# JAPANESE-STYLE MIDDLE MANAGEMENT MODELS IN GLOBAL PERSPECTIVE*

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## I Introduction

The Japanese management system has gained a considerable reputation world-wide, particularly its production practices. There is much evidence supporting this both from Japan and abroad. Take, for example, Japanese companies in Britain: our survey revealed that they achieved remarkable improvements in productivity and quality, and a decrease in the proportion of defects.[1] The achievements of Hitachi and Toshiba after they took over the equity of their British counterparts are particularly noticeable.[2] Such changes have been made possible by establishing disciplined work practices such as *seiri*, *seiton*, and *seiketsu* (keeping the shop floor well organized, clean and tidy); and stimulating the employees' sense of participation and

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1) Tomita, T. (1991) "The intra-organizational transferability of Japanese-style management", in M. Trevor (ed.) *International Business and Management of Change*, Aldershot : Avebury, p. 142.

2) Tomita, T. (1986) "Japanese Management in Britain", *Euro-Asia Management Review*, INSEAD, Vol. 5 ,No. 4 , p. 6 .

commitment through allowing feedback of shop floor opinion to management. These conditions could not have been created by the autonomous efforts of shop floor workers alone. Most likely they were realized with the strong support of middle-level managers sent from Japan. The reason why Japanese middle managers play an important role in the total corporate management seems to be attributable mainly to their way of thinking in terms of creating ideas and policies to improve corporate performance. This way of thinking is, in turn, induced by internal mechanisms which intermesh within the Japanese management system.

This paper first attempts to examine the functions of Japanese middle-level managers.[3] Secondly, it illustrates briefly the process of development of the major management practices and their interrelated organic functions, which, as a package, can be called the Japanese management system. Finally, it raises some open questions in terms of the potential relevance of Japanese middle-level management functions in global perspective.

## II Functions of Japanese middle-level managers

Studies of Japanese middle-level managers are somewhat rare in research on Japanese management.[4] This is probably due to the following reasons,

3) In this paper, middle-level managers are broadly defined as persons having positions between top managers and supervisors ; they roughly include section chiefs (*kakaricho*), section managers (*kacho*), and department managers (*bucho*), and those having titles of "sub" managers in sections and departments.

4) Papers discussing Japanese middle-level managers include ; Tomita, T. (1982) "Features and Framework of Japanese Style of Management", Working Paper Series No. 4 , Shiga University, paper prepared for the seminar on the Philippine-Japan Economic Relations held at the University of the Philippines March24-26 ; and Nonaka, I. (1988) "Toward Middle-Up-Down Management : Accelerating Information Creation", *Sloan Management Review*, Vol.29,No. 3 ,pp. 9 -18.

among others. First, the remarkable success of Japan's manufacturing industry has led to most attention being given to the effectiveness of its production system which, more often than not, gives observers the impression of being implemented mainly by the shop floor workers, and of working effectively and autonomously. Secondly, Japanese middle management functions are complex and difficult for researchers to investigate.

However, my own personal experience working for a well-established Japanese company for over ten years, and several empirical surveys that we have carried out[5] suggest that it is middle-level managers who enforce work discipline and implement various practices such as quality control circles and suggestion systems on to the shop floor, and who monitor and evaluate

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5) The following are the surveys which are referred to in this paper.

(i) "Acceptability and relevance of Japanese-style management in Britain: Re-examined" (June-July 1992), funded by Shiga University.

(ii) "Human resource development of Thai white collar workers in Japanese capital-affiliated companies" (March-April, 1991), funded by JSPS.

(iii) "Human resource development of local white collar workers in overseas Japanese companies" (November 1990 -February1991), funded by Institute of Business Administration, Tokyo.

(iv) "Localization of personnel and international personnel management" (May-August, 1987), funded by Century Research Center,Tokyo.

(v) "Acceptability and relevance of Japanese-style management in Britain" (May-June, 1985), funded by Ministry of Education of Japan, and Japan Economic Research Center, Tokyo.

(vi) "Japanese management in Asia and in Japan" (1982-1985), conducted jointly with Profs. Shinichi Ichimura, Kuniyoshi Urabe, Kunio Yoshihara, Hideki Yoshihara, Hideki Imaoka, Shoichi Ito and the present author.

All surveys except (vi) above were conducted by the present author. For more details, see Tomita. T. (Dec. 1991), "*Kaigai Nihon Kigyou Ni Okeru Chuukan Kannrishoku No Genchika To Kadai*" (Present Situation and Issues Pending in the Localization of Middle Managers in Overseas Japanese Companies), *Hikone Ronso*, Shiga University, Vol. 273.

how the practices work in terms of quality and cost, and also in terms of interpersonal relations. This behavior of Japanese middle-level managers is the result of the effective working of the mechanisms which the Japanese management system contains.

The major functions which Japanese middle-level managers usually assume are as follows :

(1) they collect and analyze the information necessary for overall corporate operations ;

(2) they contribute to the shaping of corporate strategies through the process of discussions. These discussions take place between different levels of the hierarchy ; either (a) they move from the top to the middle level, the middle to the lower level, the lower to the middle level and back to the top for the final decisions ; or (b) they originate in the middle and are passed up to the top for a preliminary decision about further discussions, and are then passed from the top to bottom and back again to the top for the final decisions, as with (a) above. At each level, middle managers participate in the discussions in which the issues are scrutinized, and any adjustments are usually made by them. Adjustments are also made, when deemed necessary, together with middle managers of other units ;

(3) they facilitate smooth communication between superiors and subordinates and vice versa ;

(4) they provide feedback of ideas and suggestions raised by subordinates to the higher levels of management, and put them into practice ;

(5) they listen to the complaints of subordinates and put them on the right track in line with corporate goals ; and

(6) they play the role of negotiators in the early stages of negotiations with the personnel of other public and private sector institutions on important is-

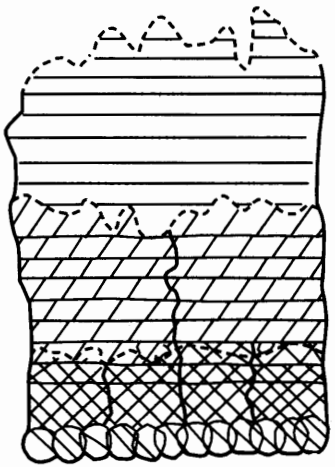
sues, so as to allow top management enough time to make careful decisions.

Through performing these multiple functions, some of which belong to top management in a Western context, Japanese middle-level managers provide conditions which are favorable to the optimal attainment of corporate objectives. In other words, Japanese middle-level managers carry out these functions so effectively that they leave top managers free to steer the company in relation to the broader context.

