



## SAINT MICHAEL'S COLLEGE

Graduate Programs in Administration and Management

### Acknowledgement Form

I acknowledge that the thesis that I submitted to Saint Michael's College while I was enrolled in the Master of Science in Administration Program will be cataloged and made available to the public through the Inter-Library Loan Program at the Durick Library at Saint Michael's College.

Student's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

June 29/1993.

A RESEARCH STUDY OF THE SOCIAL CHANGES THAT  
JAPANESE BUSINESS CULTURE MUST CONFRONT  
TO AVOID DECLINE IN ITS ECONOMY

by

AHMET MURAT KADIOGLU

A Thesis submitted to  
Graduate School of St. Michael's College  
in partial fulfillment of the  
requirements for the  
degree of

MASTER OF SCIENCE

in

ADMINISTRATION AND MANAGEMENT

Winooski, Vermont

1993

## Executive Summary

As the first non-western nation to reach an advanced state of modernization, Japan illustrates a closed society where traditional patterns of meaning still persist. In Japan, economic indicators demonstrate a decline in motivation of the work force.

The objectives of this study are:

1. To demonstrate the changes that have occurred recently in the Japanese economy.
2. To present management solutions needed to combat the social trends that are occurring alongside a declining Japanese economy: aging population, decreasing loyalty, and individualism, all of which are new aspects of Japanese culture.

The Japanese economy has currently undergone vast changes: a performance-based pay system, a sharp decrease in Nikkei Japanese Stock Exchange, and the exchange rate of yen has been increasing to overcome these economic indicators Japan is trying to find new markets mainly in Asia for its products.

First of all, a performance based pay system is put forward due to the fact that Japanese companies are experiencing the demands of having a higher mean employee age. As a result of seniority based wage system a rise in the average age of employees tends to cause a pronounced increase in overall costs.

Second there was a sharp increase in the Japanese stock exchange. This increase was followed by the increasing value of the yen. Also Low interest rates and a readily available interior

market for Japanese products made a contribution. This stimulated the economic growth for two years. Due to the high wages Japanese products hardly sold in the international markets, this led to a great drop in the stock exchange.

Third the exchange rate of the yen is increasing--this is providing a bigger problem for Japan due to the fact that it cannot export its products and still be competitive.

As a result of these three indicators Japan is trying to find new markets for its products. With the recent regionalization in the world, the country is focusing its attention on its neighbors.

These changes create a need for restructuring of the economy. Besides the economic trends there are social trends that are occurring in Japan: The aging population, decreasing loyalty and individualism. Moreover, with the Western influence on Japanese life, companies are looking into new management solutions to preserve economic prosperity.

In the twenty-first century, Japan will have the most aged population in the industrialized world. Since there is no lay off policy, many aged overload workers are sent to overseas branches to provide training for the local employees. There is an increasing automation in the Japanese production facilities which reduces the unit cost for a product. The displaced workers due to automation are given new projects, which naturally expand the company very fast.

The increasing disloyalty in the Japanese work force is seen as an expected result of Western influences since World War II. Today employees are questioning whether or not they have to share the burden of the company's poor performance. Management is providing more benefits, because companies are motivated to compete for workers.

Individualism is also believed to be from Western influences. In Japan, creativity is believed to result from individual thinking. Recently businesses have understood that only creative products will be a means of competition in the future. The Japanese government is providing funds for building technological centers jointly with companies to increase the number of creative thinkers.

The threat of a decline in the Japanese economy is very real (as seen in current economic indicators). The tried and true methods of worker obedience were expected to solve such declines. The new social trends of an aging work force, disloyalty to organizations, and individualism must be taken into account in the adoption of managerial solutions needed to ensure economic advancement in Japan.

To Dr. Mike Hillinger, Robert Letovsky, Debra Murphy, Neal Peterson, Patricia Tursi and Steve Watt for their efforts in editing my paper. To Reizo Asayama and Yoshiyuki Nakata for their recommendations for the content of this paper. To Michiko Yasuda who has helped me to type my paper to turn it in on time. Without their support, my completion of a Masters Degree Thesis would have been impossible.

