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JAPANESE MANAGEMENT PHILOSOPHIES: FORMATION AND CHANGES

by

Mitsuo Fujimori

1. The Present Situation of Japanese Economy

Recently, the reputation of the Japanese economy and Japanese management has been extremely high. First, durable goods such as automobiles and cameras, attract people's attention. About thirty years ago, when I was a school boy, I saw the movie, "The Pirate and Princess" by Bob Hope. In that movie Bob Hope, the pirate whose name is Captain Hook, said that his hook, which was easily broken, was made in Japan. I remember his joke which sounded bitter to me, a Japanese.

After all the powerfulness of the Japanese economy has been proved by the rate of economic growth. Average real rate of growth during 1955–64 was 9.8 per cent in Japan. In 1965, Japan faced the first real recession. After this recession, five years' average real rate of growth of GNP recorded 2 digits (11.8%), so that, in 1968, the size of our economy reached the second largest size among the free countries. But the recent reputation of the Japanese economy is not because of the absolute value of this rate of growth, but because of overcoming the oil crises which the world economy suffered later.

In October, 1973, OPEC decided to raise the oil price four times as much as before. Japanese called that surprise "oil shock". Oil crises had the same influence on the Japanese economy as on other countries. The prices of goods and services were soaring up. Financial achievement of companies turned to a bad situation. One out of three companies suffered with a red ink condition. In 1974, real rate of growth of GNP was negative. That was the first experience after World War II. In that situation, business companies cut back considerably in energy, capital, resources and employees. This policy was called "trim management". Trimming was done in three fields. The first field was numbers of employees. Japanese business has a custom of life time employment. So, in the ordinary situation the companies do not discharge employees. But, at that time they did all they could including discharge, that is, cut back overtime payments, discharge part-timers, put off promotion of managerial staff, cut the salaries of management, temporary transferring of employees, early retirement, and so forth. It is noticeable that "seniority system" has come to break down through this policy in exchange for retention of life time employment (extention of retiring age). Retirement age has extended from fifty-five to around fifty-eight. (See Table 1)

Table 1. Percentage of Firms Carrying out "Employment Adjustment" Schemes at the Oil Crisis Period (1975–77)

Overtime cuts	67.8%
Discharge of temporary employees and part-timers	63.7
Salary deduction for managerial staff	55.3
Temporary pay-off of employees	39.7
Abandonment of automatic annual increments of managerial staff	29.9
Encouragement of early retirement	18.7
Dismissal of permanent employees	5.7
Abandonment of annual increments of non-managerial staff	3.4

Source: MITI, 1,057 companies listed in Tokyo Stock Exchange

The second field of "trimming" was finance. As you know, Japanese capital structure, that is, net worth/total capital employed ratio has become worse and worse after World War II. In 1973, the ratio was 18 per cent. It means 82 per cent of the capital was debt. In many manufacturing industries, interest expense was the same amount as net profit after tax. One businessman of an iron and steel company said to me, "We are employees of the bankers." When the business condition is favorable, raising funds by debt can be quickly achieved, and so, debt is a means to produce more profit. But when it is unfavorable as in the oil crises period, internal rate of interest is lower than external rate. It is the best financial policy to return debt and to save interest expense. This financial leverage policy was put into practice, and as the result, bankers' influence on Japanese industries seems to have turned weak. Please remember the finance such as bankers and insurance companies have maintained strong, probably strongest position in the economy throughout the period after World War II. That is why the Ministry of Finance and the Bank of Japan had a remarkable influence on the economy. They attracted the most intelligent students from the universities. In fact, the most popular job opportunity to newly graduated students was the Ministry of Finance in the government sector, and Tokyo Marine and Fire Insurance in the private sector. Both of them belong to finance.

The third field is to save energy and resources. Because Japanese industries depend for all the natural resources on imports, they are in the situation where they have to conserve these resources through new technology, if the prices of these resources rise. This saving has been successful in the Japanese economy, and the weight has shifted from heavy chemical industries toward knowledge industries, less consumed resources and more added valued industries such as electric machinery, communication, and automobile industries. In addition to such technologicals, many industries existing for a long time (say, the textile industry) still hold international competitiveness through developing new products. A very few industries declined through the oil crises. They are industries such as petroleum and aluminum refinery which cannot manage successfully with too much expensive resources and energy.