In order to be allowed to assume such multiple functions productively, Japanese middle-level managers are continually required to create ideas and policies and put them into practice. Smooth implementation of them, in turn, is largely made possible by their leadership attitudes which lean toward "supporting" both their superiors and subordinates, and "coordinating" the jobs assigned within related fields, rather than toward "supervising" and "controlling" their subordinates. Such a tendency, which coincides with what behaviorists identify as desirable, is a result of the way in which Japanese management functions. Under the Japanese management system, particularly because of the life-time employment and in-house promotion schemes, employees develop strong aspirations to maximize the available rewards within a firm for which they work for their entire careers. Middle-level managers are no exception to this. The prerequisite for maximizing their rewards is their performance being rated highly. This, in turn, is directly dependent on the extent to which two-way reciprocal support (i.e. support given to and by both higher and lower levels) is provided within their work group, and is also, less directly, dependent on the degree of smooth coordination with others outside their work group within the company.

The necessity for middle-level managers to support their lower-level employees is closely related to the range of responsibility which they are required to assume. While their authority is defined only vaguely within the limits of their jobs, as is illustrated with wavy lines in Figure 1, the range of their responsibility, though not explicitly defined, is very wide compared with that of their Western counterparts. Japanese middle-level managers usually take responsibility for the performance of their subordinates in the three levels of the hierarchy beneath them. For example, a department manager (*bucho*) assumes responsibility for the performance of a section manager (*kacho*), a section chief (*kakaricho*) and a supervisor (*hancho or shunin*) as is illustrated with slanting lines in Figure 1. This range of responsibility at each level of middle management corresponds to the range of personnel evaluations managers are required to make. Individual performance in Japanese companies is, as a general rule, rated at three levels of the hierarchy. The first-order appraiser of a section chief is the section manager, the second-order appraiser is the department sub-manager (*bucho-dairi or jicho*), and the third-order appraiser is the department manager. Likewise, section managers are evaluated by department sub-managers, department managers, and the division manager. Department managers are evaluated by the division manager, the director, and the managing director in charge of the division respectively. In such a framework of personnel appraisals, if the performance of, say, a section chief (*kakaricho*) is not satisfactory, then the capability of his immediate superior, the section manager (*kacho*), is questioned, and hence his or her rating suffers. If the performance of the section chief (*kakaricho*) is very bad, even the rating of his/her second-order appraiser, in this case, the department sub-manager (*bucho-dairi*), may suffer. This illustration shows that in Japanese management, middle managers take responsibility for the performance of their subordinates, so that the

Figrue 1 RANGE OF AUTHORITY AND JOB RESPONSIBILITY OF JAPANESE MIDDLE-LEVEL MANAGERS




Note : Wavy lies (both solid and dotted) denote the range of job authority of department manager, section manager, and section chief respectively. While slanting lines, ≡ , ///, and \\\ denote the respective range of job responsibilty.

performance of subordinates affects the ratings of their superiors to a considerable extent, either to their advantage or their disadvantage. However, the actual rating is not, as a rule, revealed to the persons rated, so that they are always uneasy as to how they are rated. Such a system naturally give rise to invisible pressure on middle-level managers. Consequently, they are very much concerned about the performance of their subordinates and hence are motivated to support their subordinates mainly for the sake of their own careers.

Subordinates, when they are aware of being fully supported by their superiors, will also tend to support the latter. In this way, two-way reciprocal support within the hierarchy of a given group is realized and contributes to

improving the performance of the group, which, in turn, benefits all members in the group.

A two-way reciprocal support system will not be readily forthcoming, unless mutual trust is established between the members of the group. In other words, the *kacho*, for example, must be willing to take responsibility for the performance of their subordinates, and the latter must have a feeling of "devotion" to the *kacho*. If the *kacho* are not able to feel in this way towards particular subordinates, they will arrange other job assignments for them in other sections or departments. Similarly the *kacho* are also replaced if a majority of their subordinates do not feel able to devote themselves to them. This kind of action is skillfully concealed under the guise of "job rotation" or "job reassignment". This is one of the most important subsidiary functions of these rotation systems, apart from their main function, which is to enable employees to experience different jobs within an organization, so as to give them a wider overview of corporate management as a whole.

Effective upward support given by middle-level managers to top-level managers (and by lower-level staff to middle management) is also important if middle managers (and lower level staff) are to make a good impression on their superiors so as to receive a high rating. With this motivation, middle-level managers, as well as lower level staff, have tended to expand their job demarcation on their own initiative, and to undertake some of the functions considered in Western companies as belonging to top management. Rapid expansion of corporate organization expedited this tendency. Expansion was so drastic during the Korean war (1950-1953) and throughout most of the 1960s that top managers were often confronted with difficulties in coping with various issues logistically, technically and sometimes in terms

of expertise. Therefore, top managers tended to rely on, or sometimes had no choice but to rely on, capable middle managers to handle some of the issues which otherwise should have been dealt by the top managers. Middle managers responded quickly to such a situation and devoted themselves to supporting the higher levels positively by assuming functions which overlapped with those of top management.

Coordination between sections and departments is also actively pursued under Japanese management, in which consensus-based decisions are often made through *nemawashi*[6] and *ringi*.[7] In such circumstances, interpersonal relations within an organization play an important role if a manager in charge is to obtain favorable decisions. In addition, under the life-time employment system in which jobs are reassigned from time to time, maintaining good human relations with personnel throughout the organization is crucial for managers wanting to be highly rated, in whatever jobs they are assigned to, and whoever they are evaluated by.

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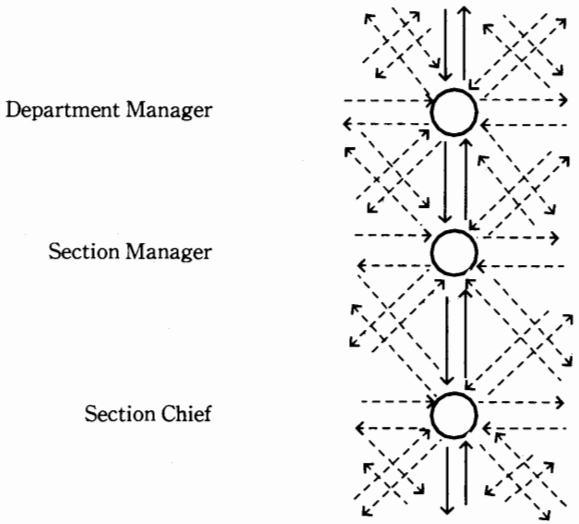
6) *Nemawashi* literally means "to dig around the root of a tree to prepare it for transplanting." Adopted from this, the word refers to the ground work to enlist support or to secure informal consent from the people concerned prior to the formal decision (Mitsubishi Corporation (1983) *Japanese Business Glossary*, Tokyo : Toyokeizai Shinposha).