## TABLE OF CONTENTS

CHAPTER	Page
I. INTRODUCTION	1
A. The Changing Domestic Economy	1
1. Movement to a Performance-Based Pay System	1
2. Drop in Japanese Stock Market	2
B. The Shifting Overseas Market	3
1. The Exchange Rate of the Yen	3
2. Changing Trade Partners	3
3. The Focus on Asian Markets	5
II. STATEMENT OF HYPOTHESIS	5
III. THE AGING JAPANESE WORK FORCE	6
A. Traditional Employment System	6
B. Demographics	6
C. Economic Challenges Related to Demographic Change	7
1. Cost of Reliance on Incoming Workers	7
2. Lifetime Employment Philosophy	8
3. High Cost of Health Benefits	9
D. Management Solutions for the Aging Work Force	9
1. Overseas Placement for Older Workers	9
2. Increased Use of Robotics	9
IV. THE DECREASE IN LOYALTY TO INSTITUTIONS	10
A. The Growing Importance of Leisure	11
B. The Increase in Job-Hopping for Increased Salary	12
B. The Reduced Effects of <i>Wa</i>	13
C. Managerial Solutions to Decreasing Loyalty	14

V. THE RISE OF INDIVIDUALISM	15
A. Individuality in Education	16
B. Individualism in the Japanese Family	17
C. Increased Individuality in the Work Place	18
D. How Managers Adapt To and Benefit From the Rise of Individualism	18
VI. CONCLUSION	20
VII. REFERENCES	22
VIII. APPENDIX 1	23
2	24
3	25

## Introduction

Japan has one of the strongest economies in the free world. For years its workers have accepted high degrees of regimentation and self-sacrifice. As a result, Japan has substantial economic wealth. However, now that Japan is clearly in the top league economically, its people are beginning to question the personal cost of economic achievement. Furthermore, there are many indicators of a major change in the Japanese economic picture. These indicators, coupled with the growing dissatisfaction of workers, poses a serious challenge to the continuation of Japanese economic prosperity. Among these changes are a relative decline in the domestic economy and a major shift in overseas trade and trading partners.

### The Changing Domestic Economy

#### Movement to A Performance-Based Pay System

The decline in the Japanese economy has not spread to the masses because of an unwritten social contract between corporate Japan and its full-time employees (Guvenc, 1983). As a reward for holding down wage demands in good times, workers know that their jobs are safe even in tough times (in fact, unemployment is merely 2%). Nevertheless, wage rate growth slowed to 4.8% in 1992, and prices are increasing--paychecks simply do not stretch as far as they used to (Nakamura, 1988).

In Japan, revision of the current seniority-based wage system has become necessary because of the higher mean employee age and pressure to raise the retirement age. With seniority-based wage systems, a rise in the average age of employees tends

to cause a pronounced increase in overall costs (Christopher, 1982). Many Japanese companies are modifying their pay systems to put greater emphasis on actual employee performance and to modify the wage curve so it peaks prior to retirement, not at retirement, as has been the case up to now. An employee's compensation seems to increase more from additional benefits than increased wages (Christopher, 1982).

#### Drop in Japanese Stock Market

Japan is the second largest market economy in the world. Stocks are viewed differently by the Japanese than by Americans. The Japanese invest to support a company whereas Americans invest for equity. Additionally, personal savings in Japan go into the banks instead of into corporate equities (Choy, 1988). A high proportion of Japanese stock is owned by corporations (Okimoto, 1988). The Nikkei Stock Exchange rose to 38,985.87 in 1990--this was the start of a two-year boom in the Nikkei exchange (Grass, 1991). This rise allowed Japanese managers to enjoy several years of "cheap" money, which resulted in a run-up of shares and real estate prices in the late 1980's. In 1992, the Nikkei index fell to the 16,000 rate (See Appendix 1). One reason for this drop was the reluctance of the Japanese for free trade. This comes from traditional hierarchical interpersonal relationships that place certain "limits or restraints on outward projection of relationships," says a government official (Ishihara, 1989). In other words, rapid changes from the norm do not come naturally to the Japanese. The recent recession in the U.S. and the American

restrictions put on Japanese products fueled the Japanese stock market fall. Japanese tradespeople are having a hard time exporting to the U.S., which is Japan's leading trade partner. Japan is now looking to new Asian markets for export (Okimoto, 1988).