While many countries were in recession, the Japanese economy still kept a rate of growth, 3.7 per cent in 1980. Where does this favorable situation in the Japanese economy, centering in manufacturing industries, come from?

Now, we classify the opinions existing into socio-economic factors outside enterprises and inside factors. The typical opinion for socio-economic factors is "Government Business Relationships", published in 1972 by US Department of Commerce, which is famous for Japan Inc. In this report, they consider the relationship between Japanese government and business with interaction concept. After all they say that Japanese economy is settled by concensus decision making made up by the equilibrium and dependency of the mutual powers between government and business. At that time the Ministry of International Trade and Industry (MITI) took the role of a mediater, not the role of a power holder. In my opinion, this theory was originally made with the background of the economic conflict between US and Japan, and it regarded Japan-American trades as unfair, and found the root of the unfairness in the adhesive relationship between the Japanese government and Japanese industrial world. This theory excluded the traditional opinion that MITI is the headquarters of Japan Incorporated, and defined that the Japanese economy was made up by interaction between the business and the government represented by MITI. In this point this theory is excellent. However, originally this Japan Inc. theory had some resemblance to a former cheap labor theory in the conflict between US and Japan concerning the textile industries.

The relationship between Japanese government and business is different from that of America. This is a fact, but it cannot be regarded as the pricipal factor increasing productivity, because almost all other industries are also highly productive and competitive as well as the industries where the interaction between the government and business worked well.

The typical theory which attributes the productivity of Japanese enterprises to inside factors, is James C. Abegglen's "The Japanese Factory – Aspects of its social organization", 1958.

As the determinate point of difference between Japan and Western countries, he pointed out a life time committment. Once employed, an employee will not be discharged by the management, nor will he leave. He mentioned that recruitment, rewards and incentives, organization and productivity would be different from those in Western countries. His opinion is still now acceptable to some extent.

As often pointed out, the differences between Japan and Western countries are seniority system and enterprise union in addition to this life time committment. These are all only personnel factors, and therefore not efficient in explaining productivity of enterprises.

Why has the Japanese rate of growth of economy or productivity of enterprises been so rapid and high for a long time? The answer is rather simple, because Japan has lots of good merchandises to offer to the world market. Please remember, for instance, automobiles, electric machinery, cameras, watches, iron and steels, electronics, and so on. But this simple answer that Japan has lots of good merchandises, needs other explanations. Why do you have lots of such good merchandises? Frankly, this question is hard to answer.

2. *Long Range Thinking*

Japanese enterprises are rich in long range thinking, or are given the conditions producing long range thinking. I am going to explain it with a few example.

First of all, I will mention top management. As you know, in Japan, the top management of the business does not need to be from a particular class. In fact, the result of my interview survey for sixty-five presidents of electric enterprises shows that there are only two presidents who said that they were from the upper class. One was related to the old imperial aristocracy, and another from a feudal lord family. Most of them said that they were from the middle class, and some of them were from the lower class. But these stories have to be accepted with some discount, because one has a tendency to exaggerate his successful story with pride. However, it can be said that vertical social mobility is high in Japan. Though there exists upward social mobility, a college degree is required as the qualification to enter the top management of big companies. The sixty-five presidents were all college graduates including a military academy graduate. Nowadays, almost all those occupying top management positions can probably be said to be college graduates centered to just several universities. The ratio of the students going to college is one third of all high school graduates.

Now, when we classify the presidents into four dimensions – founders, successors, company-breeds, and "amakudari", that is, transferred presidents from parent companies, banks, or ministries –, we know that the number of company-breeds who were salaried men of their companies are 37.6 per cent, transferred presidents 33.7 per cent, and successors 20 per cent, and founders 10 per cent. If company-breeds and transferred presidents are regarded as non-owners, and founders and successors as owners, non-owner presidents who were employees are 70 per cent, and owner presidents are 30 per cent. We find that there are many presidents in company-breeds (salaried man type) and founders (owner type), who participated in their companies for a long time. The average period of service as a president is 8.2 years. This period is not so long, but the longer the president remains in his company, the better the performance is. Examining the relation between president types and profitability, the research reveals with statistical significance (5 per cent) that the companies with founders have the best performance, and that the companies with "amakudari" presidents have the worst performance. The reason why the formers have high profitability is that founders' entrepreneurship and leadership are excellent.