7) *Ringi* is the system of circulating an intra-office memorandum (*ringi-sho*) to obtain the approval of all concerned for a proposed course of action which could range from, say, the purchase of a word processor to a merger. Depending on the nature of the proposal, the *ringi-sho* may circulate vertically from the bottom up or horizontally among managers and directors of related sections and divisions before coming to the managing director or the president, depending on the importance of the subject matter. It goes without saying that *nemawashi* (see note 6 ) is necessary prior to the circulation of the *ringi-sho*. Each person who approves the proposal puts a seal (*hanko*) on it - the Japanese equivalent of the signature in the Western world. The advantage of this system is that everyone becomes involved so that once a decision has been made, company-wide cooperation in its implementation is assured (Mitsubishi Corporation (1983) *Japanese Business Glossary*, Tokyo : Toyo Keizai Shinposha).

"Support" and "coordination", when fused together, create a feelings of interdependency among members of the firm. Hence they allow personal networks to develop within the organization as shown in Figure 2 , and they help prevent segmentation within it.

The above illustrations may provide an immediate explanation of why Japanese middle-level managers lean more toward "support" and "coordination" rather than toward "supervision" and "control", and why they perform the multiple functions mentioned earlier proactively rather than reactively. They may also imply that it is the elaborately developed system

Figure 2 INTRA-ORGANIZATIONAL NETWORK DEVELOPED THROUGH "SUPPORT" AND "COORDINATION" ORIENTED LEADERSHIP ATTITUDES




Note : Sloid lines denote major flows of information, and dotted lines show supplemental flows.

rather than Japanese culture itself that has induced them to behave in this way. In this regard, a review should be made of the process of the development of the Japanese management practices which as a package form the so-called "Japanese management system".

## III Overview of Japanese management

### (1) The development process of Japanese management practices and their attributes

The development process of Japanese management practices can well be explained by adopting the analogy of Arnold Toynbee's interpretation of the development of civilization : "Civilizations develop in response to a challenge of adversity, grow through a series of responses to successive challenges, each arising out of the response to the last."[8] Toynbee claimed that the ancient Egyptian civilization developed, not simply because people happened to settle in the fertile Nile Valley, but because they invented scientific technologies such as algebra and irrigation as responses to such challenges as flood and drought. Likewise, management practices commonly observed in Japanese companies do not arise spontaneously out of favorable conditions in Japan such as ethnic and cultural homogeneity, and a "tightly-structured" society. Instead, they have developed through the constraints of decision-making, in response to a variety of challenges offered by the physical environment.[9]

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8) Dray, W.H. (1964) *Philosophy of History*, Prentice-Hall, p. 91.

9) Tomita, T. (1988) "Toppuno Houshin To Midoruno Taio" (Response of Asian middle-level managers to Japanese top management policy) in S. Ichimura (ed.) *Asia Ni Nezuku Nihonteki Keiei* (Japanese Management as Rooted in Asia), Toyo Keizai Shinposha, p. 134.

Let me review how Japanese companies responded to major post-war challenges.[10] The most serious challenge Japan ever had was the defeat in the war, which led to the devastation of the land, an extreme shortage of capital, and an excess supply of labor, worsened by returnees from former colonial territories and battlefields. Naturally, the Japanese economy was at a subsistence level, and people were destitute and desperate. In addition to such conditions, the labor movement was legitimized and became militant, due partly to political decisions by the Supreme Commander for the Allied Powers (SCAP), General Douglas MacArthur, and his staff. Japan was on the verge of social disorder.

In such a situation, both managers and workers, independently of each other, aimed solely at maximizing their own respective interests : making a profit in the case of the managers, and satisfying individual needs in the case of the workers. In fact, some managers were inclined to dismiss redundant labor, while workers pressed their conflicting demands, asking both for no lay-offs, and for pay rises at the same time. Such actions, however, as they came to realize, were fruitless for both parties and worsened their respective situations, leading only to the "Prisoner's Dilemma" solution of mutual distrust.[11]

In order to avoid the chaotic situation developing further, and despite the top management's power to hire and fire labor whenever the necessity arose, many patriotic relatively young top managers, most of whom were exempted from the purges of war criminals, decided to protect the position of

10) See Tomita (1991) *op. cit.*, pp. 123-127.

11) Leibenstein, H. (1987) *Inside the Firm : The Inefficiencies of Hierarchy*, Cambridge : Harvard University Press, ch. 5 .

their employees within the firm, even if it meant sacrificing their short-term managerial goals and accepting a state of shared poverty with them (this later developed into shared affluence between management and labor). They were in a position to make such decisions on their own initiative, because, due to the dissolution of the *zaibatsu*[12] and other big businesses and the enforcement of a ban on holding companies by SCAP, stocks were shared by several companies and financial institutions, all of which were facing similar difficulties. The rest were scattered among unidentified individuals who had no controlling power over management. Job security (popularly known as life-time employment), and length of service-based reward and retirement allowance schemes (popularly known as the seniority reward system) were thus introduced for all regular employees, including (in contrast with the West) shop floor workers. These practices, which provided living expenses according to age or family size and security after retirement, contributed greatly to the elimination of employees' uneasiness and to the gradual encouragement of their sense of belonging to the companies. But on the other hand, labor cost became a "quasi-fixed", rather than a variable, cost. Obviously, redundant labor was illogical in terms of capital resource allocation. Therefore, management was urged to develop ways in which labor could be better utilized so as to lessen the labor cost burden.

The practices which were implemented for this purpose included in-house training and in-house promotion schemes, and flexible job functions and job reassignment. These practices worked effectively. In-house training

12) The *zaibatsu* were family-controlled groups of monopolistic companies in key fields (banking, trading, mining, shipping, and heavy industries). The four largest *zaibatsu* before World War II were Mitsui, Mitsubishi, Sumitomo and Yasuda. The *zaibatsu* were dissolved as a measure of economic democratization during the occupation period.

schemes were combined with the annual across-the-board recruiting system, through which new employees are hired once a year without their job categories being specified. The practices contributed to the avoidance of repeated recruitment and training expenses on the one hand, and to the accumulation of specific corporate skills through the learning effect on the other. The in-house promotion system worked to motivate employees to climb the promotional ladder. This was particularly apparent during the phase of economic recovery and growth. Organizations expanded in accordance with the economic growth, which speeded recruitment by the companies of large quantities of young manpower fresh from school. This made the corporate population age pyramid flatter and provided employees with good advancement prospects within an organization. Being stimulated by the chance of rapid promotion, employees committed themselves to working harder. Taking advantage of such a situation, companies successfully implemented the personnel appraisal system mentioned above, and skillfully exploited their ambitious and productive young employees through paying them relatively low wages relative to their contribution to the company. Job flexibility and job reassignment schemes were readily accepted because they were backed up by job and income security and promotion opportunities. They also gradually had the effect of encouraging employees' commitment to the organization rather than to their specific jobs, turning them into "company men".

In this way, job security and length of service-based reward schemes turned out to be rational for both management and labor. By the end of the 1950s when Japan had recovered its prewar level of economic activity, all of these practices had gradually been conventionalized, and also been found to be effective rather than ineffective in pursuit of their objectives by both management and workers.

