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## A MODEL FOR COMPARATIVE MANAGEMENT AND ITS APPLICATION TO AUSTRALIA AND JAPAN

by

*Damon L. Drummond*

### *Abstract*

A comparative management model is presented utilising research results correlating Australian and Japanese enterprise management in terms of the firms cultural and social environment related to enterprise 'software' (management processes and practices) and 'hardware' (such as, plant and equipment investment) aspects. In the synopsis, reasons for differences in management styles are outlined for factors such as enterprise function, structure, and organisational practices. In addition, future utilisation of enterprise resources and challenges for management are proposed.

### *Key Words*

Japanese and Australian management; enterprise hardware and software (people) interlinks; cultural and social environments; profitability; quality and credibility.

Economies are continuing to internationalise and enterprises are becoming more global in their corporate perspective. As a result comparative management is increasingly becoming an important topic of discussion amongst businessman, bureaucrats, the public and scholars. Recently, key phrases such as, 'strategic alliances' and 'hybrid management' have come into vogue which allude to the need for a greater knowledge and understanding of comparative management, cross-management and its implications. Subsequently, the significance of understanding management of various cultural systems has become critical in assessing, selecting and developing new management styles as enterprises evolve into these new challenging domains.

The author has reviewed numerous comparative management studies and found that the enterprise is depicted primarily in the context of its *cultural and social environment*. However, there is often an frustrating enigma in delineating many of the subjective differences and offering suitable explanations. In this paper, a model for interpreting comparative management in terms of 'software' and 'hardware' aspects of the enterprise is melded to the cultural perspective. This enhances the understanding of the differences in management found in various countries.

In the discussion, an application of this comparative management model is presented

utilising recent research results correlating Australian and Japanese enterprise management. Further, examples of the contrasts between the management processes and practices which are employed to enable the *hardware factors*, such as, plant and equipment investment and other productive elements of the firm, to function effectively in their environment are shown. These processes are defined as the *management software* of the firm.

### 1. *Hardware and Software Framework*

This paper is based upon research which began in 1981 examining both the management styles of Australia and Japan.<sup>1)</sup> The research in itself is structured around a derived model framework which correlates management systems characteristics in terms of 'hardware' and 'software' factors.<sup>2)</sup> Added to this framework is a cultural and social perspective for each nation which is presented to provide a meaningful context to the total enterprise scenario.

