TOP MANAGEMENT'S DECISION MAKING IN JAPANESE COMPANIES

by

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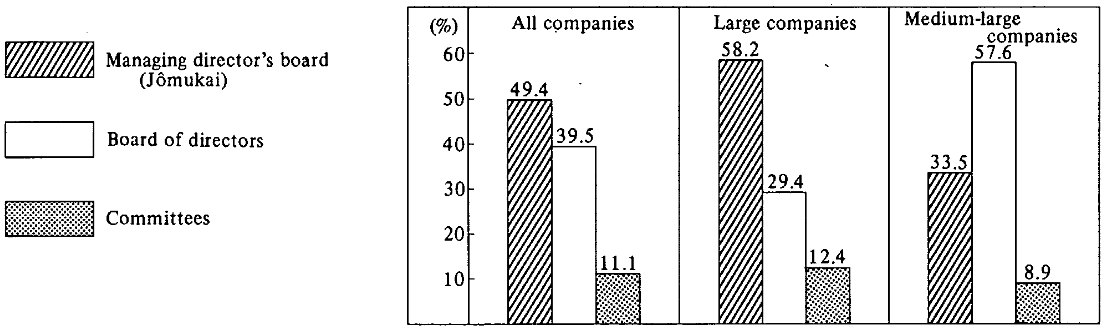
1. The Japanese Top Management

The top management is a group of highest ranking company executives who assume various managerial functions including: 1) Thinking out future business concept enabling the company to develop for an extended period of time, 2) Making strategic decisions for this purpose, and 3) Directing, coordinating and controlling the employees in line with a business concept.

In most Japanese companies, the highest decision making body is also the highest executive organ; in many Japanese firms, the highest decision making body is the managing directors' board unlike the board of directors in the United States and Britain. The larger the company, the stronger the tendency. (see Fig. 1)

Figure 1. Highest Decision Making Body of Japanese Companies



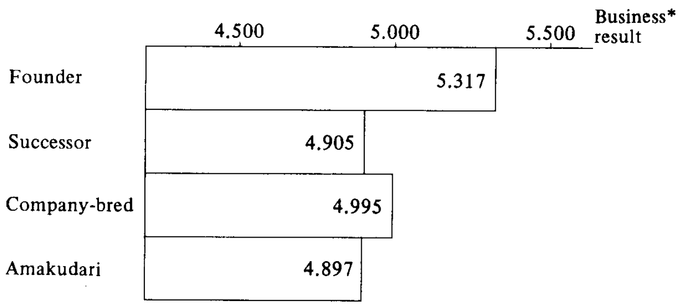
Source: "Managerial Ability Index, 1983", The Ministry of International Trade and Industry (MITI)

The managing directors' board of a Japanese enterprise, that is called as "Jômukai", made up of executives from managing directors on up, is the highest executive organ to assist the president, in addition to being the highest decision making body. Even if the board of directors is the highest decision making body, there are many cases in which each director is also a department head who has management responsibility.

Japanese company top management usually consists of board chairman, president, vice-president, executive directors, managing directors and other directors. The average age of presidents of large U.S. enterprises is 58 and the average period of their being presidents is eight years. Presidents of Japan's manufacturing industry are aged 62.7 on the average, which is about five years older than the U.S. level. They stay in office for an average of eight years. Figures for presidents of large retail companies are 57.8 and 15.0 respectively. The average age of company executives is 57.6 in the manufacturing industry and 52.3 in the retail industry. Many U.S. company presidents are specialized in such fields as accounting, management, law and sales. It is not easy to identify the specialization of Japanese counterparts because Japanese company presidents often experience many types of work before becoming president. A study shows that there is no significant relationship between the special field of the presidents and business performances.

There are four types of presidents in Japanese companies; the founder, successor, company-bred and the *amakudari* (retired high ranking bureaucrat). Companies with a founder president record good business results irrespective of type and size of business, and economic situations. (see Figure 2)

Figure 2. Type of Japanese Company Presidents and Business Performances



Source: MITI Research, 1983
* refer author's book; Growth of Firms in Japan, pp208~214, Keio-Tsushin, Tokyo, 1980

This is mainly because a founder-president is capable of developing new products. However, I found that the growth of a company led by a founder-president aged 65 and over slows down. Founder-presidents account for 6.8 percent of all presidents of large Japanese enterprises. This is compared with 5.3 percent in U.S. counterparts. In general, there is no significant relationship between ages of presidents and business results in Japanese businesses. As for the relationship between the average age of executives and business performances, under favorable economic condition, good business results are recorded by companies with young executives. On the other hand, when economic condition is unfavorable, businesses with elderly executives show good performances. This is probably because in a high economic growth period, active way of management by young executives is desirable while in a low growth period, a prudent method of management by elderly executives is needed.