An additional point should be made in this regard. In the immediate post-war period when practically no alternative job opportunities were available in the external market, employees had to realize that skillful adjustment to an internal market was crucial for maintaining and improving their livelihood. At the same time as this recognition-the need to get along well within a specific organization-was increasingly shared by the employees, a new challenge naturally emerged to which the employees had to respond in order to maximize their life-long utility within the organization. This long-term mental challenge required cooperation and competition between the workers themselves, and amicable relation between the managers and managed. It is safe to say that responses to physical challenge on the part of management and responses to mental challenge on the part of employees formed the foundations on which new practices could be smoothly implemented in later years.

In the 1960s, foreign pressures for liberalization of trade and direct investment affected the still fragile Japanese industries. In response, ideas such as group technology, quality control circles and suggestion schemes were introduced and put into use, and improved and refined to fit into a Japanese setting. Consensus-based decision-making practices were also more widely implemented than before. They functioned effectively with the support of amicable relations between the managers and the managed, and of cooperative work attitudes between employees, both of which had been nurtured through responding to the post-war challenges. These practices, actively operationalized in the 1960s and fused together, worked favorably so that, by organizing individuals with ability and expertise into a work-group, organizational structure was strengthened. Thanks largely to this, Japanese companies could improve the quality, and at the same time decrease the cost, of

their industrial products. Thus they overcame liberalization pressures and gained the ability to compete with their Western counterparts within a very short period. As a result, employee welfare improved remarkably and labor relations became more amicable than before.

The collapse of the Bretton Woods scheme and the oil crises were the major challenges to which Japanese companies had to respond in 1970s. Successive yen appreciations after the statement by President Nixon in August 1971 weakened significantly the international competitiveness of Japanese industrial products which had been gained during the 1960s. Two energy crises, particularly that in 1973, gave rise to severe inflation and pushed up cost of production. Reduction of production costs was imperative for Japanese companies to survive in an international market. In response, the "just-in-time" system, which was originally developed by Toyota Motor Company, was widely adopted across industry to minimize cost and space for carrying inventory. Labor- and energy-saving hi-tech equipment including office automation and factory automation, which conventional "skilled" labor could hardly manage, were aggressively installed. As a result, job reassignment, which shifts excess manpower into busy sections and/or subsidiaries, or incapable persons into simpler jobs, was more actively pursued than before. In this way, the concept of total or company-wide quality control permeated throughout the organization. It is worth noting that there were practically no movements on the part of labor against these measures, since, as a rule, they were deliberately put into practice without dismissing existing employees and without reducing their wages and salaries-within the framework of life-time employment and length of service-based pay rises.

In the 1980s to the early 1990s, length of service-based rewards have been

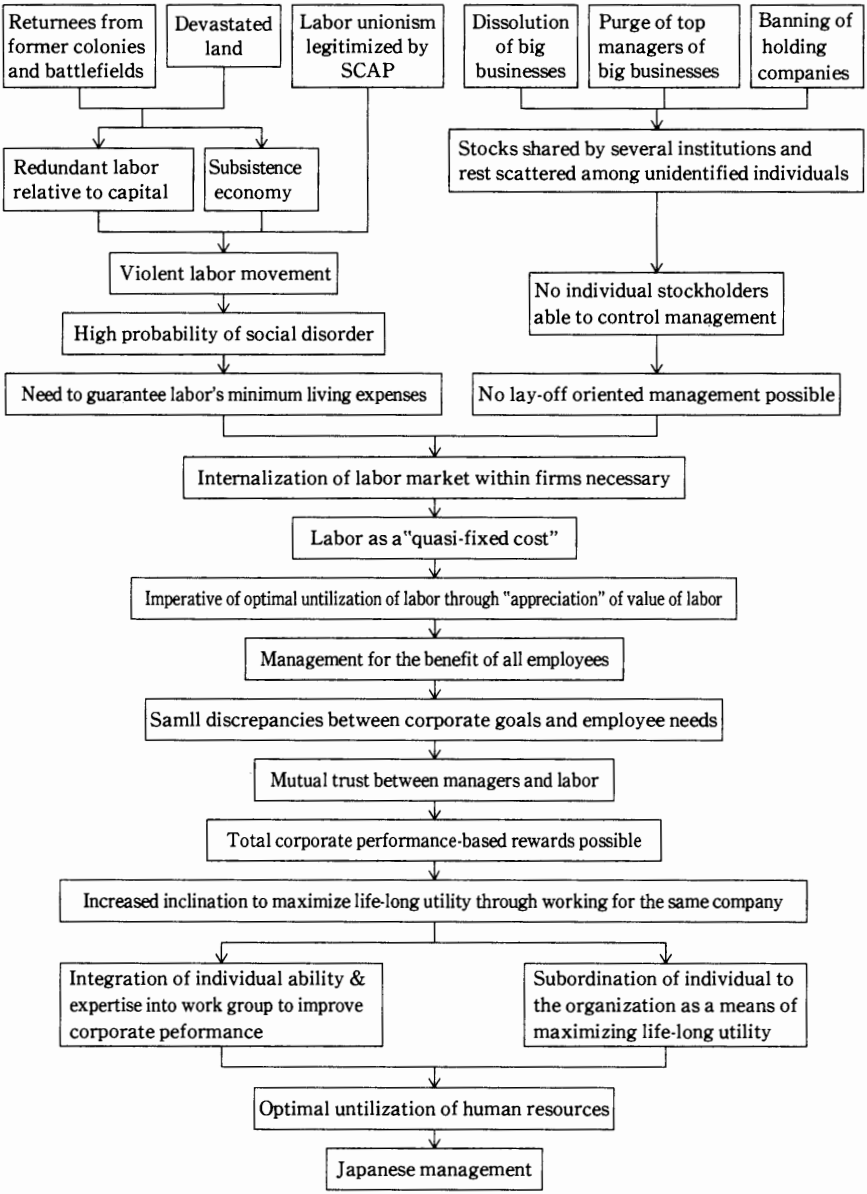
reassessed and have increasingly given way to merit-based rewards, in order to respond to further changes, including the aging of the work force in a period of slower economic growth, and the diversification of the values of young employees. The time-consuming consensus-based decision-making process and *ringi* system have also been reviewed to cope with reduction of working hours to balance with those in the companies' Western counterparts. The recent challenge of the bursting of the "bubble economy" will most likely accelerate this trend.