### The Shifting Overseas Market

#### The Exchange Rate of the Yen

To help increase the exports after the war, the exchange rate of the Japanese yen was set at 360 yen to the U.S. dollar in April 1949. It remained at this fixed rate for more than twenty years. Then in December 1971, due to developments in the Japanese economy, the yen was revalued by 16.88% to a new fixed rate of 308 yen to the dollar (Nakamura, 1988). While the yen was strengthened temporarily during the first and second oil crises, in 1973 and 1980 respectively, it was Japan's constantly increasing surplus in its international balance of accounts that put the country on a steady upward economic course. Now that 107.10 yen equal one dollar, Japan's export commodities have become much more expensive (See Appendix 2). As a result of Japanese industry's inability to produce commodities cheaply, the country is losing its competitive edge in world markets, and Japanese companies are having a harder time selling commodities to western markets (Katz, 1985).

### Changing Trade Partners

Japan's biggest trading partner is the U.S.A. (Hammond, 1992). The American market has provided the Japanese with many ways to help build its economy.

The Japanese now are beginning to assume a share of responsibility for the maintenance and stability of international economic systems. This is because of their recent interest in a permanent seat on the United Nations Security Council. As a part of this effort, Japan has signed several agreements with Europe and the United States to reduce the Japanese trade surplus with the countries in the agreements (Grass, 1991). Because Japan does not export to the same countries from which it imports, it is difficult for Japan to have balanced trading with each country it deals with. For instance, while Japan has a trading surplus with America and Western European countries, it has a trading deficit with Canada and the nations of the Middle East (Nakamura, 1988).

With America in a recession, unemployment and record merchandise trade deficits with Japan have created a new round of recriminations against Japan. On the Japanese side, there is a growing ill feeling over what is perceived to be a deliberate misconstruing of the trade issue and an attempt to make Japan a scapegoat for problems of America's own making. Japan's new government seems to be taking American sentiments more seriously than the prior Japanese governments.

### The Focus on Asian Markets

With its declining relationship with the U.S.A., Japan is widening its business role in Southeast Asia. This has had dramatic effects on the region and has eroded the American economic role in the region. The U.S.A. had been the biggest investor in Southeast Asia (Hammond, 1992), but Japan has recently taken over this role (See Appendix 3). Japan is fitting Southeast Asia into its plans to internationalize its industries.

The proximity of Southeast Asia allows Japan a close market for economic growth. The Japanese also realize the trend of growing regionalization in the world. Japanese companies have long had a significant presence in Southeast Asia because it is an inexpensive place to make low-cost, low-technology parts (Choy, 1988). Japan's investment in Southeast Asian countries doubled from 1990 to 1991 (Grass, 1991).

### **Hypothesis Statement**

These indicators: the changing domestic economy and the shifting overseas market, present an economic challenge to Japanese business. This challenge cannot be met by the traditional method of worker self-sacrifice. Why not? Because three important social trends are now forcing a change in the Japanese business culture: an aging work force; reduced loyalty to institutions; and a rise of individualism among the Japanese. These trends will necessitate adopting new management solutions to deal effectively with the changing work force.

## The Aging Japanese Work Force

### Traditional Employment System

It has been a tradition of Japanese society to respect those who are older (Dunn, 1987). In the world of business, too, it is thought that ability increases with the length of service, and therefore, contributions one can make to the enterprise also increase the longer one works there (Alston, 1986). There is usually no lay off system and it is generally difficult to dismiss personnel--this happens only rarely when the business performance of a company has become unfavorable. The life-time employment system used throughout most Japanese companies has two effects. First, it makes management think in terms of long-term training for their employees. And second, it leads them to set wage curves that extend over the whole working life of the employees. In the past, corporate vitality was maintained by training youthful workers, moving them up within the company, providing them regular promotions and wage increases, and giving them a comparatively early retirement.