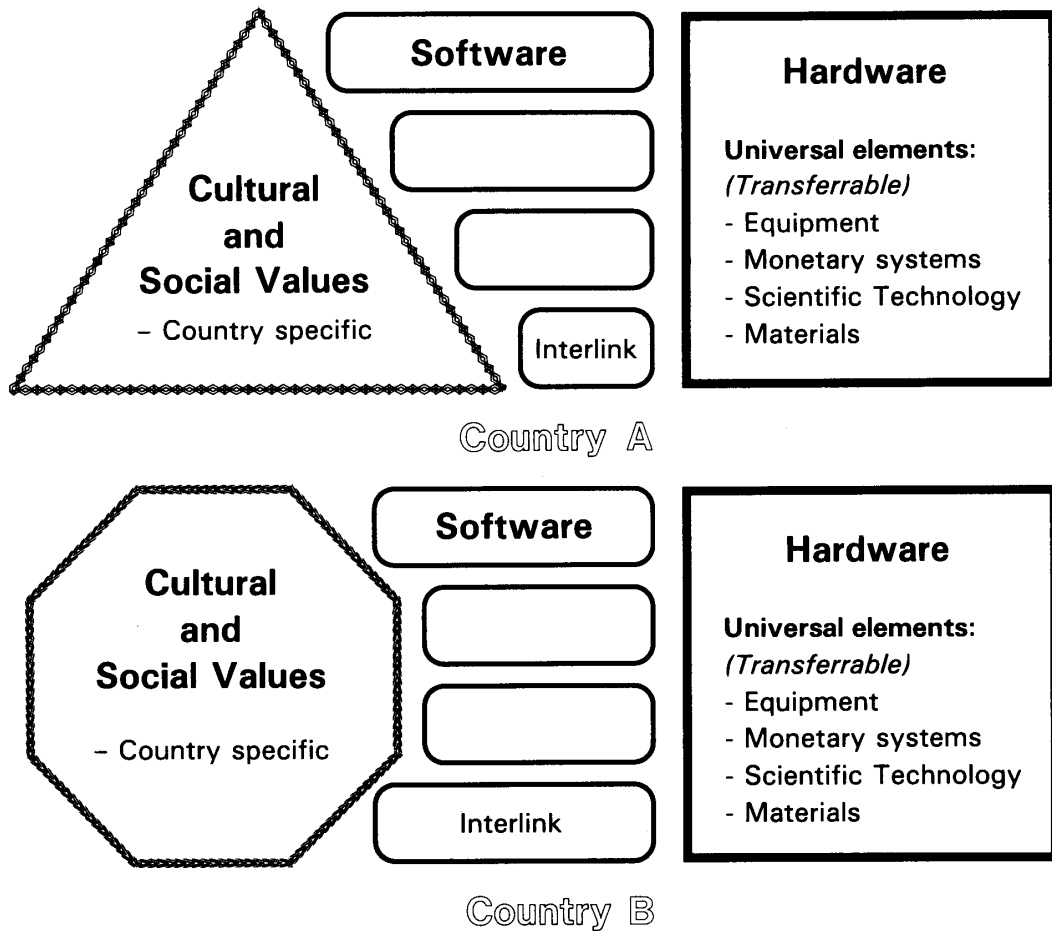
It is an accepted view that every nation possesses an indigenous *social and cultural* setting in which the organisation operates and this needs to be taken into account in any realistic examination. In addition, in the enterprise environment there are many physical and structural aspects which are fixed (for example, technology, machinery, financial infrastructure, and so on) and these factors are generally found to be consistent between nations. These are defined here as the *hardware* components. Placed between the social-culture in which the enterprise operates and the common hardware elements are the interlinking *software* mechanisms of the firm. Illustrating this, Figure 1 is presented as the basis for the ensuing discussion which depicts the hypothetical situation for two culturally and socially diverse countries (A & B).

On the left-hand side of the model representing are two variant shapes each country's cultural and social characteristics. To the right, the hardware elements for both countries are defined by identical rectangles which depicts how these elements are basically similar in content and structure. The software elements are those intermediary enterprise factors which provide the systems, processes and practices which enable the hardware to operate and allow compatibility with the unique cultural and social variances. The functional compatibility of the connecting software factors determines the health of the firm and directly influences the performance of the enterprise. In short, the enterprise software forms the *interlink* between the cultural and social (environmental) systems that exist in any given country and the (universal) hardware systems. It is these intrinsic software characteristics of the organisation that the author suggests are particularly important and this paper is primarily concerned with identifying and describing.

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1) For further reference to the research results see: Drummond, Damon L; 1991, *An Australian and Japanese Management Comparison*, Keio University, Tokyo. Unpublished Doctoral Thesis.

2) The model was developed from a productivity comparison table suggested by McMillan, Charles J.; 1985, *The Japanese Industrial System*, Walter de Gruyter, Berlin, p. 25.



**Figure 1 Comparative Model of Variant Indigenous Cultural Characteristics, Interlinking Software & Universal Hardware Elements**

For example, it is a well established fact that Japanese industrial machinery (hardware) exported overseas generally works well when incorporated with local country practices, however, conversely the wholesale introduction of Japanese management systems (software) does not. Alternatively, consider railway systems which are generally consistent in the hardware they use world-wide, however, they are known to function at different levels of efficiency and effectiveness depending upon the culture in which they operate. This is related to the software systems which are employed to match the hardware with the societal and cultural situation. This is another example of how consistent hardware elements can be, however, the software systems which form the bridge to the local society are culturally specific and are therefore difficult to recreate in different environments.

**2. Australian Software Framework**

The three comparative enterprise dimensions and their interdependence through ‘management software’ have been shown to be of vital and divers importance. However, this encompasses a wide range of issues beyond the parameters of this paper therefore,

only key illustrations will be presented.

### 2.1 Culture

To begin, Australian culture elucidates what is widely referred to as an Australian 'Mateship Spirit'. This has evolved from Australia's British colonial heritage, harsh, daunting, natural environment and the comradeship fostered out of two World Wars. Moreover, Australia is an expansive continent with many frontiers still to be bridged. From its beginning as a pioneering nation, Australians have grown to understand that achievements can only be accomplished in 'partnership' amongst themselves and with others. Subsequently, a special type of comradeship culture exists in the Australian environment which can be described as being placed somewhere between the extremes of groupism and individualism.