2. Decision Making Process of Top Management in Japanese Companies

The principal function of the top management is to make decisions in a broad sense, the process of which is divided into three stages; thinking out future business concept, strategic decision making (in a narrow sense), and managing and controlling a business (see Figure 3). The first stage involves personal contemplation, the second a process of harmonized unity in which decisions are made obtaining the consent of many company officers concerned, and the third a process of delegating authorities to trustful subordinates. The following are detailed explanation of each stage as shown in Figure 3.

The First Stage: Formation of future business concept

1) Presidents' understanding of problems

The president and other top management must always pay attention to trend of both external and internal conditions facing the company. They must also constantly be conscious of the company's traditional business philosophy as one of the company's creed. The top management do these things based on their own philosophy. With the recognition of objective conditions surrounding the company, do the top management formulate future business concept and identify problems.

The Second Stage: Process of strategic decision making

1) Decisions on business policies

In face of new business information, the top management with future business concept may specify problems, if there are any, using their intuition and insight. After gathering necessary information, they present the problems at their meeting and discuss measures to solve them. The president makes the final decision and draws up business policies or sets business goals.

2) Discussion and review within the top management

To implement the business policies, the president exchanges views with the executives on strategic plans mainly on products, and makes the final strategic decision. Since this process proceeds in parallel with formulating business policies, the top management at this stage aims at further confirming strategic concept and making related dicisions on, for example, distribution of financial sources needed.

3) U-shaped decision making process involving middle lower management

The top management present their strategic decisions to the middle lower management for discussion. The middle management coordinate their subordinates' views and submit their plans with specific target fugures to the top management. After further studying the proposed plans, the president makes final decisions on a long-range business plan.

The Third Stage: Management and control

1) **Managing and controlling a business based on a long-range plan**

The top management works out an annual profit plan and compiles a yearly budget based on a long-range business plan. They delegate their authorities to execute the budget to the executives and department managers in charge. The budget then is allocated to each department and section so that the employees can perform better.

2) **Feed-back of business performances**

Good business results can be achieved through company-wide demonstration of creativity from top management down to unranked employees. As a base for corporate management and control, a year-to-year business performance is reflected in the next fiscal budget. If business results show no major improvement for a long period, it may lead to a revision of the long-range business plan. If they are largely affected by external and internal conditions facing the company, it may result in a revision of business goals or strategy.

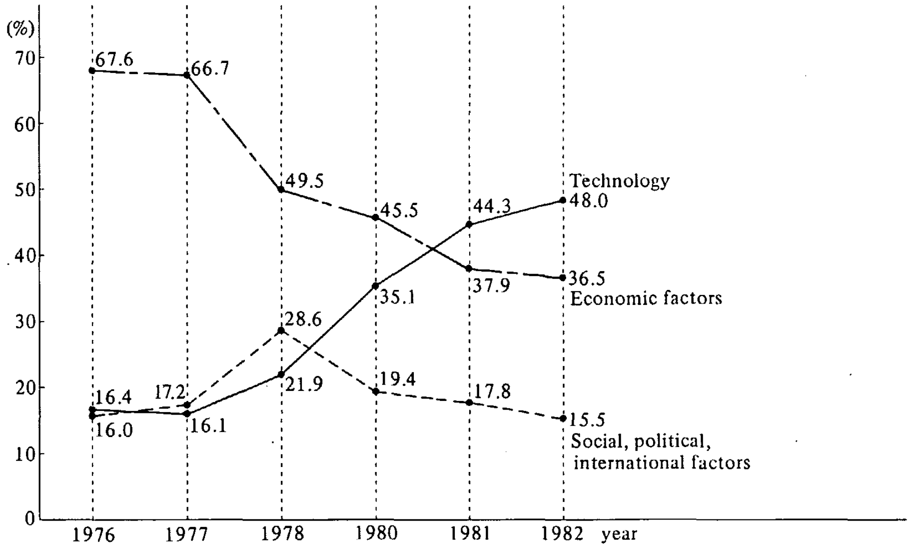
3. Thinking out Future Business Concept and Background Factors