### Demographics

People are living longer--the average life expectancy for males in Japan was 64 years of age in 1975 and is now 74 (Hammond, 1992). Workers need to work as long as possible into their old age because there are usually no long-term pensions or benefits from companies for workers in retirement (Katz, 1985). In keeping with the standards of other industrialized countries,

half of Japan's companies have raised their traditional retirement age from 55 to 60, and this trend is expected to continue (Choy, 1988).

### Economic Challenges Related to Demographic Change

#### Cost of Reliance on Incoming Workers

These demographic statistics are not compatible with the employment system adopted by Japan's traditional major corporations. Large Japanese companies typically hire graduates fresh from universities. This assures the company of a continuous supply of management-caliber workers by skimming the cream of the graduates (Guvenc, 1983). This periodic influx of new employees is accompanied by a wave of transfers of personnel throughout the corporate organization. Some of these transfers are assignments to other positions to provide room for new employees while others are promotions (Guvenc, 1983). The number of new employees to be hired each year is decided on the basis of the company's long-range personnel plan and the number of persons expected to retire.

This system, while respecting older employees as being experienced, is in actuality dependent on the continued hiring of younger workers. Thus, since the company is biased toward the hiring of younger workers, it is inherently limited in its ability to accommodate an increasing number of older workers (Choy, 1988). In a rapidly changing economy, workers believe it is vital to receive retraining and reeducation required to keep up with changes in technology and job content (Choy, 1988). Many

companies believe that training given to younger workers is more economically efficient than that given to older workers (who will retire much earlier).

#### Lifetime Employment Philosophy

In addition, in the Japanese business culture, which includes the concept of lifetime employment, there is an annual fixed number of employment openings in a given company: almost all new job seekers are assured of finding a job. As the work force ages, companies do not ask older workers to retire to make room for newcomers. Moreover, because large-scale lay offs are unusual, companies must resort to expensive techniques such as transferring personnel to other branches in Japan or overseas, or freezing the increase in wages in order to take on new workers and not lose profits. As a case in point, the Japanese automobile industry is experiencing a decline due to the worldwide recession. Nissan has announced it is going to transfer 5000 workers to perform basic production jobs on Kyushu Island within two years (Schimidt, 1993). This is an indirect way of saying that the company is facing major obstacles. It cannot accommodate all the older workers in their current positions while still hiring new employees, who are thought to be more valuable, at those same positions.

### The High Cost of Health Benefits

Most companies provide health insurance to their life-long employees. Insurance premiums are calculated according to the age factor of the employee, with older employees requiring more funds due to their increased health problems (Alston, 1986). Companies in recent years have incurred increasing economic pressure due to the health insurance of their aging employees combined with rising health care costs (Alston, 1986).

### Management Solutions for the Aging Work Force

#### Overseas Placement for Older Workers

Many Japanese companies are investing overseas. In 1989, Japan doubled its investments in Malaysia and Thailand, and tripled those in Singapore (See Appendix 3). Cheap labor costs in Southeast Asian countries motivate Japanese companies to move production overseas. This expansion has helped Japanese companies create new jobs overseas for their aging workers, who can be paid less by Japanese standards and still enjoy a relatively high standard of living in these countries. Older workers are moved overseas for their experience and as a polite way to indicate it is time to retire (Hall, 1985). These transfers mean openings for new, younger employees to be hired in Japan (Wolferen, 1989).

#### Increased Use Of Robotics

As the number of employees increases due to the aging work force, management is trying to implement the use of robots. Although automation is costly initially, it reduces the cost of

production in the long run (Christopher, 1982). Workers displaced by robots are taught programming or other skills, while the robots are designed to do the repetitive work that workers used to do (Ishihara, 1989). Using robots in production motivates Japanese companies to diversify in different fields. In order to maintain life-long employment practices, these displaced workers must be found other jobs within the company (Ishihara, 1989). For example, when Sony Company used automated production for television receivers, the displaced workers were transferred to VCR production facilities which were not yet automated. This was done in a cost effective manner since the interior design of the VCR's was similar to that of the television receivers (Ishihara, 1989).