To recapitulate, Japanese management practices are the products of development in the post-war environment in which labor was redundant and capital was scarce. Unlike machinery which can be replaced when its value depreciates, the value of each individual's talent must appreciate through time. Otherwise, life-time employment under length of service-based reward schemes cannot be maintained. From the strategic point of view, the appreciation in the value of human talents and their optimal utilization through vertical and horizontal coordination were imperative. Thus companies elaborated management practices so as to make each individual acquire company-specific skills[13] and wide and compatible views concerning corporate management. They also developed practices in the direction in which they could work to reduce employees' compatibility with external labor market.[14] These two strategies enable firms in the long run to establish intra-organizational networks, which, in turn, made it possible to maximize the

13) Koike, K. (1981) *Nihon no Jukuren* (Skill Formation in the Japanese Company), Tokyo : Yuhikaku.

14) Tomita, T. (1987) "Japanese-Style Management in Britain," in T. Blumenthal (ed.), *Japanese Management at Home and Abroad*, Ben-Gurion University of the Negev Press, p. 176.

Figure 3 DEVELOPMENT PROCESS OF JAPANESE MANAGEMENT THROUGH RESPONSE TO CHALLENGES FROM THE ENVIRONMENT



utilization of their employees' talents.

The so-called Japanese management system can be defined as a crystallization of an organic combination and interaction of management practices which, as a package, make it possible for employees' talents to "appreciate" in value, and for management to manipulate employees' aspirations so as to best utilize them in order to attain corporate objectives. A rough sketch of the development process of Japanese management is given in Figure 3.

(2) Features of the Japanese management system as an organic interaction of management practices

The Japanese management system, as defined above, has been supported by two closely interrelated sub-systems, which have worked as a means of "quality control" for personnel. One may be called a system for "integrating the talents of individual employees into the work group", and is a skillful means of increasing their potential productivity. This system, through intra-group pressure, stimulates the employees' ability to cooperate with each other, while at the same time encouraging friendly but keen competition between them. This enables management to increase the total pool of skills available among the members of the corporation.

The other may be called a system of "subordinating individuals to the organization" in which, while their individualism based on their own personal skills is weakened, their identification with the organization is strengthened. This leads them to expect that their needs and/or long-term requirements are best satisfied by the intrinsic and extrinsic rewards they may get through their life-long contribution to a particular company. Hence competition among employees at the same level tends to be keener as they com-

pete for high ratings from management. This enables management to exploit the employees' aspirations skillfully to help meet their corporate objectives.[15] "Manipulation" is more workable in the case of university graduate white collar workers than that of clerks or shop floor workers, since their needs for self-actualization seem to be stronger and their chances of climbing up the hierarchical ladder even to the top are greater.

Such mechanisms which these two sub-systems carry are neither separable nor additive but organic. But though inseparable, it is still possible to

15) The organic functions of the *doii issei saiyo seido* (which may be called annual-across-the-board recruitment system-see also note 16), which has been widely adopted throughout Japan, together with life-time employment, length of service-based reward schemes, in-house promotion schemes, and Japanese personnel assessments, illustrate how effectively employees' aspirations are exploited and their talents mobilized for the maximum duration. Under the length of service-based reward schemes, differences of wages and positions among employees in the same age group are negligible for a considerable period after hiring ; and assessments are, as a rule, not revealed to employees. This induces younger employees to have aspirations, or rather illusions, that there are practically equal opportunities to climb up the promotion ladder. Because of the aspirations for higher positions in the future, younger employees usually do not complain about their fairly low pecuniary rewards relative to their contribution to the company. Taking advantage of such aspirations, management skillfully encourage employees to work harder so as to enjoy the benefits accruing from the high productivity of younger employees at relatively low cost. Such managerial intentions are camouflaged by an annual-across-the-board recruitment system by which people with similar abilities are hired once a year. Under this system, differentiation of employees' wages and positions by merit and performance is generally considered difficult, and even unfair, for a considerable period after hiring. But in reality, their merit and performance are strictly evaluated by various appraisers at different levels immediately after hiring. When the managers are fully convinced, after making careful assessments, say, for ten years, that a pay rise for a certain employee according to his/her length of service is no longer justified by his/her performance, then the rate of his/her annual pay rise starts to decline relative to his/her colleagues, and promotion tends to slow down. Such differentiation within the same age bracket is carried out with caution, so as not to harm employee morale at each hierarchical level and not to disturb the "harmony" among ↗

classify management practices into three rough groups according to their major functions as is illustrated in Figure 4 .

The first consists of the practices which can provide the basis of support for the two sub-systems. These include what I regard as the "basic" practices : annual-across-the-board recruitment (or recruitment of all new employees once a year[16]), job security (or life-time employment), continuous in-house training, in-house promotion, sharing of corporate objectives and information, encouragement of team spirit, and minimization of status differences in terms of fringe benefits between managers and managed.

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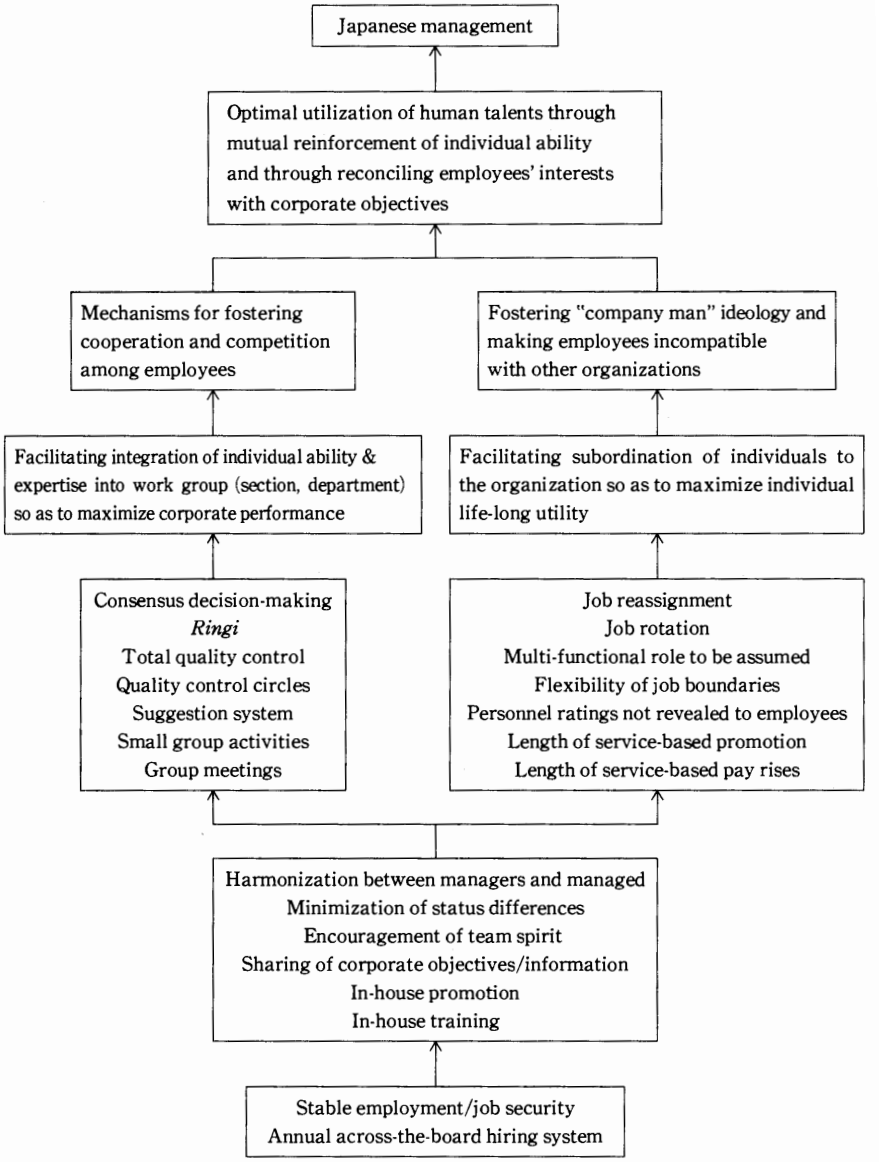
↘ the members. Under the life-time employment system, except in extreme cases, even though their own promotion has stopped, employees are given either a title such as manager or sub-manager with no real functions, or are reassigned to a subsidiary. They still receive a salary-a salary both larger than their contribution to the company or than the salary they could expect in the external market, so their career aspirations will usually be better served by working for the same company throughout their working lives than otherwise. In addition to the above, employees who work for the same company until retirement age are generally better-off than otherwise. Fringe benefits increase in accordance with length of service and the retirement allowance is much bigger at retirement age than if they quit earlier. In terms of wages and positions, there has been an institutionalized framework across the industry which makes it disadvantageous to change workplaces, though these practices, including the rewards system based on length of service, are now gradually being weakened.