1) **External environments and internal conditions facing the company**

A characteristic of external environments facing modern Japanese businesses is their uncertain and discontinuous character. It is vital for companies to forecast such environments. In fact, it is possible to do so to some extent. The uncertain and discontinuous environments are generally caused by a lack of information on possible future phenomena. Some aspects of the external environments are: economy, technology, culture and international relations. Of the international relations, which are becoming increasingly significant in recent years, political factors are particularly important. For pent-up social discomforts in a certain country sometimes cause a drastic change in international relations. In fact, many of the current changes in world politics are attributed to an unstable government facing people's discomforts. Japanese companies have so far attached importance to economic factors, technology and international relations in this order, but recently, the relative importance of economic factors is on the decline, while technology is becoming increasingly important. (see Figure 4)

Internal conditions here concern strengths and weaknesses of a company. The strengths include conditions that enable the company to cope with discontinuous changes in external environments, while the weaknesses are conditions that prevent the company from doing so. Some aspects of corporate strong points are: long-range viewpoint of the top management, prompt decision making, high levels of research and technology, active attitude towards product development, stable brand and customers, employees' high work morale, firm trust between labor and management, high ratio of owned capital, subcontractors with high levels of technology and firm trust between companies and banking institutions. A weakness of a company, on the other hand, is a lack of flexibility, i.e., inability to cope with the changing external environments. As a company aims at mass production and mass sales in a bid to develop over a long period of time, such fac-

Figure 4. Trend in Important External Factors in Japanese Companies



Source; "Managerial Ability Index, 1983", MITI

tors as workforce, equipment and capital will become large in scale. This may result in organizational rigidity of a company.

2) Business philosophy

Business philosophy refers to the long-established sense of values on organizational management which provides a guideline for future business operation. Modern business philosophy places emphasis on: 1) profit-seeking, and 2) fulfilling social responsibility. Companies holding traditional capitalism and owner-company operators are inclined to profit-seeking, while modern businesses and specialist-operators are more conscious of social responsibility.

Business philosophy differs according to the time and size of industry. Japanese merchants in the *Edo* feudal period practiced family-patterned management. In the *Meiji* period (1867–1911), public enterprises advocated business philosophy centered around national interests. On the contrary, *Zaibatsu* affiliated businesses have mainly held an Westernized business concept since the *Meiji* period until now. By size of industry, smaller companies stress maintenance of their property, whereas large enterprises stress the importance of their social contribution. Business philosophy is expressed in company mottoes, but with only the framework. In other words, many Japanese company mottoes emphasize, for example, good quality products, social contribution, interpersonal trust, human efforts and creative thinking with little reference to profit seeking. The following are some examples of Japanese company mottoes:

> "National service through industry, fairness, harmonious cooperation, — , gratitude", Matsushita Electric Industry Co.
>
> "Harmony, sincerity, pioneer spirit", Hitachi Ltd.
>
> "Maintaining internationalized viewpoint, supplying products of highest efficiency at reasonable prices, and satisfying customers all over the world", Honda Motor Co.

"Ideas and challenge", C. Itoh & Co.

However abstract business philosophy may be, it is very useful and indispensable for growth of a company if it is firmly held by the management and helps work out measures to cope with changing external environments.

3) Personal philosophy of the management

The top management formulates future business concept based not only on external environments, internal conditions facing the company and business philosophy but also on their personal philosophy that is very subjective and of a human nature. Such philosophy is greatly concerned with the personal history of the top management: family life, education, social class, health and experience in operating a business. In particular, experience in philosophical thinking in his youth helps the top management formulate his philosophy. Generally speaking, a company president who suffered adversity in his boyhood such as unhappy family life and social environment or poor health, often sets up an active concept very carefully. A company's philosophy and the top management's personal philosophy are combined to provide standards for drawing up of the company's future business concept. For example, it is possible that the president of electronics apparatus manufacturing company, born in a peasants' family, holds his company creed, "social services", he may draw up a plan to open a factory in a rural district for the purpose of hiring local people, and thereby raising standards of their living. It is also likely that a president, who once experienced uncomfortable hospitalization, may aim at developing a new medical treatment system that can reduce mental and physical sufferings of the patients.