In Japan, the revulsion against "amakudari", a transferred president, is so extreme that there is an example where a group of the division managers of the absorbed bank overturned the merger decided by the top management. The absorbed bank was Kansai Mutual Bank. Its doninant partner was Sumitomo Bank. The survey made it clear that a company with an "amakudari" president has bad performance and that the employees' morale is low, too. When the rate of the number of transferred directors exceeds 25 per cent of all of board of directors, the employees' morale drops strikingly, and the company where the rate of the directors from outside is less than 25 per cent has better performance. Therefore, in Japan, it is suggested that the company with good performance does not want the director from outside. Please compare this with the situation of major American enterprises. Percentage of the directors from outside companies is 72 per cent of all 25 directors in General Motors, 65 per cent of 20 directors in IBM, 78 per cent of 18 directors in US Steel and 85 per cent of 17 directors in General Electrics.

Another feature of Japanese top management is that the share holders' power is comparatively weak, and that, because of that, the top management has strong power without holding shares. The big share holders of many Japanese big enterprises are institutional share holders, so we can say that a company is owned by other companies. Furthermore, since around 1965, interlocking among companies has begun and grouping has been completed. There are three types of groups in Japan. First one is so-called six major interlockings: MITSUI, MITSUBISHI, SUMITOMO, FUYO (Bank of Fuji), DAIICHI-KANGIN (BDK), and SANWA.

In addition to this kind of financial groups (KINYU KEIRETSU), there are production groups (SEISAN KEIRETSU) and distribution groups (HANBAI KEIRETSU). The production group is the combination through products or production process. For example, Nippon Steel Group, Matsushita Electric Group, Toyota Motors Group, and so forth. The distribution group means some kind of groups which are centered around distribution channels, organizations, or brand names, say, Mitsukoshi Department Store Group, Daiei Supermarket Group, and so forth.

The top management of each enterprise in the group is independent of the share holders. The share holders should be satisfied with an almost fixed, comparatively low rate of dividend. What is given to them instead is the rising market price of their owned share and acceptance right of new capital increase. Because the growth of Japanese economy is rapid and so is the growth of enterprises, the share holders with good market price to their shares must have not wanted to make comment on management. On the contrary managers could manage the companies, independent of share holders. According to one report, the interest group the top management regards as most serious is share holders in America, labor unions in West Germany, and consumers·users in Japan, but recently the situation in Japan has come to change, because many foreign investors came on. For example, it is said that, in Hitachi Mfg., foreign share holders hold 30 per cent of the share. Most of them are oil dollars from Arabs and pension funds from USA. If they demand a high rate of dividend, "silent" stock holders' situation must be changed.

Because of comparatively weak stock holders, Japanese business objectives are a little different from those in Western countries. First of all, I would like to point out that lots of Japanese enterprises have abstractive objectives – business creed. Let me show an instance. This is the business creed of Matsushita Electrics.

National Service through Industry
Fairness
Harmony and Cooperation
Struggle for Betterment
Courtesy and Humility
Adjustment and Assimilation
Gratitude

Progress and development can only be realized through the combined efforts and cooperation of each member of our company. Each of us, therefore, shall keep this idea constantly in mind as we devote ourselves to the continuous improvement of our company.

First of all, Japanese management is prone to think in large national terms and is quite conscious of the interaction between business policy and national affairs. But this type of business creed is not directly connected with strategy or operation of the company.

What kind of objectives are chosen as most quantitative, concrete ones? According to the teaching of American business administration textbooks, business objectives are price earning ratio (PER), maximization of profit or present value maximization of dividends in future, and so on. However, according to Japanese statistics (MITI), there are no Japanese enterprises whose objectives are stock price or rate of dividend. Instead of

Table 2. Most Important Financial Index, 1980

Rate of growth of sales	12.5%
Rate of growth of profit	10.0
Amount of profit	40.5
Margin on sales	17.3
Rate of profit on share capital	1.3
Rate of profit on capital employed	13.7
Capital debt ratio	2.5
Current ratio (or amount of net working capital)	1.0
Market value of shares	0
Rate of dividend	0.4
Others	0.6

Source: MITI

these, in the rapid growth era before the oil crises, the most important financial index was a growth-type objective such as rate of growth of sales, and rate of growth of profit, and in the stabilized growth period after the oil crises, it was a stabilizing type objective such as profit on sales and ratio of profit to gross capital. Recently the most adopted objective is profit amount. This objective means that the absolute profit amount planned ahead is set up and that the enterprise sets out to obtain planned profit. (See Table 2. Most Important Financial Index, 1980)