16) Every autumn, companies select graduating students. Those selected join the company on April 1 of the following year, when the next school year also begins. This system lays the foundations of Japanese management by permitting the companies, firstly, to hire personnel who seem to have personal characteristics which seem to match the corporate climate ; secondly, to train new employees simultaneously to encourage 'in-group' or 'close-knit' group consciousness ; thirdly, to stimulate a desire for emulation or friendly competition ; and fourthly to provide a *raison d'etre* for the implementation of length of service-based pay rises and promotion for a considerable period after hiring.

Figure 4 CONCEPUTUAL FRAMEWORK OF JAPANESE MANAGEMENT AND JAPANESE MANAGEMENT PRACTICES



The second contributes more to "integrating individuals into a group." It includes total quality control, quality control circles, the suggestion system, *ringi*, consensus decision-making and group meetings held regularly.

The third group works more toward "subordinating individuals to the organization". It includes length of service-based pay rises and promotion (or seniority rewards), personnel ratings (usually not revealed to employees), flexibility of job boundaries, job rotation, and job reassignment. The conceptual framework of the Japanese management system supported by the interplay of the two sub-systems, roughly classified into three groups according to their major functions, is shown in Figure 4.

One should remember, however, that Japanese management system does not work, unless the above two sub-systems supported by the organic functions of the management practices simultaneously satisfy the respective objectives of management and labor. These objectives, particularly those of labor, including middle-level managers, ought to change in line with economic growth. Hence Japanese companies will develop new ideas and practices so as to be able to reconcile their respective interests with change over time in the business environment. But however the environment may change, Japanese companies will most likely strive to maintain a "logic of human resources" (or a logic of *hito*, literally meaning a logic of "people") insofar as they have developed and proved its rationality. This is a "logic" aimed at long-run optimization supported by internally developed human resources combined with capital and other resources. This contrasts with a "logic of capital" in which capital is combined with human and other resources in order to best utilize the former-a logic so often observed in Western companies.

## IV Evaluation of Japanese middle management functions

### (1) Some competitive advantages accrued

It may now be clear that many of the multiple functions that middle managers assume are not the ones assigned one-sidedly by their superiors but are spontaneously undertaken on their own initiative. The organic interplay of Japanese management practices induces them to do so. The range and intensity of the functions which middle managers could assume differ from one person to another in accordance with their capability and expertise, in addition to their job category. Accordingly, the job functions and job boundaries assumed by the middle managers having the same job titles, say, *bucho* (department manager), are not necessarily the same. Hence the functions of middle-level managers can not be precisely defined. Such circumstances make the job functions and job boundaries of middle managers fuzzy. Nonetheless, they assume and fulfill various functions diligently and proactively within their capacity, because they know through their long service that this is the way in which they can hope to attain their personal goals within the internal labor market. Such an inclination on the part of employees does not conflict with corporate goals. But it does provide a favorable business climate for the company to strengthen its corporate competitiveness. The following are some of the noticeable outcomes which have accrued from such a business climate.

#### (i) Accumulation of human resources

Through assuming part of the top management functions, Japanese middle-level managers are able to have some preliminary training for be-

coming a member of top management themselves. On the other hand, lower-level managers, who see the prospect of becoming middle managers themselves, are motivated to devote themselves to assuming middle management functions. Thus they usually become inclined to carry out their jobs by thinking creatively. The same can be applied to general employees. Thus the company accumulates a "reserve army" qualified for undertaking various levels of jobs. As a result, whenever the necessity arises, the firm is ready to send the right capable staff to its subsidiaries, *keiretsu*, and *shitauke* companies to smooth their operations and to strengthen the human ties between them. Accumulation of human resources also allows the company to start new businesses or to diversify its fields of activities.

(ii) Effective linkage

Under a management style in which job functions are rigidly demarcated, some tasks which lie on the boundaries are likely not to be carried out, generating a kind of organizational vacuum. This is because neither of the parties on either side of the job boundary is willing to assume these functions to fill the vacuum in case they are accused of encroaching on other people's territory. Such an attitude may, in the long run, lead to segmentation of jobs and foster feelings of isolation among members of the corporation. Under Japanese management, however, middle managers assume functions which overlap with those of superiors, subordinates and colleagues, and hence they can fill such a vacuum. In this way they facilitate continuity between organizational strata, both vertically and horizontally.

(iii) Organizational revitalization

Carrying out multiple functions which are by nature those of higher level management is difficult. However, when the job is successfully done, the sense of achievement and job enrichment is greater than that obtainable through undertaking easier jobs, and hence the need for self-fulfillment can be satisfied to a considerable extent. Job satisfaction naturally encourages workers to face other challenging tasks as well, and this, in turn, helps maintain the vitality of an organization.

(iv) Smooth human relations

Middle-level managers in Japanese companies are as a rule the ones promoted from the bottom of the hierarchy through in-house promotion schemes. These people have gone through various jobs at various levels of the organization, and have worked under various superiors through job rotation and/or job reassignment. Through their experience, they understand well the ways in which employees at each level think, and they are well aware that they must be supported by their subordinates for successful execution of their jobs. Hence they tend to pay attention to minute detail and fair-mindedness in carrying out their jobs. This attitude nurtures a sense of mutual trust in the office/shop and expedites good human relations.

