

The Transformation of the Japanese Management Model

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For more than a decade Japan finds itself in an economic malaise. Three major reasons are clearly beyond corporate control: 1. a vicious cycle of stagnation and deflation, 2. ill-advised macro-economic policies and 3. delayed micro-economic reforms. Yet, in recent years it became evident that also the competitiveness of the Japanese management model itself is on decline. In response, Japanese management is currently undergoing significant change. This transformation has a clear direction which can be summarized as a convergence with more Western-style management practices. One indicator of this trend is the strong growth in consultancies of Western origin in Japan. Own interviews furthermore clearly indicated that Japanese managers are almost exclusively focussing on the USA when looking for inspiration from abroad. This finding of significant change needs, however, five different kinds of substantial qualifications:

First, the move away from the 'traditional' Japanese model towards more Western practices is by no means a new phenomenon. By contrast, this is a trend which one can observe for at least the last 20 years. What can be argued, however, is that the pressure towards change has increased substantially under the current economic crisis.

Second, 'Westernization' is not to the advantage of all corporate members and, consequently, also meets with opposition. Broadly speaking, agents of change are often those at the very top of the hierarchy, who are under pressure to raise corporate profits, and young employees with high potential and specialized expertise, who seek a higher degree of self-actualization. In contrast, middle managers who made sacrifices for their company in the past and are now counting on receiving the reward for their loyalty and hard work oppose any change which might endanger their status. The question of continuity versus change is, therefore, not just about what is best for the company, but also a matter of what is in the interest of those directly involved and, thus, a question of internal power struggles.

Third, Japanese society continues to be a highly collective society and, therefore, fundamentally different from Western societies. It is true that globalization, demographic changes, an increasingly mature economy, material affluence, consumerism, an increasing variety of opportunities as well as new ideas about modernism are challenging the Japanese system of values, needs and demands, stressing increasingly Western concepts such as

individualism, personal happiness, self-fulfilment and self-actualization. To assume, however, that Japan will ever become a 'Westernized' society would be fundamentally flawed. Also not to be underestimated is a certain pride in Japanese exceptionalism that would be only reluctantly abandoned in favour of 'the American way of life (and management)'. Pressure for change coming from within Japanese society should therefore not be automatically equated with a straightforward desire to emulate Western social and cultural values, norms and management concepts.

Fourth, it would be erroneous to assume a stark contrast between Japanese management practices on one side and a homogeneous block of Western practices on the other side. In contrast, there is a continuum on which the highly individualistic American management model and the collectivistic Japanese model are in many ways at opposing poles with, for example, the continental European one in between. The concept of a continuum suggests that the question of continuity (of 'traditional' Japanese approaches) versus change (towards Western practices) is not a question of either/or, but a matter of degree, as Western practices also differ amongst themselves.

Western approaches might, in consequence, serve Japanese companies as an indicator for the direction of change; however, the extent to which this direction should be taken can only be determined under close consideration of the specific Japanese context. In other words, Western management might function as a source for inspiration, but should not be understood in any way as a blue-print to be copied.

To conclude, what was once perceived as a miracle has certainly lost much of its former strength and appeal. In order to regain competitiveness, however, it is not a miracle which is needed, but the development of a rather hybrid approach between traditional practices and more Western ones, which nevertheless has to be in accordance with the specific Japanese socio-cultural context. It is, though, difficult at this stage to predict where this new equilibrium between continuity and change will lie.

For more information on current trends of Japanese Management see: Haak, R. & Pudelko, M. (eds) *Japanese Management: The Search for a New Balance between Continuity and Change*, Houndmills: Palgrave.