There are four broad classifications in the strategy adopted to realize the above mentioned financial index. They are, in the order of positiveness, development of new products, expansion of market share of products, cost reduction, and expansion of share of owned capital. If development of new products and expansion of market share are regarded as offensive type objectives and if cost reduction and expansion of share owned capital are regarded as defensive ones, the strategy was defensive type one in 1975 and 76 right after the first oil crisis, and became offensive type ones after 1977. And in 1981, development of new products, the most positive objective, increased to 46.5 per cent, and market share to 29.9 per cent. Cost reduction decreased to 15.1 per cent, and expansion of share of owned capital to 8.5 per cent. Strategy has become more and more offensive. (See Table 3. Changes in Business Objectives.)

Table 3. Changes in Business Objectives

	1974	1975	1976	1977	1978	1980	1981
Development of new products	25.3%	20.4%	18.9%	21.6%	28.8%	38.7%	46.5%
Expansion of market share	46.9	34.1	36.8	41.4	40.5	33.8	29.9
Cost reduction	19.7	27.6	29.4	24.5	20.5	16.9	15.1
Expansion of share of owned capital	NA	NA	8.0	8.3	4.8	3.7	8.5

Source: MITI

According to a survey, the rate of companies with long term planning is 23 per cent in America, and 57 per cent in Japan. If the statistics are restricted to big companies listed in Tokyo Stock Exchange, 74.2 per cent of companies have long range planning. (MITI) It is noticeable that the rate of Japanese companies is two times as much as the rate of American companies, but, as long term planning in Japan takes a form of rolling budget with a three or five year plan, I think we had better call it medium term planning. Only one exception is public utilities, which has ten year long term planning.

Furthermore, for the question whether a president has a perspective of environmental change in ten years from now, positive answers reached to 90 per cent. Thus, it is most significant in Japanese business administration that top management is given fundamentals on which he has long range thinking independent from stock holders.

Long term planning and strategy are getting more and more important. They are needed to adapt in advance the inflexible internal structure of the enterprise to the environment.

Henry Ford founded Ford Motors Co., on 1st of May, 1896, and in November of that year the first cars were on sale. Nowadays, for instance, it took Toyo Kogyo three years from the prototype to the first Mazda 323, and, if we include the market research, it took five years.

A business organization which has products acceptable to the market will survive comparatively easily in that environment.

Secondly, let me explain how life time committment, which is often pointed out as a most distinctive feature in Japanese business administration, takes part in long term thinking.

For example, in wage bargaining, a labor union often calls for a moderate demand rather than a drastic one. This fact does not mean that Japanese employees and labor unions are not economic minded. Many Japanese employees and unions have their own aspirations just like Western people. The reason why a labor union is generous is that they have an inclination to think to some extent in the long term. Where there exists long term employment, even if employees give over the amount of salary demanded, they can take it back at the bargaining table of year-end bonus or of the next year's wage. For them, the most important idea is not only present wages but also life time wages to be aquired from freshman to retirement.

Next, employees normally belong to enterprise unions organized on a company basis, not to trade unions. Let me show an example. SEIKO, a famous watch maker, had to change from making old mechanical watches to quartz watches. Because of that change, the need for mechanical engineers decreased and the need for electrical engineers rose. SEIKO founded a training center in its main factory, and, by On the Job Training (OJT), transferred about three hundred machinists into electrical engineers without discharging them. Of course, this job transfer was not willingly accepted by all. A friend of mine was a skilled mechanic technician. His nickname was the God of watch adjustment. Though he lost his job, he refused to be an electrical engineer. He is now repairing a small quantity of mechanical watches brought to him at a corner of the factory.

It is common in Japan that an enterprise often diversifies and converts its business variously. Now SEIKO is the most influencial micro printer manufacturer as well as a watch maker. YAMAHA, originated from a piano maker, has many divisions, such as motor cycles, music instruments, furnitures, sporting goods and music schools. CANON, originated from a camera maker, has diversified into copy machines, calculaters, computers and office automations.

Consequently, if an enterprise does not discharge employees, it can find no way other than job rotation or job transfer of the employees. That is why there is no room for craft union to be made in Japan. The employees will be happier with job transfer in their company than with the company outside.