4) Thinking out future business concept

Future business concept is one's view on how a company should be ten years or 20 years from now. What is vital to build it is the management's sense of duty and understanding of what he should do. These factors motivate the management to maintain or further develop the company. Any future plan which is not based on the above factors cannot get the workers to fulfil their duties better. Some managers formulate a whole vision through intuition, and others work out only the framework of a future plan and then gradually complete the whole by an analytical thinking process. In general terms, intuitive thinking is needed under drastically changing business conditions, while analytical thinking is important under stable environments. Anyway, a discontinuous and intuitive thinking is particularly necessary to draw up an innovative future business plan.

4. The Strategic Decision Making Process

1) Awareness of problems, Information gathering

The top management must constantly refine their sixth sense, identify problems, think flexibly and collect necessary information as well as having knowledge about the interrelatedness between collected information. Sixth sense is refined by accumulated experiences and confidence. To collect much information, the top management must have a clear understanding of problems and renew their built-in memories. Otherwise, it is possible that they will overlook important information that may pose a threat to their company, and be unable to select key information. Also, unless the built-in memories which are criteria to select key information are constantly expanded or renewed, it may result in rigidity of the top management thinking. The knowledge of interrelatedness between collected information may help top business executives not to miss information, though trivial and indirect they seem, on changing external environments, that may lead to a threat to their company. The creativity of the top management is demonstrated in their information gathering activities including locating sources of useful information; the top management must obtain information through contacts with leaders of various circles and discuss it at meetings with intimate friends. In addition, they must seek key information from newspaper and magazine headlines and have experts study details.

2) Presentation and review of problems

The top management presents problems which they consider likely to pose a threat to their company in the future. In a company where there is no smooth communication between the young president, for example, son of the company's founder, and elderly executives, the president needs to call their attention by pointing out problems clearly. He sometimes must offer even solutions. On the other hand, in a company where the president has big authority and responsibility, he only suggests problems so that the executives can freely discuss them.

Whether or not the executives take up proposed problems for discussion depends on such factors as the influence of the matters on their posts and their understanding of the problems. The executives would discuss in a very earnest manner matters that are likely to affect their post and promotion. But, they would not express their opinions clearly on matters that may result in demotions even if they think it necessary to discuss them. Instead, they oppose the discussion itself on one pretext or another that seem irrelevant to their demotions. It is also likely that a president who has technical backgrounds may attach importance to information on technical innovations, while his colleague executives majoring accounting may not do so.

3) Working out solutions, Decision Making

The top management work out solutions to proposed problems and make decisions on step-by-step, and trial-and-error basis in a system approach. In other words, if the top management finds the proposed problems critical to the company, they try to work out a solution to them, using a systems approach. This method aims at thinking a whole system of something, i.e., seeking a total optimum by taking into consideration a broad range of time and space.

Such an optimum selection is not made only by the president or a single executive. Instead, the president work out solutions and select an optimum by persuading the other executives participating in the decision making. If the other executives oppose selected optimum for emotional reasons, the president postpone the final decision. But, their objections are logical, the president tries to further discuss the opposers using objective back-up data. Suppose such objections are aimed at retaining posts of the involved executives, the president should act accordingly. Anyway, the president should first determine the true reasons for any resistance of executives. It is not appropriate to persuade Japanese company executives only relying on statistics.

