American vs. Japanese Management Style: Which One Yields Success?

Martina Bernhauerova

martina.bernhauerova@vsm-student.sk

MG 201 Introduction to Functions of Management

James Caldwell, J.D.

Research Paper

March 8, 2013

1.0 Introduction and Thesis Statement

A company without a good management is doomed to extinction. That is why it is extremely important to choose the right management style that would not only prevent such dreadful fate, but would also bring a desired success to a company. The two mostly discussed styles that compete against each other in terms of which one is more successful are the American and Japanese management styles. Both styles are quite different, and the frequent debate that takes place when comparing these two involves a question, about which one works better and, therefore, should be implemented in companies. When the economy in the USA in the 1970s worsened, the Japanese economy sustained a fairly high growth rate during the same time (Uddin, 2011). The reason behind this could be that Japanese companies were managed in a better way than the American ones. Furthermore, Japanese factories have been considered to be using the best management style with high standards for quality while having the most advanced technology (Zaman & Unsal, 2000). On the other hand, American companies have been very successful in the market as well. According to the World Management Survey, American companies seem to be excellent in their management styles because they are able to survive for a long time; they make more profit, and they also grow faster than companies in other countries (Bloom, Homkes, Sadun, & Reenen, 2011). Many people, though, still think that American companies should learn from the Japanese when it comes to management because they believe that Japanese management is more efficient. **However, even though the Japanese management style does seem to hold a key to running a successful company, it also has its own weaknesses that might not ensure success at all without implementing a few practices from the American management first.**

2.0 Synthesis of Information, Comparing & Contrasting Authors' Views

2.1 Japanese and American Corporate Social Responsibility from Richard E.

Wokutch's Point of View

According to an associate management professor from the Pamplin College of Business in Virginia, Richard Wokutch (1990), the corporate social responsibility (CSR) in Japanese companies is far superior to the American one. Primarily, Japanese CSR can pose as a great example when it comes to the job security and health areas. Furthermore, Japanese companies are very careful about the living environment because the Japanese have always been very reverencing towards the nature, mostly because of their religion. On the other hand, the American companies' CSR demands are not being met adequately. When it comes to the job security and health, American companies are not at the same level as the Japanese ones because the social norms in America differ from those in Japan. However, Wokutch also states that some of the CSR dimensions handled in America are actually far better, and the Japanese can learn quite a lot from them. Moreover, implementing Japanese approaches to CSR might not be too good because there is a difference between the emphasis on individual rights in America and Japan as well as the social environment in general. Unfortunately, the author does not mention any concrete dimensions that are handled better in America though.

2.2 Japanese and American Corporate Social Responsibility from Dominique

Drausnick Mals' Point of View

Dominique D. Mals (2012) from the Philosophy faculty at Westfälischen Wilhelms-Universität in Münster wrote a doctoral thesis about Japan being the leader in corporate social responsibility in the 21st century. According to Mals' research, Japanese organizations follow the beliefs that an individual should be "contributing to the society as a whole." On the other hand, American companies are focused more on satisfying themselves first and only then comes the society. These findings might suggest that American companies could learn some

of the Japanese approaches to CSR. However, Mals does not mention whether the Japanese CSR approaches should be adapted into American companies.

2.3 Comparison & Contrast of Viewpoints on Japanese and American Corporate Social Responsibility

Richard Wokutch and Dominique Mals discussed the differences between approaches of corporate social responsibility in Japan and America. While Wokutch (1990) sees Japanese CSR as superior to that of American companies, Mals (2012) does not belaud either one, or another. Mals simply demonstrates the biggest difference, which is the varying perception of what is more important for Japanese and American companies. According to Mals, in terms of CSR, Japanese organizations emphasize the importance of satisfying the society as a whole whereas American companies usually focus more on their own interests before looking at the society as a whole. However, even though Mals displays Japanese companies as an excellent example of CSR approaches, Wokutch believes that they do not excel in all dimensions of CSR. On the contrary, he states that there are many things that the Japanese could learn from the American approaches to CSR instead. What is more, although Mals might suggest that American organizations could implement some of the Japanese approaches to CSR, Wokutch demonstrates that these approaches will not be suitable for America due to differences between individual rights and social environment in Japan and America.

