence it is predicted that they will have completely disappeared.

With the development of appraisal methods which employees feel to be impartial and therefore acceptable, personnel management based upon performance appraisal will be the norm. Employees will recognise the importance of developing their skills in order to do better on appraisal, and investment in training will increase.

As a result of ability-oriented management becoming established, the proportion of female employees in supervisory positions will be almost 10%. Also as seniority systems disappear, the need for special management systems for foreign staff will cease, common systems will be used for Japanese and foreign staff.

By 10 to 15 years hence (2000 to 2005) we can expect that seniority systems almost completely cease to be mentioned.

Above we have attempted to analyse the predicted future characteristics of human resource management systems in Japan, using the Delphi method. This method has the demerit that if leading statements are used they

can significantly influence the responses; it is a difficult type of survey to carry out. Nevertheless, it remains an excellent technique obtaining the opinions of specialists.

Our analysis suggests that these two customs, claimed to be unique features of Japanese style human resource management, may, within about 10 years, disappear or change to such an extent that they become unrecognisable.

Hence we believe this verifies our hypothesis that 'the human resource management systems of excellent companies in different countries are converging.'

The reader may find it strange that a prediction of the future is used as a method of verification. However, if we take into account the fact that these predictions are the opinions of specialist staff with considerable experience, we can assume that they are realistic. Hence we believe they can be used for verification.

5.2.2.2 Verification based on Survey of Human Resource Management Systems in North America

In our interview-based survey of human resource management in North America, we asked about recruitment, staff development, grading systems, promotion, appraisal systems, wages systems, and organisational activities.

From the results, we identified the human resource management tasks which are currently considered to be urgent. They are as follows.

The first task involves changes to the 'job concept'. Japan went through a period of economic rebuilding after the Second World War, then in the 1960s was actively engaged in the introduction, imitation of American management techniques. During this period the contractual, demarcated nature of the American job concept was stressed by scholars.¹⁴ The understanding, perceptions of that period live on amongst a section (perhaps the majority) of Japanese management scholars.

Some scholars, however, have sharply criticised this static view of the job concept,¹⁵ and the results of a comparative survey of Japanese and

American managerial behaviour we carried out¹⁶ indicated that there was not a significant difference between America and Japan on 'job demarcation'. In American companies, as Kenji Okuda has pointed out, urgent efforts are being made to make jobs more dynamic, incorporate flexibility and freshness. The debate on differences between job concept and job-ability concept has been continuing for a long time ; even today the concept in the West is said to be the job, in Japan the job-ability. However the survey results indicated that there is not a big gap between Japan and North America.

The second urgent task for the USA is the improvement of performance appraisal. In North America as in Japan, it is believed that both results and effort should be appraised. Also, in American society, which is said to be individual rather than the group-oriented,¹⁷ they are increasingly aware that organisational activities will not be efficient, dynamic if they are merely the sum of individuals' efforts, that an individual's behaviour only becomes valuable through the activity of the group. Thus, the present-day characteristics of performance appraisal in Japan and the USA are similar in nature.

The third urgent task concerns organisational activities. Efforts are being made to make organisational activities more dynamic, and there is a link with the second task, in that as well as improving the organisational activities of individuals, emphasis is also being placed on the improvement of group activities. In this area too, similar movements are taking place in Japan and North America.

The fourth urgent task is improving the quality of company activities. This what we understand as TQC¹⁸ in Japan. Recently, however, the concepts of total customer service or total quality management have come to Japan from North America, while TQC has been imported back into America. The task in North America is again to improve the quality of the jobs of both individual and group. On this point also, we feel that there is no great difference between Japan and North America.

We have looked at the changing nature of human resource management

in the USA from the standpoint of the job, and feel it provides verification that human resource management characteristics in Japan and the USA are rapidly converging at the present time, and will continue to do so in the future.