The following are the main preconditions for these favorable outcomes to be realized. Without these preconditions, the competitive advantages cannot be successfully realized.

(a) The attitude should prevail among the corporation members that their life-long utility will be maximized through working with the same company.

(b) The knowledge that better attainment of corporate objectives will result in a betterment of their livelihood should be shared by members of the

organization.

(c) Personnel appraisals must be fair to everyone and individual performance should be properly reflected in intrinsic and extrinsic rewards in the long run.

(d) Employees should perceive that those who are now managed will be promoted to management in the future. Thus, the managed should take the opportunity to observe in detail the psychological dynamics of management, and also study the type of managerial attitudes which will be readily welcomed or not welcomed by those who are managed.

(e) The organization should be tightly structured, and an intra-organizational network that functions well should be established, supported by widespread feelings of interdependency and mutual encouragement.

(2) Potential relevance in global perspective

The question arises of the potential relevance of the functions assumed by Japanese middle-level managers in overseas operations. Their potential relevance will be inferred by examining: (i) the degree to which local nationals are assigned to middle management positions in overseas Japanese companies, and (ii) the degree to which local middle-level staff are willing to accept Japanese management practices. The degree to which management positions are assigned to local nationals may imply the degree of potential relevance of the functions to be carried out by them. The degree to which local nationals accept Japanese management practices may imply the degree to which they may be able to adjust themselves to Japanese management style, which, in turn, may possibly create the climate for them to assume Japanese managerial functions in the long run.

(i) Degree of localization

The survey which I conducted in Britain[17] and in Thailand[18] revealed that more than three quarters of the Japanese top managers surveyed responded that localization of personnel-the replacement of Japanese staff with local nationals-was important for developing a successful operation globally, for a number of reasons, including the following: (i) it is more cost-effective than sending staff from head office; (ii) it limits the number of staff to be sent from Japan, given that there has been a recent shortage of qualified staff who can be sent; (iii) local staff are more efficient than expatriate staff in doing business locally; and (iv) it is a necessity for maintaining amicable relations with the host country.

Localization is undertaken starting from the shop floor, where a lot of people are needed and job functions are simpler. At present localization has been strongly promoted up to the level of section sub-manager (*kacho-dari*). However, it is not well advanced at the levels of department manager (*bucho*) and factory manager (see Table 1). As is shown in Table 2, there are some discrepancies between the extent to which localization is considered as important and to which it is actually promoted.[19] This is because Japanese middle management functions are not as easily codified as those of Western management, and hence Japanese managers consider that local staff will not readily assume these functions. Accordingly, even though local managers cost far less than Japanese expatriates, Japanese managers suspect that, at the present moment, the complete localization of department managers, whose functions in Japanese management are fuzzy and not standardized,

17) Survey (i) in note 5.

18) Survey (ii) in note 5.

19) For a detailed discussion, see Tomita (December, 1991) *op.cit.*, pp. 298-306.

Table 1 COMPOSITION OF JAPANESE STAFF AND LOCAL NATIONAL STAFF IN JAPANESE CAPITAL-AFFILIATED COMPANIES IN THAILAND AND BRITAIN

| | Japanese capital-affiliated firms in Thailand | | | Japanese capital-affiliated firms in Britain | | |
|---|---|---|---|---|---|---|
| | Japanese staff av. no.,(%) | Local nationals av.no.,(%) | Total av.no.,(%) | Japanese staff av. no.,(%) | Local nationals av.no.,(%) | Total av.no.,(%) |
| Full-time directors | 2.6(63.7) | 1.5(36.3) | 4.1(100) | 2.3(69.7) | 1.0(30.3) | 3.3(100) |
| Part-time directors | 2.1(46.7) | 2.4(53.3) | 4.5(100) | 2.0(66.7) | 1.0(33.3) | 3.0(100) |
| Factory and Department managers | 3.2(37.2) | 5.4(62.8) | 8.6(100) | 2.8(29.2) | 6.8(70.8) | 9.6(100) |
| Section managers | 2.3(16.2) | 11.9(83.8) | 14.2(100) | 8.9(30.4) | 20.4(69.6) | 29.3(100) |
| Section sub-managers | 0.6(1.7) | 35.0(98.3) | 35.6(100) | 2.6(5.5) | 44.3(94.5) | 46.9(100) |
| Supervisors and clerks | 0.2(0.2) | 119.7(99.8) | 119.9(100) | 0.5(0.4) | 117.2(99.6) | 117.7(100) |
| Shopfloor workers | 0 (0) | 426.0(100) | 426.0(100) | 0.5(0.1) | 558.7(99.9) | 559.2(100) |
| Drivers, janitors, guards etc. | 0 (0) | 29.0(100) | 29.0(100) | 0 (0) | 7.8(100) | 7.8(100) |

Number of companies surveyed in Thailand was 48, and in Britain 23.
Source : note 5 -(ii) and 5 -(i)

would lead to a deterioration in corporate performance, and that this would be much more costly than the savings to be made through localization.

(ii) Degree of acceptance

My survey addressed to local middle-level staff working for Japanese companies in Britain[20] revealed some interesting features with regard to the implementation and acceptance of Japanese management practices. As is observed in Table 3 , what I call the "basic" management practices shown in Figure 4 were emphasized in Japanese companies in Britain and warmly welcomed by the British respondents. Since these practices are essential in maintaining the long-term stability of management by means of raising the value of individual ability, the British response suggests that they will assimilate to the Japanese style of approach.

20) Survey (i) and (v) in note 5 .

Table 2 RELATION BETWEEN THE EXTENT TO WHICH LOCALIZATION IS REGARDED AS IMPORTANT AND TO WHICH LOCALIZATION IS ACTUALLY ADVANCED

| | | Very advanced | Advanced | Advanced to some extent | Not advanced | Not at all advanced | Total |
|---|---|---|---|---|---|---|---|
| Very important | (T) | 6 | 10 | 3 | | | 19 |
| | (B) | 3 | 6 | 4 | | | 13 |
| Important | (T) | | 9 | 5 | 1 | | 15 |
| | (B) | 1 | 4 | 1 | | | 6 |
| Somewhat important | (T) | | | 3 | | | 3 |
| | (B) | | | 1 | | | 1 |
| Not so important | (T) | | | | | | |
| | (B) | | | | | | |
| Not important | (T) | | | | | 1 | 1 |
| | (B) | | | | | | |
| Total | (T) | 6 | 19 | 11 | 1 | 1 | 38 |
| | (B) | 4 | 10 | 6 | | | 20 |

Note: (T) and (B) denote Japanese affiliated companies in Thailand and those in Britain, respectively.
Source: note 5 - (ii) for (T), and note 5 - (i) for (B).