With life time employment, the system of joint decision making was created. The businessman's job in Western countries is to read documents or to make his secretary type what he says. Western society seems to be a letter society. On the contrary, in Japan, meetings take the main part of the businessman's job. The other day I planned the class reunion of my university days, and I called some of my friends at their offices. It was 10 o'clock of Tuesday morning. To my great surprise, I was imformed by their secretaries that all of them were in the meetings respectively. I would not call another friend any more. In this meeting, many in the office – both seniors and subordinates – get together, share information, and try to decide joint decision making. This decision making needs time to be decided, however, once decided, as everyone has participation consciousness, it has a feature that its putting-in-operation is done very fast. This decision method is carried out through all stage of business administration. According to a statistics, in the highest body of decision making, decision exclusively by the president is only 30 per cent, but discussion based on many executives' view, with final conclusion by the president is 70 per cent. In the operational decision, almost all the decisions are by "ringi", that is, the process of obtaining the sanction of superiors by circulating a draft plan prepared by the person in charge of the matter.

If you, as a superior, agree with that draft plan, you have to mark on the specific space in the specific form with your own stamp (hanko). As there are sometimes so many superiors who are concerned with the plan, the form is decorated with many red stamps. In general, a very important project (VIP) or an important project (IP) in the company is made decision by meetings with some preparation or lobbying, that is, so-called "nemawashi". And the routine decision of operation is made by "ringi". There are two kinds of "ringi". One is a draft plan which is a substitute of conferences, in order to make decision. Another is informing the people in charge of the matter of carrying out the plan that was already accepted.

In the research division, enterprises where the method and the dead line of achieving research objectives are decided by conference between researchers and their boss, are gradually increasing and come up to 80 per cent.

In Japan, by "seniority system", the relationship between a senior and subordinates continues until the senior retires, so the senior never regards subordinates as their competitors, nor overbears their good ideas. As the result, the foundation for long term research has been given. That a boss and his subordinates frankly offer their ideas is a fundamental condition to produce new products, new technology and new distribution channels. In this respect, Japanese enterprises have an excellent property.

Let me show you another example. Ten years ago I was at UCLA in the west coast of America as a researcher. I was given an office in the campus. I was such a hard worker that I left my office later every evening, and I sometimes went home leaving my notebook open on my desk. One morning I found my notebook in a different place on the desk, and I knew a janitor did not come on that day. So someone must have read it stealthily. The same thing happened the next day. Since only a few people had the keys of that room, I could guess who had done it. Now, such a situation will never occur in the offices of Japanese universities. Because in Japanese universities, the relationships between teachers and students, between seniors and juniors are not competitive. The academic ideas are discussed among them and never stolen. Their relationships will continue without change for a long time, until a teacher's or a senior's retirement or his funeral. We do not ordinarily have a circulating draft paper. We discuss directly with our colleagues to get comments from them, and complete our papers. Our ideas are never stolen through discussion with them. While American academic societies are too much competitive, described with "publish or perish", Japanese academic societies are "harmonious and cooperative" societies. So is the same in the enterprises, where there is an atomosphere to discuss personal ideas on new products. In addition to this, a Japanese engineer's status has been high since the Meiji period, and Faculty of Engineering was established in modern universities from the beginning. The high status of engineers is one of the main forces for the development of Japanese industrial technology.

3. *Can the System Last?*

What I mentioned before might be emphasized too much. The societies which are given basis to think matters in long terms, in fact, are limited to big enterprises, government and so on. Many women are excluded from these societies, and so are small and medium size companies.

This society is often called "uchi" society, where quasifamily behavior principles, long range thinking, is predominant. "Uchi" means something like home, house, and family in Japanese language. For an ordinary Japanese "uchi" society is his home and his company. He calls the company he is working for, "uchi" company. For example, for me, "uchi" society is my whole family and Keio University I was graduated from and I am working for.

In this "uchi" society, their behavior principles are not give-and-take relationships in the short term, but to balance give-and-take in the long term. To what was given, he must someday return monetary counter-presentation or non-monetary counter-presentation. This is often called "onn", "giri", or "kari". Imbalance of give-and-take must be positively avoided.

The organizer of the society must make the members call the society "uchi" society. For example, the seminar in a Japanese university is fundamentally different from the seminar in a Western university. In addition to the study on campus for two years of junior and senior, students have several over-night seminars, and even after graduating, they have several meetings in a year, dining together. In fact, in this March, when the students were graduated, while I was abroad, "sempai", the graduates of my seminar, had a party to celebrate newly graduated students. Such a good relationship will continue probably until my funeral service. Both the students and the graduates call my seminar "uchi" seminar. It is needless to say that, in order to make them call "uchi" seminar, I, as an organizer, need to GIVE them what is more than just my obligation as a teacher. Several parties such as barbecue party and New Year party are held in my house, and about forty students, including the graduates, join the party. My second house is often open to them for over-night seminars. The professors in Japanese universities do the same more or less.