Figure 10 Grading Systems and the Environment

Period	Meiji/ Taisho Eras	1925- 1945	1946-1954	1955-1964
General Situation			<ul style="list-style-type: none"> • Labour Standards Law passed in 1947 • More unions formed • occupation government policies ◎ Industrial relations 	<ul style="list-style-type: none"> • Very few co., with 5-day working week. (Mostly 6 days) • 5-day week not yet spread only talked about more... • Progress of technical revolution • Transition to longer-term management plans. ◎ Human relations
Personnel Management Problems			<ul style="list-style-type: none"> • Introduction of job analysis techniques • Introduction of modern personnel appraisal • TWI, MTP training • Wage structure sorted out 	<ul style="list-style-type: none"> • 71.6% of companies with suggestion scheme • 28.6% carry out survey of employee attitudes
Grading systems	Based on social standing	Qualification system affected by social standing	<ul style="list-style-type: none"> • Introduction of job-related system • Transition from social standing-based system to seniority system. • Ability based systems. 	<ul style="list-style-type: none"> • Japanese style job-based system spread • Function-based system spreads
Other Points				<ul style="list-style-type: none"> • 95.7% at Co., have retirement age system • 6.7% have retirement age over 55. (1958)

Note: "◎" in the "General Situation" section indicates the main problems focused upon by

1965-1974	1975-1984	1985-
<ul style="list-style-type: none"> • Labour shortages • More housewives working parttime • Increased awareness of management by elite few, merit-oriented promotion. • More people receiving higher education ◎ Behavioural sciences 	<ul style="list-style-type: none"> • Increased use of robots • Conversion to latest technology, office automation • Dealing with aging society ◎ Activation of organisation ◎ 'Japanese' management 	<ul style="list-style-type: none"> • Action on latest technology • Re-examination of 'Japanese' management • Passing of (Male/Female) Equal opportunities Law • Diversification of employment types with low economic growth • Unemployment increases as yen's value increases, recession ensues. ◎ Adaptation to environment
<ul style="list-style-type: none"> • Long-term personal planning • Welfare funds framed, for pensions etc. 	<ul style="list-style-type: none"> • Flextime systems. • Transferring staff to other companies • Staff posted abroad • Specialist computer staff • Small group activities such as QC, ZD • Optional retirement age systems • Management retirement system 	<ul style="list-style-type: none"> • Collapse of seniority systems • Diversification of lifetime employment customs • Pressure to reduce personnel-related costs
<ul style="list-style-type: none"> • Job centred ideology loses ground. • Ability-based systems are mainstream • Function-based systems at their peak 	<ul style="list-style-type: none"> • Re-examination of specialists systems • Rebuilding of grading system 	<ul style="list-style-type: none"> • Generalisation of treatment on title • Futuristic systems
<ul style="list-style-type: none"> • 98% have retirement age system. Retirement ages : over 60 14.6% 55 to 60 22.5% 55 63.8% (1968) 		

the academia in that period.

5.2.2 Verification of the Hypothesis on the Relationship between the Quality of Management and the Influence of Culture

Considerable effort is being put into improving appraisal systems, with the objective of reforming, or casting off the yoke of seniority systems. Also, as is clearly shown by the historical changes in Figure 10, over the years companies have resolved problems with grading systems, personnel management, adapting to their environment. In other words, they have adopted strategies/techniques which will enable them to survive.

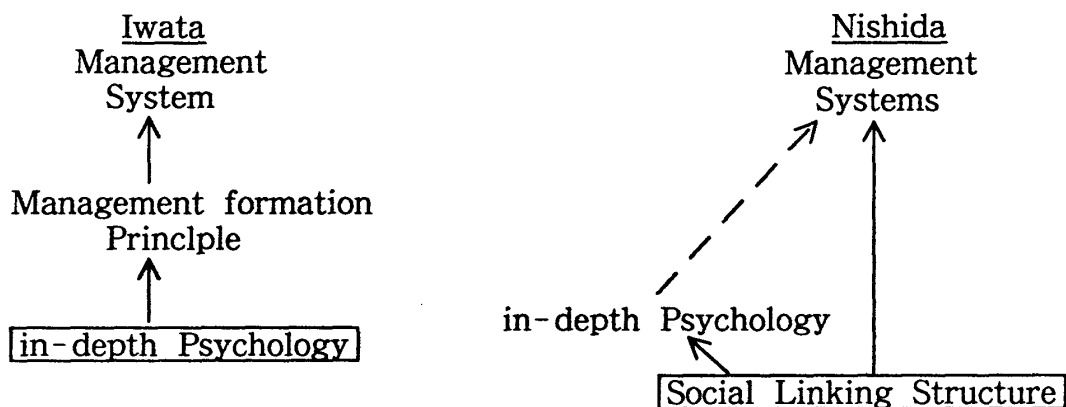
It is clear from the results of our survey of 'human resource management in North America' that 'changes to the job concept', in order to make organisational activities more dynamic, are in progress. This is probably inevitable, unless it is reformed the survival of companies may be threatened. We could well describe these job concept reforms as improvements to the quality of management.