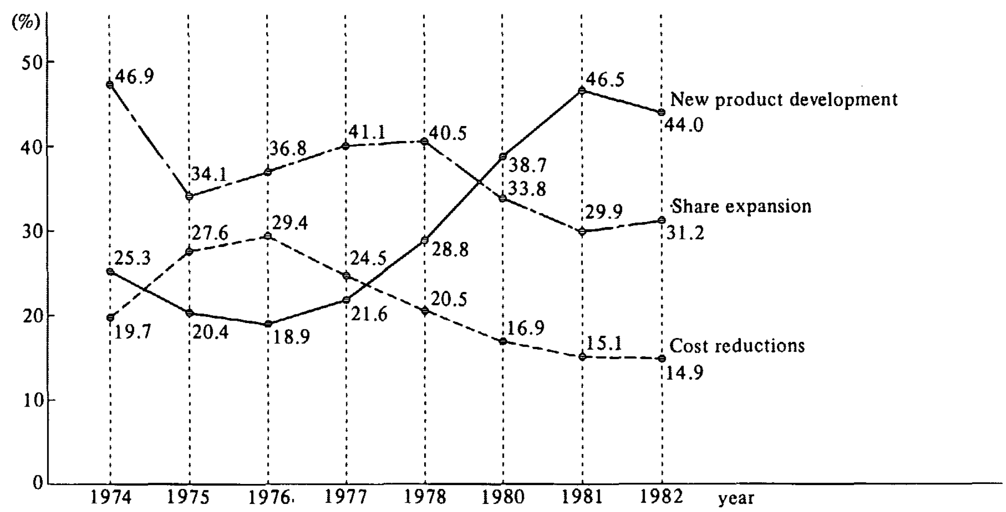
Generally speaking, innovative decisions are made mainly by the president, for a decision involving many executives may often result in a mediocre and uninnovative decision. In a growing company, it is desirable for the president to take initiative in making decisions rather than respecting executives' opinions. But, in a low growth and profit company which cannot afford even a minor failure, it is desirable that other executives participate in the decision making and be held responsible for implementing decisions.

5. *Business Policies (Goals)*

A business policy, formulated on the consensus of the top management, shows the direction a company should take in the future. It is based on personal concept of the president and influential executives decided after vigorous discussions among the top management. Business policies in general terms incorporate business goals.

Business policies of Japanese enterprises attached importance to share expansion of main products and new product development in the high economic growth period (–1974). In a low growth period, cost reductions became relatively important (1975–1977). In the stable growth period (1978–1982), the relative importance of new product development became higher while cost reductions and share expansion became less significant. (see Figure 5)

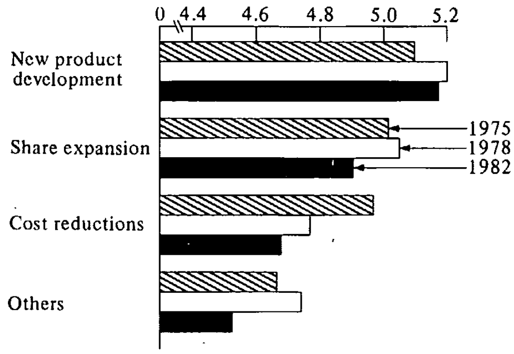
Figure 5. Trend in Important Business Goals in Japanese Companics



Source; "Managerial Ability Index, 1983", MITI

This is because in the high growth period, companies aim at share expansion by marketing newly improved products, but in a low growth period when sales slow down, they try to secure profit by means of cost reductions. In a stable growth period when business competition becomes intense, it is vital that companies develop innovative and competitive products. Three most important business goals of Japanese companies are: 1) new product development, 2) share expansion, and 3) cost reductions. This is followed by business diversification, change of business and raising of owned capital ratio. Few Japanese enterprises attach importance to such goals as harmonious relations with the community, increased welfare for the employees and better consumer services. Companies citing new product development as one of main business goals always show high performances (see Figure 6).

Figure 6. Important Business Goals and Business Performance



This is because such goal urges the employees to change their thought manner and develop their abilities. This in turn will enable a new product development. By this reciprocal process, the employees display their creativity in producing profit and thus contributing to the growth of their companies.

6. *Business Strategy*

Business strategy is measures for the company to cope with discontinuous changes in external environments. These measures are taken mainly for product strategy: companies cope with ordinary market changes with improved remodeled products. Amid discontinuous market and technology-related changes, technically innovative products are needed. If changes are too drastic to cope with only by the product strategy, diversification of business becomes necessary. If there are drastic discontinuous changes in international relations, new overseas strategy will be adopted.

There are two types of business strategy, offensive and defensive. The former includes new product development, business diversification and overseas strategy, and the latter business withdrawal. The "offensive" strategy needs technology and funds, while the "defensive" one careful treatment of personnel involved.

Business diversification is to start a new business which is encouraged by such factors as a drop in the growth rate of company's field of industry and in the profit rate of the company as well as existence of unutilized sources that is so called "slacks". However, most large Japanese companies are constantly diversifying their business in an attempt to cope with changing environments. The strategy of business diversification can be classified as that of; production-related, market-related and expansion into unrelated fields.