### 2.2 Hardware

The enterprise 'hardware' of both countries discussed in this paper is essentially found to be the same. Both Australia and Japan have similar availability and utilisation of plant & equipment, monetary systems, technology and material resources. However, one significant difference does exist in micro factors such as the limited degree of investment in plant & equipment, automation and the utilisation of technology. In this respect, it is known that since the 1970s, Australia compared to its international industrial competitors has been increasingly falling further behind in technological strengths and commitment especially in the manufacturing sector.

### 2.3 Software

Linking the above cultural and hardware aspects are the management software characteristics which provide the means by which the enterprise is able to function effectively.

In Australia, these interlinking elements are identified as being, for the most part, centred around the issue of the enterprises contribution to profit and maintenance of industry standards. This is because managements goal is primarily to satisfy shareholders interests by providing them with industry acceptable dividend returns.<sup>3)</sup> This is a standard of which everyone is aware and in a sense is self-fulfilling because companies that do not engage in this type of policy usually struggle to secure financial market support. Further, this is substantially a very objective approach based upon traditional Western ethos and customary social expectations. General management frequently approaches business issues with a short-term, disjointed view only developed to the extent required to fulfil the need for short-term profitability to produce dividend returns. Therefore, the enterprise management software emphasis is commonly placed upon *financially orientated success*.

As a result, management rarely addresses cultural or societal issues as being relevant

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3) Clearly evidence of this is the repeated public statements of company objectives by Australian firms.

4) The major exception to this being major Australian mining companies which have needed to create entire communities of their own in many isolated Australian outback locations. In this situation they become very concerned with employee and societal issues.

or important to the company.<sup>4)</sup> This leads employees and society alike to distrust management because of the acute lack of communication, interlinking support and understanding between the goals of the enterprise and the values and expectations of these constituent groups. In response, there is a myriad of government legislation and regulations which are constantly being created to protect the rights of individuals and society. Accordingly, Australian companies are compelled to deal with a host of laws and regulations which do not only specify the standards for industrial practices (for example, health and safety) but also detail the behaviour and responsibilities of directors and managers, occupational descriptions and specifications, human rights, trade union operations, industrial relations, patent requirements, financial procedures, disclosures and so on. The end result is a further orientation towards the creation and emphasis of hardware factors which are explicit and are in a sense dehumanising the enterprise.

### **3. Japanese Software Framework**

#### **3.1 Culture**

Japanese cultural values are based upon shared tradition and “Nihonkyô (Japanesque) ethos”.<sup>5)</sup> This has been gradually developed by Japanese society over many generations and is borne out by the national character or identity and shared attitudes of homogeneous Japanese society.

#### **3.2 Hardware**

Hardware, as defined, is basically universal. It is found that the only significant difference between Australia and Japan is related to the degree of general Japanese enterprise investment in technology, not only R & D related but also in robots, automation and computer systems utilisation.

#### **3.3 Software**

In the Japanese firm, what is most important for the observer to comprehend, is that the software aspects related to the ‘*total business relationship*’ are continually stressed. In other words, these software methods are used to achieve the firms standard hardware goals while correspondingly, matching societies traditional cultural expectations and ethical principles.

At the macro level, the enterprise bases many of its objectives on an national industrial policy system which includes all levels of society and is undoubtedly the most sophisticated in the World (comparatively, the Australian industrial policy system would seem dormant). This is demonstrated by the high quality, competitive industry standards which are coordinated, determined and maintained. Japan is also very international and

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5) It should be clarified that Japanese “Confucian ethos” certainly has Chinese origins, common themes and is often stated to be found throughout Asia however, the style practiced in Japan is quite unique and should not be over generalised. There is also the significant presence of Buddhism which needs to be also understood but this is not within the parameters of this paper. The author would prefer to describe this special Japanese mix as Nihonkyô or “Japanesque ethos”

aggressive in its perspective. The industrial process, after consensus of all the parties and consideration of group interests, nourishes industry direction and supports certain courses of development. Currently, the emphasis is on domestic technology (R & D) investment and the modernisation of industrial plant and equipment. Overseas expansion and development are also being incorporated into the overall visionary plan. This type of macro planning is also aimed at projecting Japan well into the 21st Century and gives greater society meaningful guidelines and realistic, supported goals to strive towards.