### **The Decrease In Loyalty to Institutions**

In Japanese terms, loyalty signifies absolute obedience to the higher ranking person or the elderly. This loyalty is based on the combination of Confucian ideas from China and the original Japanese hierarchy (Earhart, 1984). The Confucian moral code puts emphasis on characteristics such as loyalty, self-sacrifice, justice, sense of shame, and modesty (Earhart, 1984). Japanese people have traditionally placed emphasis on these codes in their daily living. However, due to Western influence on the Japanese since World War II (especially on the younger generation), workers who spend their entire life career with one company may eventually find themselves in the minority (Okimoto, 1988).

Loyalty to companies seems to be decreasing in Japan. Three causes for the decrease in loyalty are the growing importance of leisure, the increase in job-hopping, and the decrease in importance of what the Japanese call wa.

#### The Growing Importance of Leisure

The desire for more leisure time is beginning to be felt in the work force. Young company employees are demanding more time with their families or with friends, and less time at work (Esenbel, 1988). This demand is perhaps because of the increased standard of living. People no longer need to work long hours simply for survival (Hall, 1985).

Unfortunately, an easy-going lifestyle and the work traditions in Japan have not been seen as compatible; this is believed to create "friction" in economic growth. Nonetheless, companies have begun to respond by trying to make the jobs lighter, using automation to let their workers find more time for their family and themselves (Alston, 1986). Furthermore, working hours in Japan are restricted within limits set by the labor standards law. Each enterprise establishes its working hours within these limits (Nakamura, 1988).

Employees who do demand more leisure time are mainly among the 20-40 age group; the 41-55 age group demands less (Christopher, 1982). One senior Japanese employee, remarking on this current trend, laments: "We must not forget that behind the great success of German business in the world market lies many years of hard work. They struggled to build their industries.

Now they are becoming spoiled. Perhaps there is a lesson for all of us" (Hall, 1985, 51). Such a view indicates that those who demand more leisure time are seen by many to be disloyal to the company.

#### The Increase in Job-Hopping for Increased Salary

For the Japanese employee, job-hopping has been looked down upon by the firm and by other employees as a sign of betrayal. Firms even used to discriminate against employees hired in mid-career, and many still do. Notable exceptions to this phenomenon are non-Japanese companies (or joint ventures between Japanese and non-Japanese corporations) with branches in Japan. In these branches, company management has been desperate to fill mid-career positions (Desmond, 1983), and there are an increasing number of Japanese workers willing to change jobs in mid-career (Choy, 1988). As an example, in 1987, the Seiko-Epson Group hired 100 "mid-term" employees in order to acquire outside experience, instead of promoting from within (Okimoto, 1988).

There are more and more people being hired at "mid-term" than ever--admittedly, the number of workers in that category is still a small percentage of the entire work force (Nakata, 1987). Akira Arai, Vice President of Korn/Ferry Internationals, Japan Branch, notes there is more job mobility in mid-term employment, but this tendency is occurring slowly and is mostly from joining a joint venture or foreign company (Nakamura, 1988). Nevertheless, this trend is still a foreign concept to Japanese

business culture and is notable for its potential disruption of company loyalty.

#### The Reduced Effects of Wa

Wa, or "harmony," refers to the quality of human relationships and involves cooperation, trust, sharing, and warmth based on a caring attitude toward others (Hall, 1985). It is a concept that defines life in Japan. The idea of wa arose from the Japanese belief of strict loyalty to higher rank. The success of any enterprise in Japan depends on this harmony (Hall, 1985).

To the Japanese, the existence of wa in business leadership means an individual's ability to listen carefully and to work for group consensus. This is in contrast to the United States, where leaders are usually people with a strong ego and personal charisma. Such leaders are selected for their ability to make decisions and to take responsibility usually without consulting associates (Wolferen, 1989).

