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Organization Structure and Characteristics of Japanese Management

Dominik HORVATH*

During 1963 a survey on organization structure and management practices was conducted in approx. 35 companies in the Tokyo area. The firms selected belonged to five different industries: Textile, Food, Machinery, Optical, Electrical Machinery and Appliances.

In each group five sizes of enterprises were visited: 1) more than 5000 employees, 2) 2-3000 emp. 3) 700-1000 emp. 4) 2-300 emp. 5) less than 60 employees.

The five industries indicated above were selected to study management practices in industries with a long history, as well as comparatively recently established branches of manufacturing.

The five size were chosen, because it was anticipated, that the problems and with them practices of management will be different from each other in each size respectively.

Evaluation of the collected data showed that there are basically three kinds of enterprises:

a) corporations with a wide diffusion of shares among the public
b) corporations in which the majority of shares are held by a family
c) privately owned companies.

a) and b) are in the majority in Japan, because of a discriminative taxation law which places a heavier burden on privately owned companies than on corporations.

The organization of large firms showed a strong American influence. Formally many firms are organized according to the US corporation-pattern, but in practice traditional lines of responsibility and authority are kept. Especially notable traditional characteristics are ringi-seido-group decision making and habatsu systems. The retention of these practices indicates, that American management methods adopted after the end of world War II are not always suitable in a Japanese company.

Decision Making in large enterprises is similar to the German primatkolle-galitaet-system: formally all executives are participants as a group in decision making, with responsibility and authority shared among them, in reality one person has a strong influence on the decision. Smaller firms are managed in “one man control” despite the presence of a Board of Directors, which is prescribed by law, the president of the firm has to approve decisions made on a lower level.
Many firms are working on a reform of the present management system, trying
to keep useful traditions and adapt or transform foreign systems to Japanese
circumstances. The Board of Directors is seldom used as a decision making organ,
if actual group decisions are made on top management level, it happens most often
in the meetings of the Executive Committee. In many firms control and control
procedures are in a state of confusion, but much improvement can be seen in larger
enterprises where attempts are made to centralize control procedures in one de-
partment. Quality-cost-financial-and investment controls are highly developed in
most firms.

Marketing, rationalisation especially in the field of administrative work and the
control of organization have still much room left for improvement. Somubu- an
institution to be found only in Japan has had an important role in the past, and
still has it in smaller firms. Because of the complication of procedures and the
specialization of administrative work Somubu has lost much of its influence in
larger enterprises, personnal-, financial-. Accounting sections have become separate
departments in most enterprises after the war.

Today the department has to perform tasks which cannot be integrated in other
departments.

Paternalistic management has undergone a change and is still in a state of tran-
sition. Small firms, the stronghold of paternalism are losing their character because
of the increasing labor-shortage and the difficulty to emply young middle school
graduates. The number of permanent workers is decreasing in small business.
Large firms have become more paternalistic than ever, largely because of the
strong pressure from labor unions to extend their welfare facilities, and also because
of the already mentioned labor-shortage. At the same time interference with the
private life of the employee has decreased or vanished all together. At present
employees have most of the benefits of paternalistic management, but in exchange
give only lifetime-commitment to the firm. The dual structure of the industry is
getting increasingly pronounced. Strong competition among enterprises tends to
force small firms out of business, because they usually can not compete with the
more productive large firms.

The tendency of manufacturing every thing inside one company rather than
buying it also hurts small enterprises who are the traditional suppliers of big
business.

A discussion of wages paid in Japan shows that they are not too low when com-
pared with the percapita national income. Comparison of wages and expenditures
indicate that about 10% of the family’s income can be saved. The monthly take-
home pay is used to cover living expenses, the semi-annual bonuses to buy durable
goods. Welfare-and fringe-benefit-expenses are not very high for the employer,
but the facilities like housing, discount purchases, recreation etc. represent great
savings for the employees.

Representing approx. 1/3 rd of the employees, labor unions do not have a strong position, especially in smaller enterprises. They are organized most often on an enterprise basis and only a few of them are connected with nationwide and politically highly active organizations as Sohyo or Zenro. The financial problems of Japanese major enterprises are the difficulty of borrowing large amounts of capital, overborrowing because of inadequate self-financing, and the dependence on financial institutions.

Small firms are in a still worse financial position obtaining credits from city-banks is almost impossible, only government-subsidized institutions accessible for them. Other ways for obtaining capital are private financing by the owner, short term credits or mortgages by private money-lenders at high interest rates, obtaining loans from parent companies, receiving deposit payment on goods ordered.

A comparison of German and Japanese industry shows many similar features in the historical development of industry, organization structure, decision making and voluntary welfare-programs.