The motive behind enterprise participation and cooperation with the industrial policy goals is related to the various benefits that filter down and satisfy the growth and security needs of the *enterprise and society as a whole*. The basic need is concerned with effectively producing recognisable results, such as products and profit, (similar to Australia), however, expectations differ as to what the satisfactory levels of attainment should be and where the emphasis should be targeted. Specifically, it has been established that these enterprise goals and related activities are not necessarily for the short-term benefit of shareholders but rather appear to benefit the “*long term vision*” of the business, the interests of employees and other constituents while coordinating with the total industrial policy infrastructure.

It is suggested that Japanese companies are particularly concerned with the “*total credibility*” of the individual, enterprise and society as a whole.<sup>6)</sup> This essentially integrates the cultural (for example, the spirit of loyalty and respect for others) with the management software needs of the firm (for example, identity, growth and security). While this approach is culturally enmeshed it also encourages a strong employee bondage with the firm which is undisputably the underlying strength of Japanese management. It is reflected in the efforts Japanese firms commit in training both management and workers and in the stress they place upon inter-personal communications and cooperation.

In contrast, it is clear that management software in Australia is centred upon *profitability* and the separation of the human element from the identity of the enterprise, whereas, in Japan, the *total credibility* of the business and its relationship with society is viewed as being critically important. These themes are presented in the following two tables which re-introduces the discussion model within the closed system of enterprises for Australia (Table 1) and Japan (Table 2). It illustrates in summary form a number of the major management software interlinks between enterprise culture and hardware which have been identified by the author’s research.

#### **4. Enterprise Change and Attitudes**

It is also true that Australian and Japanese enterprise characteristics are continually changing. It will be interesting to note these developments as they occur but it is difficult to prescribe any particular organisational development path for either country without knowing the environmental and cultural expectations that will also evolve.

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6) The term “credibility” is a concept originally derived from discussions with Professor Ryûei Shimizu of Keio University, Tokyo.

**Table 1 Australian Software Interlink**

SOCIETAL FACTORS		ENTERPRISE FACTORS	
CULTURE		SOFTWARE	HARDWARE
A U S T R A L I A	Protestant ethics	<i>Perspective</i> Domestic, economic orientatio	Utilisation of technology comparatively low
	Mateship & Partnership	Externally set profit standard Strong financial system	
	Large un-populated continent, resources rich environment	<i>Management Structure</i> Management specialist delineation Formalised delegation of responsibility	
	Leisure & sports orientation	<i>Function &amp; Organisation</i> Defined set of organisational structures and occupational expectations	
	Multicultural society	Managers view competence and prerogatives as important	
	Short colonial history	Many regulations and rules which are strictly enforced; Written media strong	
	Low context culture	Emphasis on short term, cost planning to satisfy financial goals <i>Management &amp; Operational Resources</i> Limited socialisation, personnel development and communication outside of that required to fulfil financial objectives Strong legalistic industrial relations system and independent craft unions	
	<i>Theme</i> Profitability		



Table 2 Japanese Software Interlink

SOCIETAL FACTORS		ENTERPRISE FACTORS	
CULTURE		SOFTWARE	HARDWARE
J A P A N	Nihonkyō ethos	<i>Perspective</i> International outlook	Significant equipment and technology investment
	National spirit	Robust, supportive and coordinated industrial and economic system	
	Shared identity & 'Kimono Spirit'	<i>Management Structure</i> Generalist, life-time employees thus, internally promoted and orientated	Robots, automation and computerisation widespread
	Challenge of limited natural resources but large population	<i>Function &amp; Organisation</i> Flexible, long term visionary guidelines based on growth objectives	
	Traditions and long history (Samurai merchant influence)	<i>Management &amp; Operational Resources</i> Information systems developed and open	
High context culture	Strong central personnel function; Flexible occupational structure; People regarded as chief resource; Personnel development supported Enterprise is paternalistic fulfilling the total needs of employees and their families Product development promoted although direct leadership weak Enterprise unions who cooperate with management Dynamic inter-personal relationships continually reinforced; Strong networking; QCC group consciousness and identity		
	<i>Theme</i> Image of quality & credibility		