In concrete terms, the concept of wa has been displayed in the strong working relationships Japanese corporations have built between suppliers and distributors. However, the growing economic changes, including expansion overseas, necessitate reducing costs in production. This makes supply lines more competitive, and the decrease in life-long employment opportunities reduce the ability to implement harmony in the Japanese work force.

For example, in the beginning of the 1980's, Matsushita had to expand overseas. It moved its stereo production units to the United States and quickly converted its original Japanese units to the production of "walkmans." Matsushita consciously designed the walkmans to use the same parts as their stereo players, only smaller in size. In this way, Matsushita could keep contracts with the suppliers and distributors while still adjusting production, thus preserving the *wa* (Ishihara, 1989). More recently, however, Matsushita has decided to import these same parts from other Asian producers, whose costs are less expensive.

Consequently, the original Japanese suppliers are being let down, which is contrary to the concept of *wa*. Such "disloyalty" is viewed as a real threat to small subsidiary companies in Japan, who rely on larger enterprises to stay true to them, as tradition dictates. Otherwise, any increased profits earned by obtaining inexpensive parts elsewhere will be insignificant to the overall economy, since the original Japanese supplying companies are likely to go bankrupt.

#### Managerial Solutions to Decreasing Loyalty

In order to deal with employees' decreasing loyalty, Japanese management is attempting to compete for employees. The management's goal is to provide the incentive for workers to be more productive (Hall, 1985). For example, some companies like Sony and Matsushita are providing bonuses for workers based on the financial conditions of the company. Bonuses during a profitless year will be small or non-existent, which allows the

company to reduce labor costs even when the work force is constant. In good years, these bonuses allow employees to share profits (Wolferen, 1989)--the power of employees to receive such profits is likely to induce them to take more pride in their work, which could lead to an increase in loyalty.

Other management offerings to entice employees to stay include payment abroad for schooling, on-site or subsidized housing, and interest-free credit for buying cars, paying for weddings, or other larger expenditures (Hall, 1985). These attempts by management are making the Japanese work force market-driven and increase management's ability to keep good employees.

### **The Rise of Individualism**

The wet paddy rice cultivation method used in Japan made it necessary to work in groups and have a system of joint cooperation in order to harvest the crop. The rice farmers had to band together during regular periods of intensive work to plant and harvest the rice. It was also necessary for these farmers to institute systems among themselves for allocating water for the paddies. This cooperation typified the Japanese culture of group consciousness (Dunn, 1987). These days, this group consciousness is starting to decrease due to changes in the social factors of education, family life, and working policies.

Americans tend to reward individual efforts. Through independence and individualism, success is achieved alone and often without someone's help. This may be why piece rate as a

system of reward was developed and has worked in the U.S.A., but failed when tried in Japan (Alston, 1986).

### Individuality in Education

In the summer of 1985, a council for educational reform established by then Prime Minister Nakasone issued a report calling for change in the entire Japanese educational system (Wolferen, 1989). In response to this report, changes in the Japanese educational system included reducing the number of students in class and giving more free time to the students (Guvenc, 1983). It has been hoped that these changes will mean that more creative thinkers will graduate from Japan's schools. Increased creativity could lead to increased individualism and vice versa (Wolferen, 1989). Although increased individualism in itself may not be a goal of the Japanese, increased creativity is a goal in order to prosper from the potential competitive advantages in product innovation and design.

In actuality, Japanese universities have not fulfilled their role as sources of this hoped-for creativity in education. To take up the slack, large companies such as Toyota and Sony, and the Ministry of International Trade and Industry have jointly established "techno-centers." These small cities, devoted to basic research, were developed to provide an environment which encourages creativity (Wolferen, 1989). These centers (such as Toyota City in Nagoya) are staffed by resident scientists as well as rotating personnel from Japanese companies. It is expected that this cooperative venture will produce successful research

that will diffuse quickly from laboratories to businesses (Wolferen, 1989). The main goal of the techno-centers is to emphasize basic research in robotics, artificial intelligence, and pharmaceuticals (Nakata, 1987).

