CHAPTER SEVEN

BEYOND THE “JAPANESE STYLE OF MANAGEMENT”?:
TRANSFORMATION OF THE CAPITALIST SPIRIT
IN JAPAN TODAY†

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INTRODUCTION

Before the 1990s, the Japanese economy and Japanese enterprises were highly praised by scholars and the mass media alike (Vogel, 1979; Pascale & Athos, 1981, Abegglen et al., 1985). The management system and practices of Japanese companies were termed the “Japanese Style of Management” (hereafter JSM) and were hailed as the secret of Japan’s economic success.

Since the early 1990s, however, the climate drastically changed unfavorably against Japan. Since the “extinction of the bubble economy” in the early 1990s and America’s unparalleled success throughout that decade, the Japanese economy has frequently come under criticism and faced strong demands for reform both at home and from abroad. Many scholars as well as the mass media have called for the JSM either to be significantly reformed or entirely replaced. It goes without saying that the JSM became the center of the controversy because it was considered central to what is unique about Japanese capitalism.

Recently, demands for reform have become stronger, especially after the Japanese economy recorded negative successive economic growth rates in 1997 and 1998 for the first time since World War II. This has shocked Japan and wounded its national pride. At the same time, some newly industrializing countries (NICs) of East Asia, including Thailand, Indonesia, and Korea, were hit hard by the financial and foreign exchange crisis of 1997. Since these countries had long been regarded as followers of the Japanese model of development and had

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maintained exceptionally high growth rates for a long time, the troubles in these countries brought the problems associated with the JSM to the attention of the international academic world and made the reform of the JSM that much more urgent.

Today, the demands for reforming the JSM are closely related with complex domestic and international factors that include the following: transition of the Japanese economy from rapid to slow growth; progress and diffusion of information technology; demands for deregulation; transition to an aging society; declining birth rate; globalization of capital and markets; and diversification and Westernization of employee’s consciousness. Most of these factors are directly or indirectly related to the globalization process and its influence, which is gradually becoming stronger.

This article examines whether the managerial modes of Japanese enterprises are transforming, and determines how fast, if at all, the transformation is actually occurring. Although many critiques of the JSM have been aired and various reform bills have been presented, questions are still being raised about whether or not these reforms are really being carried. Some scholars argue that JSM is not only congenial to the nature of Japanese companies but also contains universal elements (Itami, 1996; Kagono, 1998).

In this context, the article examines empirically the current state and the future direction of the JSM, based on recent data that has been made available. It is hoped that this study will provide an opportunity to ascertain if an economic system such as the JSM, which appears to be at odds with the rapidly globalizing styles of management and economic systems, can survive the age of globalization.

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