#### 4.1 Japanese Software Fluidity

Nevertheless, it is suggested that the main thrust of the Japanese change at the enterprise level is towards attaining technical leadership and quality excellence in the world. This is clearly reflected in business investment patterns. The three main themes are its; 1) investment in people, 2) long-term orientation, and, 3) flexibility at all levels of the organisation. The lack of human barriers to change in Japan is displayed in its business flexibility, personnel mobility between functions and acquisition of new skills. It is the emphasis placed on Japanese human resources which is the 'oil' which lubricates the Japanese company system and contributes towards successfully making the Japanese organisation function not necessarily more effectively, but far more productively as a unit. Even more important are the fluid properties of the Japanese system which enable it to adapt to any given situation and take up opportunities as they present themselves. The simple reason for this is underscored by the attitudes of the work-force. All employees from top management to the production line worker have a sense of pride, responsibility and respect for each other and the company. Each individual believes in mutual prosperity and that their contribution is an important to the health and well-being of the total Japanese society no matter how seemingly insignificant their occupation or task.

From the perspective of the company, Japanese management is constantly aware of their responsibility to the dedication of the work-force and responds by enhancing the employees importance in terms of participation in the business activity and decision making. This responsibility also extends as far as the society surrounding the business. Society understands and reveres the long standing, dedication of the Japanese worker. There is an attitude of mutual respect, community spirit and feeling of bondage between the employee, the company and the society as a whole. A succinct, triangular relationship pursuing harmony and mutual goals.

#### 4.2 Australian Attitudes

Australian industry's lack of interest in human resources and poor international performance in the secondary industry can be attributed to a multitude of factors. Many people would begin by simply referring to the long standing government policies on tariff protection.<sup>7)</sup> These tariffs reduce the rates of technological change and diffusion of new technology, therefore, management in such industries can become isolated and inward looking to the extent that human resource skills are also ignored. Governments are easy victims for being blamed for responsibility in this area and this may make the problem easily definable with perfectly acceptable reasoning, but in reality this deflects from the greater underlying problem.

Most of the Australian industry enigmas are really attributable to its management at all levels of society, including government. These problems are founded in 'attitudes' which are ingrained according to historical cultural values. This has certainly been highlighted in the discourse concerning the Australian management software perspective and

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7) Although this issue is currently being addressed by the Australian government it is certainly not yet fully resolved.

needs to be recognised as a part of the real problem. For their part government has continually absolved themselves by declaring that they should let the markets operate freely and that this is not an area for their involvement. This does not resolve the issue and is inadequate reasoning. This results in only reinforcing the continuing “status quo” — the malaise of Australian attitudes.

Australian management is chiefly responsible for the failure to appreciate the importance of human resources to economic growth. As an example, managers have frequently referred to educational institutions as being disinterested in the problems of business. However, the majority of Australian management have in the past had little or no experience with tertiary education and are unwilling to seriously invest money or time to improve the quality of the Australian work-force. This is also reflected in the under utilisation of Australian enterprise research and developments efforts.

In addition, labour trade unions in Australia have also added to the restrictions placed on the introduction of technology as they have identified it as potentially reducing their memberships and therefore market influence. Again this is a mis-understanding of what can be achieved if management, workers, society and government act in cooperative unison.

Many of these findings for Australia also apply to other Western nations to differing degrees.

## 5. *Future Horizons*

Since the 1973 oil crisis period, Japan has continued restructuring and consideration of its role as an international leader. The adept way in which it has been able to achieve this, measured along with its present economic growth and competitiveness has demonstrated its ability as a nation to achieve often seemingly impossible goals. This has given Japan a good degree of self-confidence which has formed the foundation of greater innovations and further growth.

For these reasons Japan has and will continue to make a large commitment to technology. Whether or not it will be successful in its endeavours is a question to which the answer lies in the future. It is also obvious that the formulation of ongoing Japanese industrial policy programs not only provide the stimulus but also supporting infrastructure to create an environment which best promotes this development to the benefit of the nation.