The biggest reason why Japan steadily made social progress is that "uchi" societies like this, mainly, "uchi" societies of big enterprises, have expanded. Do not forget that a "uchi" society is highly competitive with another "uchi" society. Mitsui has a strong competitive sense with Mitsubishi. But within such a society a person lives comfortably. Not only does he engage in economic activities with other members in this society, but also he plays golf or mah-jongg with them. On the contrary, a person feels uncomfortable when he does not belong to this society, especially to a big company, and only his family is his "uchi" society. This situation is unendurable for some Japanese. It is of interest that the believers of a new-risen religion such as Sokagakukai, Rissho Koseikai, and PL-Kyo are the people who cannot belong to the "uchi" society.

Does the society like this really continue to exist on? One researcher insists that this kind of society has existed for two hundred years, since the feudal days, the Edo period. She calls it "tate" society, a vertical society, where rules the principle of one-way lotalty from down to upward, not give-and-take relationships. Here I have to emphasise the following. Even loyalty originally came from give-and-take relationships. In feudal days, the society with the principle of so-called loyalty existed only in "samurai" society with 5 per cent of population, and the society with 95 per cent of population consisting of small merchants and artisans, and peasants was the society with give-and-take relationships. It was thirty years ago that seniority system and life time employment were established dominantly. Before that, they had existed in college graduates of the government and a few big zaibatsu enterprises.

Now, as mentioned before, because this "uchi" society is based on give-and-take relationships in long terms, the organizer has to have enough to give the members for a long time. If he does not have enough to give, this relationship does not come into existence. That is why the "uchi" society has been limited only to good companies and government agencies.

To be able to maintain this society, first, depends upon whether a Japanese enterprise society can give fully to the employees or not, and secondly, it depends upon whether the employees of the enterprise think their enterprise to be a "uchi" society. In the economic growth periods of 1950's and 1960's, the rate of annual base up of wage was higher than the rate of growth of GNP, and the fringe benefit such as company-provided housing and transport allowances was considerable. If a company GIVES fully to the employees, it can expect to TAKE fully from them. Loyalty can be expected in certain circumstances. Loyalty is produced by giving for a long time and not produced without compensation. Small and medium size companies during rapid growth period could not give enough to the employees. As the result of that, "uchi" society in small companies was not completed, and even now such companies are still in an unstable situation. If the Japanese economy does not have enough growth power in the future, "uchi" society will be unstable, and there will be a possibility that whole of Japan becomes unstable.

Furthermore, among young blue-collar workers, some do not think the company they are working for as "uchi" society. The numbers of such workers seem to increase gradually. Young workers of Japan National Railroad (JNR) are one example. Here is a method to know JNR from private railroad lines in Tokyo. Those who are wearing hats at a slant with long hair and who have bad discipline are JNR's workers. They never say "Thank you" with friendly look. Those with neat uniforms are private lines' workers. They say "Thank you" quite often. It is often pointed out that JNR's employees think only paid holidays and fringe benefit. Many workers like them are found in small and medium size companies and among women workers in big enterprises. They do not think of their companies as "uchi". They want to take up another job, if there is a chance.

They say that there are two retirement ages, one is final that is 57 or 58 according to statistics, another is early 40's, that is the crossroad for elite salaried men. There is no problem if the company he is working for has a rapid growth enough to give him an opportunity of higher position. After the second oil crisis, even in big companies, there are few higher positions of middle management, so that a man has to decide in his early 40's to remain here to get a highly competitive position or to go away to another company which offers a rather good position to him. In this situation, it is doubtful that he has pure loyalty to his company, because the company does not give enough to him.

On the whole, "uchi" society will continue for a while, laying stress on long range thinking in Japanese enterprises, but, when a big depression occurs, or when the workers' values change, "uchi" society in Japan runs the risk of breakdown. What I want to say is that Japanese society as well as Western society is a society based on economic transactions, and that what makes Japanese enterprise society different from Western one is only thinking in long terms. And this long range thinking draws the line of discrimination between Western and Japan.

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