In the past, many Japanese enterprises diversified business using their sales market. But now (in 1983), diversification into unrelated fields by redistributing sources is most popular. This is followed by the diversification of market-related by using established sales channels, and company's brand name. This is because companies can no longer grow only with the conventional product-oriented diversification amid the drastically changing environments. In fact, an increasing number of Japanese enterprises are attaching importance to technological factors (see Figure 4). Although there is little relationship between type of business diversification and business results, the starting period of such diversification affects business results: the earlier a company starts it, the better performance it gains. Business diversification is said to contribute to growth of a company, and to profitability to a lesser extent, but excessive diversification is said to negatively affect both factors.

Overseas strategy concerns international trade and overseas investment. Overseas investment strategy of Japanese companies have mainly aimed at securing: 1) sales markets, 2) raw materials and 3) cheap labor. Sales markets have been explored in the United States and other advanced countries to deal with import restrictions imposed by Japan's trade partners and to prepare for fluctuations of exchange rates. Among exporters of raw materials to Japan is Australia. Cheap labor has been available mainly in Southeast Asian nations. But now (1983), the rate of Japan's overseas investment to secure cheap labor is very small. Expansion of sales market tops the list of purposes of Japanese overseas investment, accounting for 60 percent. Next is securing raw materials with 16 percent, and stock dividend plus royalty with 12 percent. Securing cheap labor only accounts for three percent. As for method of overseas strategy of Japanese enterprises, almost half of Japanese companies export products through trading companies and/or agencies. Next is positive overseas investment. This is followed by exports of products through the company's overseas offices and affiliated sales companies. Only a little more than ten percent of Japanese enterprises have no overseas strategy. Investment through overseas production facilities concentrates in fields of electrical machinery, chemical and transportation equipment.

Business withdrawal strategy is to abandon the company's main line of business, which is vital to promote the "offensive" business strategy involving new product development and business diversification. A conventional economic theory that as long as marginal revenues are more than marginal expenses, a production increase results in a maximum profit, only holds under a stable business environment. Amid largely changing business environments like today, there are chances for more profitable products. In order to start production of more profitable products, companies might need to withdraw from some line of business due to limited sources especially in medium-sized companies. In this light, defensive business withdrawal can be regarded as positive as well. What is most important in business withdrawal strategy is to maintain the trust of the people concerned; ranging from those in charge of production and sales of products included in a withdrawal plan to the customers and clients.

Employees in the manufacturing and sales divisions, in particular, will oppose the planned withdrawal for fear that their-accumulated know-how will become useless and they will be virtually demoted. Unless the company deals with these people properly by, for example, rewarding them for their past contributions, it will not only deteriorate work morale of the involved employees and their colleagues, but also affect creativity of the company as a whole. A successful example is a bankrupt company called Kojin which has filed an application for the Corporate Rehabilitation Law. With the closure of main line of business, Kojin's receiver set up an employment promotion committee and placed surplus workforce of 5.000 ~ 6.000 into the Daiei supermarket store chain and other companies. This helped Kojin expedite reconstruction of its management.

Both retail and wholesale sales channels operate based on interpersonal trust established in long years of business deals. If a company withdraws on simple grounds such as a fixed cost increase, it is possible that the dealers may transfer to sales channels of its rival company, giving a hard blow to the withdrawing company.

7. *Long-Range Business Plan*

Long-range plan is indicated with figures. It is set by the following process: First, general staff in the planning and/or president's office draws up a draft plan on the basis of business goals and strategy set by the top management, and referring to figures for past management plans. After being checked by managing directors and managing committee members, the draft plan is shown to the middle management such as department heads or division heads, factory managers and sometimes section chiefs. The middle management then work out more detailed plans and send them back to the general staff.

One of the characteristics of the decision making process of Japanese companies is that it reflects opinions of lower levels of personnels down to section chiefs. It is not merely a bottom-up type of decision making. Instead, it is a "U" shaped decision making in which views of lower rank employees are absorbed by the top management.

Some 65 to 75 percent of Japanese companies listed in the Tokyo Stock Exchange have a long-range business plan, mostly covering three years. However, only 25 percent have a contingency plan. Companies with a long-range business plan show better business results than others irrespective of external environments.