The current world-wide recession is partly due to the sluggishness of technology development and transfer. Major breakthroughs in this area will certainly add vitality to the world economy. At present, Japanese firms are devoting more and more of their manpower and growing sums of money to the development of technology and methods of equitable transfer. There are many who share the view that there is a real need to stop the duplication of efforts in such areas where vast sums of monies are being spent by various nations with largely the same goals. International coordination and direction is suggested as a highly desirable goal.<sup>8)</sup>

In respect of Australia, attitudes will also have to change if there is to be any

significant improvement in the nation's total performance. If Australia ignores the need for meaningful reform much longer it ostensibly could find itself 'economically swamped' by most of its Asian neighbours, many of whom have a related 'Nihonkyô (Japanesque)' styled perspective towards work. In the author's opinion, Australian management must become more professional and take greater responsibility for personally leading the workforce and enhancing the environment and society in which the firm operates. Management must do this through also gaining the respect and understanding of shareholders and financiers who support the business. If successfully effected, this would represent an important societal attitude change.

Government could also play a more active role by coordinating the creation of short, medium and long term industry policies or by setting guidelines outlining the type of environment which the government intends to encourage. Additionally, it should provide industry financial safety nets and incentives for firms to be more aggressive and persuade both the enterprise and society as a whole to be more aware of their responsibilities towards society.

In order for many of these developments to be successful they will need to be achieved in the context of Australian cultural environment. The Australian 'mateship spirit' should prevail. However, it is this spirit which the author feels is often being disregarded by Australian management in its desire to maintain authority. If utilised productively, this 'mateship spirit' could in fact enhance managements ability to gain the trust of both workers and society. If successful implemented, this would symbolise the maturing of a nation and a new Australia.

Today, both Australia and Japan are increasingly becoming aware of the importance of their own bilateral partnership as well as opportunities for cooperation with other regional Asia-Pacific nations. In this sense, the two countries are indivisibly linked in Asia and will continue to influence each other in the future. One example of progress in this area is the creation of the Asia-Pacific Economic Cooperation forum. Furthermore, it is suggested that because of the ongoing integration of the world economy, enhanced communications, mutual understanding, and the greater international mobility of people, there will be a gradual emergence of similar basic attitudes resulting in the gradual adoption of analogous management software systems. However, it is clear that it would not be sensible to try an adopt management practices or processes from alternative cultures without full consideration and adjustment for the organisational culture prevailing. This is what the Japanese have done in the past when adopting to Western and other Asian management practices and this something everyone should observe as being an important guideline.

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8) Plausibly, this is one area in which management could constructively coordinate through such bodies as the Asia-Pacific Economic Cooperation (APEC) forum which is an inter-governmental political body formed to coordinate the direction of future developments in the Asian-Pacific region. Also discussed by; Diebold, William Jr; 1980, *Industrial Policy as an International Issue*, McGraw-Hill, N. Y.; Hadley, E; 1982, Industrial Policy for Competitiveness, *Journal of Japanese Trade & Industry*, No. 5, pp. 45-49; and, Shibata, M; 1984, Working Together for Tomorrow's World-Japan Promotes Industrial Cooperation, *Journal of Japanese Trade & Industry*, Tokyo, No. 1.

## 6. *A Final Word*

It is certain is that the management software that existed in the 1980s does not work in the 1990s and that of this decade will not function appropriately in the next. Changes occur both in cultural values and in the substance of the hardware elements. Correspondingly, if the enterprise is to survive management software must continually evolve to fortify the fit between the hardware elements and the culture within which it operates. Thus, managements role is to build an enterprise “user friendly software” system.<sup>9)</sup> Many organisations will nevertheless fail in the attempt.

This paper has offered a model for comparative management. In addition, it has illustrated how most of the comparative management differences between any two nations are to be found in the management *software* (or people) related factors which are moulded by the unique social, cultural environment and underpinned by the common hardware elements in which the enterprise performs its functions. A number of the differences in the corporate software characteristics and attitudes that exist for Australia and Japan have been highlighted. Further, it is believed that these differences have many strong correlations to other nations and provide the basis for further discussion as management prepares for the changes that are transpiring in our expanding world.

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9) Terminology defined in Drucker, Peter F; 1989, *The New Realities*, Heinemann, London, p. 223.