After the Second World War, universities provided education aimed at developing the country's personnel. Now, in order to be more profitable and competitive, companies are taking on the responsibility for the life-long education of their employees (Wolferen, 1989). For example, companies are offering classes relevant to the work environment after work hours, and attendance by the employee is required (Wolferen, 1989). Education in Japan is changing in response to the needs of the companies, and in doing so, educational individualization seems to be increasing.

#### Individualism in the Japanese Family

As in many countries today, the older generation in Japan is worried about the decay of traditional family values and the lack of strong ethics in the younger generations (Hall, 1985). Fewer and fewer children are living in extended families. As a result, there are few children who can benefit from direct contact with the worldly wisdom of the elderly.

Individualism in Japan is evident in independence from the family. As an example, when students go to college in Japan, they usually want to earn their own money and often work while continuing in school (Christopher, 1982). In recent years, as a result of economic growth and the consequent rise in income level, it has become possible for some younger Japanese to

consider renting apartments away from their families (Nakamura, 1988). This has weakened the sense of community. Another difference between the generations is that more and more Japanese youth spend money for their own personal needs rather than looking after their parents (Christopher, 1982). This is seen as a move towards individualism.

#### Increased Individuality in the Work Place

As mentioned earlier, the larger Japanese companies reflect trust in their relationship to employees by providing health and life insurance, housing for some employees, and life-long employment commitments. In return, employees identify closely with the company, which becomes as important as their family (Hall, 1985).

In this traditional closeness, one's personal identity is rooted in the soil of one's dependent and interdependent relations to others, as a member of a group (Hall, 1985). Now, though, a young Japanese seeks his or her identity as an individual and prefers to spend time with family or friends. A survey that was conducted in 1985 reports that 65% of the employees wanted to spend more time with their families after work. Compared to a survey that was conducted ten years prior to 1985 study showed that a 35% of the workforce wanted to spend time with their families after work (Nakata, 1987). Not only is the individual seeking freedom from parents, but he or she is also seeking distance from the work group. This makes it harder

to communicate in the company in traditional Japanese ways (Guvenc, 1983).

#### How Managers Adapt To and Benefit From the Rise of Individualism

In Japan, individualism is thought by management to bring in more creative thinking (Esenbel, 1988). Companies have begun to establish a number of authentic research and development programs. This is in contrast to the former practice of omitting research activities and concentrating on the analyses of competitors' products and minor engineering developments (Wolferen, 1989). Japanese management has started to do research and development internally to originate more ideas in Japan itself.

Now, enthusiastic Japanese employees are starting their own companies with the financial and personnel assistance of larger companies (Alston, 1986). For example, just before retiring, senior employees in large companies may be sent to these new companies as trainers. This also provides opportunities for new hires in the larger companies. There is a rise in entrepreneurial ventures in Japan to manufacture products for the Japanese market (Wolferen, 1989).

Since there are more restrictions on Japanese imports to the U.S. market, individuals are creating products that reflect the Japanese culture. Entrepreneurial success in Japan today depends on the creative power to discover and exploit the possibilities of new Japanese markets. As an example, the spread of Japanese word processors in the 1980's has revolutionized document

preparations at corporate and government offices (Nakamura, 1988). Two million word processors using Japanese letters are produced a year for company and household use. The need for Japanese inventors is increasing due to less availability of foreign patents (Ishihara, 1989). It is inventions like the Japanese word processor that will help speed economic growth.

Now, companies are investing more in creative thinking with the help of government funds. When the American government invests in research and development, the highest proportion goes to military or space. The Japanese government, on the other hand, is concentrating research expenditures in areas where there is a high probability of a substantial return for the Japanese economy (Wolferen, 1989). Japanese management has been prepared to defer maximizing immediate profits in order to increase their market share if they invest in research today.

This increased use of people's creativity and entrepreneurship is a way for the Japanese to harness the rising individualization for the benefit of companies, the people, and the economy.

## Conclusion

Recent changes in Japan's economic status reflect the collapse of the bubble economy, and has resulted in sagging revenues for Japanese businesses. The objectives of this paper were to review the effects of an aging work force, reduced institutional loyalty, and a rise in individualism on the Japanese corporate culture. Increasing individuality in education, family, and work has created an atmosphere where young graduates want some flexibility in their lives.