8. *Management and Control*

One of functions of the company president is to carry out business strategy by controlling various activities of the executives in charge. This function includes. planning, organizing and coordinating business, and motivating and controlling the executives.

Business planning is to draw up business policies and goals along with measures to achieve them, on which basis the executives in charge perform their functions. Business organizing is designed to assign work to personnel and to identify who has final responsibility and authority. Specifically, it is to have the management direct their respective departments. Coordination of business generally is to unite various business activities through: 1) formal meetings of managing directors, executive directors, management committee members, etc., and 2) breakfast, luncheon and other informal meetings of the top management. It is most important that the company president obtain the consensus of the top executives on these occasions. Motivating is to provide the executives with what causes them to work hard voluntarily, without forcing them to do so. Important motives for executives include participation in the plans, major delegation of authority, fair personnel management and the president's personal support to them. Controlling a business is not always important if the business planning and motivation of executives are successful. In order to continue for long the above process including business planning and controlling executives, the president needs to evaluate the executives in charge from the long-range viewpoint, taking into consideration the business environment surrounding the company. The president with the long-range viewpoint may count their ability to educate competent subordinates higher than the ability to increase, for example, sales. The president who is conscious of business environments may not evaluate executives by performances alone, if a difference in their performances resulted from a difference in business environments. In this case, even if a better-performing executive may receive a little higher bonus than his fellow executives, but he does not get a higher promotion at all.

9. *Some Characteristics of Top Management's Decision Making in Japanese Companies*

Top management's decision making in Japanese companies are characterized by: 1) long-range business concept, 2) innovative and prompt strategic decision making involving many executives, (Usually "innovative and prompt decision making" contradicts "involving many people in decision making") and 3) management and control through major delegation of president's authority to the executives, the evaluation of whom being made from a long-range viewpoint.

The long-range business concept results from the Japanese business management aiming at long-term survival and growth of the firm itself, rather than at benefiting stockholders; even when there is a drop in profit and stock prices due to a large-scale equipment investment for the purpose of rationalizing and labor-saving, or due to a large investment for the basic research the top management are not held responsible for it. Many top business executives in Japan cite sales increase rates and earnings as important financial indicators, while less than one percent of Japanese top management quote stock prices and dividend ratios.

Another aspect concerned with the long-range business concept is the practice of the president nominating his successor. The Japanese Commercial Code stipulates that a president be selected by the company's board of directors. In actual practice, the president nominates his successor. And the nomination is not usually rejected at a general meeting of the company's stockholders. The president-elect is likely to follow the president's business vision.

Some characteristics of the decision making process of Japanese enterprises are: 1) logic of *kashi-kari* (give and take), 2) *nemawashi* (informal talks behind the scene), and 3) ceremonial decisions made at formal meetings.

A Japanese company president must always do favors to his subordinates and make them have some feeling "in debt" for his favors. The favors include: to help the executives promote or retain their posts, to accept their opinions at official meetings, and to overlook their minor failures related to management. The president even helps the executives to find their daughters' prospective husbands, or their sons find job. Japanese companies with presidents doing such favors show good business results. Unless executives have feelings "in debt" for the president and they have profound trust between executives and president, vigorous discussion may not result consentient goals.

Of the four types of Japanese company presidents, the founder, the successor, the company-bred and *amakudari*, only the first needs not to do his subordinates favors because of his personal charismatic nature, which makes them feel something "in debt" to the president whenever they meet him.

Japanese managers practice *nemawashi* or informal discussions behind the scene before making decisions. For example, the Japanese company president sometimes proposes a plan on informal occasions such as breakfast and luncheon meetings with the executives. If they disagree with the president, they only harden their faces and ask some questions on the matters, without directly voicing their objections. The president in turn reads their faces and tries to revise his plan if needed. This process is *nemawashi* of "open type." The other type of *nemawashi,* that is "closed type" is that the president entertains personally the executive who is greatly impacted by a new plan in a Japanese style restaurant, for example, persuade him heartily and get consent from him. These processes of practicing the logic of *kashi-kari* and *nemawashi* are sometimes referred to as a political process.