Management practices, which mainly work toward what can be called "integration of individuals into the group" were not emphasized by Japanese managers relative to the "basic" practices. However, a considerable proportion of British respondents showed their willingness to accept these practices. But in in-depth interviews, they expressed some ambivalence, as follows:

(i) These practices would lessen training opportunities for individuals in making decisions, and make them less confident in decision-making; hence these practices would work against their seeking jobs elsewhere in the future.

(ii) These practices are not compatible with British values, which respect individual authority and responsibility in relation to a job. If workers ask the advice and opinions of others, including subordinates, about their own jobs in a meeting, they may be thought of as incompetent.

Table 3 DEGREE OF IMPLEMETATION AND ACCEPTANCE OF JAPANESE MANAGEMENT PRACTICES (%)

| | Japanese response | | British response | | Japanese response in Britain re degree of implementation | British response | |
|---|---|---|---|---|---|---|---|
| | Degree of implementation | | Perceived degree of implementation | willingness to accept | | Perceived degree of implementation | willingness to accept |
| | Japanese head-office | Subsidiaries in Britain | | | | | |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Japanese management philosophy | 67.9 | 75.0 | 75.0 | 72.5 | 95.8 | 63.6 | 78.2 |
| Job security (stable emloyment) | 84.6 | 94.8 | 79.3 | 93.3 | 90.5 | 63.6 | 84.9 |
| Continuous in-house training | 55.1 | 84.3 | 51.6 | 89.2 | 95.2 | 51.8 | 96.4 |
| In-house promotion | 92.3 | 60.6 | 61.9 | 92.4 | 85.7 | 71.4 | 90.9 |
| Harmonization bet. managers & managed | 63.5 | 88.9 | 63.1 | 95.6 | 85.7 | 58.5 | 89.1 |
| Small status differences | 38.5 | 70.0 | 70.8 | 94.0 | 81.0 | 57.1 | 83.0 |
| Encouraging team spirit | 51.3 | 85.0 | 64.0 | 90.9 | 95.2 | 60.7 | 92.7 |
| Flexible job boundaries | 53.8 | 63.2 | 81.6 | 91.4 | 71.4 | 69.1 | 81.5 |
| Sharing of corporate information | na | 55.0 | 52.4 | 100.0 | 85.7 | 32.1 | 94.3 |
| Strong emphasis on quality | na | na | 96.9 | 100.0 | 100.0 | 85.7 | 96.4 |
| Consesus decision-making | 47.4 | 33.4 | 50.9 | 81.8 | 66.7 | 46.4 | 63.6 |
| *Ringi** | 79.5 | 17.6 | 50.0 | 65.7 | 42.2 | 27.5 | 51.0 |
| Quality control circles | 67.9 | 38.9 | 46.6 | 79.4 | 81.0 | 48.1 | 79.2 |
| Suggestion system | 92.3 | 33.3 | 34.4 | 78.8 | 52.4 | 21.8 | 70.4 |
| Length of service-based pay rises | 44.9 | 26.3 | 43.6 | 53.1 | 15.0 | 21.8 | 34.5 |
| Length of service-based promotion | 32.1 | 5.3 | 24.2 | 27.2 | 10.0 | 16.4 | 16.7 |
| Job rotation | 53.8 | 38.9 | 31.2 | 56.1 | 35.0 | 8.9 | 41.8 |

Note.

1 The figures in column (1) denote percentage of company top managers of Japanese head-offices having subsidiaries overseas who answered "strongly" on a three-point scale in response to the question : "To what extent do you implement these practices in Japanese companies in Japan ?"

2 The figures in column (2) and (5) denote the percentage of Japanese top managers in Britian who answered "very strongly" or "strongly" on a five-point scale in answer to the question : "To what extent are these Japanese practices implemented in your company in Britain ?"

3 The figures in column (3) and (6), and in column (4) and (7), denote the percentage of British middle managers of Japanese-affiliated companies who answered "very strongly" or "strongly" in response to the two questions : "To what extent do you think these Japanese practices are implemented in your company?" and "To what extent are you willing to accept the implementation of these practices ?"

4 *see note 7 for *ringi*

Sorce : Note 5-(i) and 5-(v).

At the same time, British middle managers have gradually come to realize that these practices have advantages for carrying out their respective jobs and in improving their own performance. They help a middle manager who is responsible for a particular matter to gather different opinions from the participants in group discussions. The other participants can likewise obtain

information on the matter and learn where the company is heading. In this way, participants tend to support each other, creating a feeling of interdependency within a corporate group.

Compared with the practices for expediting the "integration of individuals into the group", those which have worked in Japan to stimulate the "subordination of individuals to the organization" were even less emphasized, nor were they welcomed by the majority of the British. In those countries, especially in the West, where differentiation of individual skills is positively valued, it is understandable that these practices are not welcomed.

Even in Japan, however, these practices, particularly length of service-based rewards, have been significantly weakened, due mainly to the changing values of younger employees, a stagnant economy which lessens advancement opportunities, and the aging population. So that, while practices which help the "integration of individuals into the group" are being maintained, efforts to impose uniformity on employees, and to "subordinate them to the organization," without much regard for their own individualism, are giving way to efforts to "differentiate" between individuals in terms of ability. The Japanese system is gradually being modified so that the varied qualities of individuals can be harmoniously integrated into the group.

These findings *in toto* suggest that, though it will take time and though some modification will be needed, the multiple functions of Japanese middle managers seem to be transferable to both developed and developing countries, when the local nationals realize that assuming the functions mentioned earlier will bring them more extrinsic and intrinsic rewards than otherwise.

## V Concluding remarks

Every management style must be developed in a way in which factor endowments given in a certain environment can be best utilized to attain corporate objectives. In this regard, there will be no universal management style applicable to all circumstances and/or to all stages of economic development. Accordingly, it is difficult to identify a single management style which can be applied in different nation-states.

A management style, in which job boundaries and the responsibilities of middle-level managers are clearly demarcated and in which decisions are made at their own discretion, for example, has advantages in terms of specialization and the division of labor. A certain number of middle managers may surely appreciate such a system, because they enjoy working in a private office without being bothered by other issues which are not primarily related to their jobs. Such a management style, however, inevitably leads to the segmentation of job functions and impedes the establishment of an intra-organizational network which requires the help of "coordination" and "support." Instead, it generates among the members of the organization a sense of alienation from the top and a sense of isolation from their colleagues. Such a style may still function well when professionals are greatly needed. But in an era when international competition becomes keener than ever and human value is diversifying, if everybody moves towards the assumption by professionals of specified and segmented tasks, and an effort to expedite the integration of human talents and expertise is not made, the competitiveness of a company will eventually be weakened.

If this is taken for granted, it can be safely stated that the Japanese mid-

dle management functions which have been made possible by the effective functioning of Japanese management practices deserve thorough study. In this connection, this paper has been written in the hope of providing a baseline for exploring the relevance of Japanese middle management functions in global perspective.

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