As a result of individualism, employees are not depending on each other in the work place. *Wa*, or "harmony," is a Japanese attribute in decline. The Japanese government, which has close ties with industry, wants to make use of these two trends by changing the education system in order to train creative thinkers and encourage product innovation through research and development funds. The hope of officials is that the Japanese economy will benefit in the long run from creative thinking.

The aging population is also making an impact on Japanese companies' financial positions. In spite of this, the positive effects of more experienced workers is that "mid-term" switches in employment allow companies to bring in employees already trained in an area. This trend for mid-term switches appears to be increasing.

The results of this research indicate that Japanese business culture is changing and must continue to do so. These changes

have been forced by the aging population, individualism, and reduced loyalty trends.

## REFERENCES

- Alston, J. (1986). The American samurai. Toronto, Ontario: Walter De Gruyter Publication.
- Christopher, R. (1982). The Japanese mind Rutland, Vermont: Charles E. Tuttle Company.
- Choy, J. (1988). Japan exploring new paths. Washington, D.C.: Japan Economic Institute.
- Desmond, E. (1983, August, 18). Business: Japan. Time, p.62.
- Dunn, C. J. (1987). Traditional Japan. Rutland, Vermont: Charles E. Tuttle Company.
- Earhart, B. (1984). Religions of Japan. San Francisco: Harper and Row Publishers.
- Esenbel, S. (1988). Turkish and Japanese relations. Ankara, Turkey: Japanese Embassy.
- Grass, N. (1993, January). Japan. Business Week, pp.42
- Grass, N. (1991, August). Hidden Japan. Business Week, pp.56-60.
- Guvenc, B. (1983). Nihon Bunka. Ankara, Turkey: Is Bankasi Publications (Turkish).
- Hall, E. T. (1985). Hidden differences. New York: Anchor Books Doubleday.
- Hammond A. (1983). The world almanac. Philadelphia, PA: Hammond.
- Ishihara, S. (1989). The Japan that can say no. New York, New York: Simon and Schuster.
- Katz, J. (1985). Japan's new world role. New York, New York: Webster Press.
- Nakamura, H. (1978). Nihon. Tokyo, Japan: Nippon Kintetsu Publication.
- Nakata, T. (1987). Modern Japanese economic development. Ankara, Turkey: Japanese Embassy Publication (Turkish).
- Okimoto, D. (1989). Inside the Japanese system. Stanford, California: Stanford University Press.
- Schmidt, W. (1993, May 10). Nissan. The New York Times, P.8.

Solo, S. (1992, May). Why Japan will emerge stronger. Fortune,  
p.92.

Wolferen, K. V. (1989). The enigma of Japanese power. New York,  
New York: Vintage Books.

Appendix 1

Japanese Economical Outlook

<u>Year</u>	<u>Change in Exports Goods and Services</u> %	<u>NIKKEI Av.</u>	<u>Change in Corporate Income</u> %	<u>Real gain in wages</u> %	<u>Change in Real Dom. Product</u> %
1991	5	21,000	-19	5	4
1992	4	16,000	-20	4.25	1.75
1993	3	17,000	-2	1	1.50

Source: (Grass, 1993)

Appendix 2

**Conversion Rate**

<u>Year</u>	<u>Rounded Rate</u> (# of Yen per \$1 U.S.)
1980	268 ¥
1985	238 ¥
1990	118 ¥
1993*	110 ¥

\* (Estimation)

Source: (Grass, 1993)

Appendix 3

<u>Country</u>	<u>Japan's Investment</u>	<u>U.S. Investment</u>
	<u>Investment (in \$bil.)</u>	<u>Investment (in \$bil.)</u>
Hong Kong	5.35	1.87
Indonesia	2.33	----
Malaysia	1.79	----
Singapore	3.49	0.73
Taiwan	1.31	1.22
Thailand	3.29	0.36
	\$17.56	\$4.18

Source: (Grass, 1991)