Subjects thus fully discussed informally are approved promptly by highest decision-making bodies such as the board of managing directors and the board of executive directors. The larger the company, the more democratic the president's decision making is. A founder-president is more democratic in making decisions, at least in his apparent attitude making his subordinates discuss freely, than other types of president. Because his subordinates knows the founder-president's profound thought well. A son-of-the-founder-president is apt to operate one-man management. Most of the executives around the successor-president are former subordinates of the founder-president and are likely confronted with him. Even if the highest decision making body of Japanese companies conducts vigorous dialectic discussions like in the West, there is underlying trust between the president and the other executives. Instead, it makes decisions in a short period of time with its members fully considering their respective positions on subjects given.

In many Japanese companies, function of management and control is easy one. Because the highest decision making body is usually also a highest executive organ, and top managers as a group participate in a strategic decision making. Substantial delegation of authority from the president to the executives in charge easily leads, without particular efforts, to planning, organizing and coordinating a business, and motivating and controlling personnel. For smooth repetition of the process of management and control, the president must evaluate executives' abilities by their capability to educate the middle management and to bring about vitality in workplace as well as their financial performances.

10. Summing Up

Top management are highest ranking company executives who think out measures to develop their companies, make strategic decisions for the purpose, and direct and motivate their subordinates to perform better. In many foreign companies, a decision making body is separated from an executive organ, but in many Japanese businesses, only one body assumes the two functions.

Three main functions of the top management are: 1) To think out future business concept, 2) To make strategic decisions, and 3) To manage and control a business.

(1) The top management draws up future business concept taking into consideration external environments and internal conditions facing the company, and based on their personal business philosophy. The uncertain and discontinuous external circumstances include various factors such as economy, technology, political situation, culture and international relations. Factors which have become increasing important are technology and international relations. Internal conditions refer to strengths and weaknesses of a company. The strengths include conditions that enable the company to cope with discontinuous changes in external environments. Business philosophy is a long-established value system for business operation. The management's philosophy is formulated on the basis of school education and experiences in business operation. So, managers with different philosophy hold different future business vision.

(2) The process of a strategic decision making is made up of two stages: 1) To decide on business policies, and 2) To work out a long-range business plan. The first stage involves: knowledge of problems and gathering of necessary information; presentation and review of the problems; working out solutions; and decision on business policies. To find problems promptly, the management must constantly be aware of problems affecting future business concept, and contact leaders of various circles in search for vital information. In the ensuing process, they discuss subjects in a logical and scientific manner, but at the same time, they conduct a psychological and political tug-of-war. In the process, the management is required to understand what is really meant in executives' statements and act accordingly. Business policies show the direction a company should take in the future; Japanese enterprises attached importance to share expansion and new product development in a high economic growth period, and cost reduction in a low growth period. In the current stable growth period, new product development is regarded as the most important. Companies actively engaged in developing new products always show good business results irrespective of external economic conditions.

The second stage of a strategic decision making involves: clarification of business strategy and setting up of a long-range business plan incorporating strategic measures. Business strategy includes measures that enable a company to adjust its main line of business to changing environments according to business policies. It is worked out centering on product strategy. There are two types of business strategy, offensive and defensive. The former includes new product development, business diversification and overseas strategy, while the latter business withdrawal strategy. Amid the current drastic changes

in external environments, many Japanese companies are making constant efforts for new product development and business diversification, in addition to conducting overseas strategy. Business withdrawal strategy is necessary to promote the "offensive" business strategy. What is important in abandoning a business is to maintain the trust of the people involved. A long-term business plan is made on the basis of these business strategy and afore-mentioned business policies. Based on a long-term and overall business plan, annual budget and other standards for corporate management and control are worked out. In Japanese companies, a "U"-shaped decision making is common in which lower rank employees participate in the setting of a long-range business plan.
(3) Management and control of a business is to implement a business strategy which has been decided upon. It includes planning, organizing and coordinating a business, and motivating and controlling the employees. For example, to draw up a profit plan and compile an annual budget, which motivates and controls them.

Some characteristics of the decision making process of Japanese top management are: 1) long-range business concept resulting from Japanese way of management seeking survival and growth of the firm itself rather than benefitting its stockholders, 2) innovative and prompt decision making by many executives based on the logic of *kashi-kari* (give and take), and *nemawashi* (informal discussions behind the scene before making decisions), and ceremonial decision making at a formal meeting, and 3) delegation of authority and responsibility from the president to the executives in charge of management and control, and the president's evaluation from a long-range viewpoint.

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