In both the USA and Japan management systems have, while adapting to circumstances, been improving, the objective being the development/preservation of the company, and major differences between the USA and Japan have been increasingly disappearing. In fact the present situation is that differences between individual companies in either country are probably more marked. Our verification of the convergence of management systems and improvements in their quality has also served to verify the hypothesis that 'the effect of culture on management systems is inversely proportional to the quality of management'.

Sources of Reference

- (1) Hiroshi Hazama, *Nihonteki Keiei no Keifu*, pub. Bunshindo, p.284.
- (2) Hiroyuki Itami, *Nihonteki Keieiron o Koete*, pub. Toyo Keizai Shinposha, 1982, pp.171-179.
- (3) Masao Hanaoka & Keisuke Maruyama, *Keieigaku Soron*, pub. Hakuto Shobo, 1990, p.39.
- (4) Ibid. pp.42-44.

- (5) Teruo Yamanouchi, *Shin Gijutsu Keieiron*, pub. Nihon Keizai Shinbunsha, 1992, p.264.
- (6) Akio Okochi, *Keieikosoryoku*, pub. Tokyo University, 1979, quote from p.3.
- (7) Ibid. p.39
- (8) Thomas J. Peters and Robert H. Waterman Jr., *In Search of Excellence*, Harper & Row Publishers INC., 1982, p.75.
- (9) Yoshinobu Sato, *Toyota Group no Senryaku to Jissho Bunseki*, pub. Hakuto Shobo, 1988, Chapter 2.
- (10) Hiroyuki Itami, *Nihonteki Keieiron o Koete*, pub. Toyo Keizai Shinposha, 1982, pp.171-179. Masao Hanaoka, *Senryakuteki Kigyo Kodo*, pub. Hakuto Shobo, pp. 183-192.
- (11) Kozo Nishida, *Nihon Shakai to Nihonteki Keiei*, pub. Bunshindo, 1982, p.85. The differences between Nishida's and Ryushi Iwata's Japanese Management frameworks are explained by the following figure.



Note :

Continuous lines indicate a casual relationship

Dotted lines indicate only a weak casual relationship

- (12) Translation of Peters and Waterman, *In Search of Excellence*, by Kenichi Omae (Japanese title : *Ekuserento Kampani*), pub. Kodansha, 1983, quote from p.40.
- (13) Teruo Yamanouchi, *Shin Gijutsu Keieiron*, pub. Nihon Keizai Shinbunsha, 1992, pp.329-331.
- (14) Masao Hanaoka & Susumu Mukai, *Shokuno Kaihatsu Jinji Kanri*, pub. Hakuto

Shobo, 1973, pp.13-15.

(15) Kenji Okuda, *Nihongata Keiei no Mirai*, pub. TBS Britanica, 1990, pp.32-47.

(16) Japan Productivity Center Survey Report, *Managerial Behavior in Japan and the USA*, pub. Japan Productivity Center, 1984.

(17) There are difficult areas in comparisons of group-oriented and individual-oriented philosophies. See Masumi Tsuda, *Nihonteki Keiei no Yogo*, pub. Toyo Keizai Shinposha, 1976, pp.12-14. However individual-oriented philosophies within companies should be understood in terms of job responsibility contracts.

(18) TQC (Total Quality Control) was introduced into Japan after the war, since when it has blossomed due to Demming and Juran. It received a great deal of publicity in Japan, and has since been introduced into North America. See Werther, Davis, Schwind & Das, *Canadian Human Resource Management*, Third Edition, pub. McGraw Hill, Ryerson, 1990, p.488.