2.4 Employees and Job Responsibilities in Japan and America: Takeshi Ohsawa's View

Takeshi Ohsawa (2010) from Human Resource Research Institute in Tokyo discusses the differences between American and Japanese management styles in terms of employees – the importance of employees as individuals, their loyalty towards a company, hiring and lay-offs, and job responsibilities.

According to Ohsawa (2010), in Japanese companies, people are a lot more important

than money or anything else. Managers and their employees can be viewed as a big family where each of them takes care of another. He compares the perceptions of a minimum unit within a company in Japan and America. He explains that within a Japanese company, the minimum unit is an individual while in an American corporation, the minimum unit is represented by a job. In other words, American employers focus on preparing the right job descriptions first, and then they try to find the right person with the right skills and abilities to meet the requirements needed for a successful performance of that job. Contrariwise, Japanese employers believe that each person has his/her own skills that will show what kind of job is suitable for that particular person, so there is no need to advertise the job descriptions beforehand - employers will just assign the right jobs to the new employees after learning about their abilities.

Another interesting difference between American and Japanese management lies within the loyalty of employees towards a company. Since Japanese managers and their employees act like a big family, Ohsawa (2010) emphasizes that Japanese employees feel a great loyalty towards a company they work for. Even the contracts are based on trust between employers and their employees while in America, the contracts are based on concrete job descriptions only. Moreover, the great loyalty of Japanese workers also accrues from the fact that Japanese companies guarantee their employees a very good job security until they reach the age of 60 years whereas most of the American companies do not guarantee anything when it comes to a job security. Furthermore, while lay-offs are very often and absolutely common in America, in Japan, such actions are highly unacceptable in the society. Lay-offs in Japan occur only if an emergency comes up, such as bad employee's discipline or bankruptcy.

Ohsawa (2010) further demonstrates two more differences between American and Japanese management styles – hiring and responsibilities for group projects. When hiring a

new employee, Japanese companies look for someone who is cheerful, active, eager, and willing to devote himself/herself to the company, so they often do not hire employees based on their skills and knowledge. On the contrary, American companies specifically hire only those who are suitable for the particular job based on their abilities and proper education. Secondly, the responsibility for a project in Japanese companies is given to a whole team than just to one person like it is in American companies, where a team leader is usually the only one responsible for the project.

2.5 Employees and Job Responsibilities in Japan and America: A Viewpoint of Pisal Yooyanyong and Nuttawuth Muenjohn

Yooyanyong and Muenjohn (2010) also state that managers in Japanese organizations are responsible for their employees, and that they care for them. The managers emphasize the importance of good relationships with their subordinates because it seems to ensure good work performances and better deals. Even though Japanese managers prefer and support harmony and equity between team members, they also support criticizing among themselves. What is more, all compliments or criticism are directed to the whole team. On the contrary, Americans do not use direct criticizing, and they pay almost none attention to a group harmony. All punishments or rewards in American corporations depend on individual performances of employees. The authors, however, do not illustrate the differences between Japanese and American management styles when it comes to employees' loyalty to a company, hiring, or lay-offs.

2.6 Employees and Job Responsibilities in Japan and America: Robert V. Anderson's View

Robert Anderson (2009) from Institute of Certified Professional Managers discusses different approaches to employees and their job responsibilities in America and Japan as well. According to him, Japanese emphasize a life-time employment, and the managers are

responsible for ensuring a harmony among team members who then contribute to achieving their company's goals more effectively. Anderson also says that Japanese managers believe that an employee who stands out among the others should be somehow grounded whereas American managers believe that employees who stick out should probably be acknowledged and promoted.

Anderson (2009) further demonstrates how the job responsibilities of employees in Japanese companies are perceived. He explains that Japanese have a special word for "motivating" others – "ganbare" – which is a rather assertive expression, usually resulting in employees pushing themselves too hard in order to succeed. Another thing demonstrated by Anderson is that Japanese companies rotate their managers every two or three years in order to make them experience various kinds of jobs. Even though the managers have the opportunity to learn about other departments of the company, the learning is limited by the small amount of time spent in each department.

On the basis of a life-time employment in Japan, the management there expects employees to work long hours. Anderson (2009) says that employees spend only a little time outside the company, and if they are not found in their offices late in the evenings, managers transfer them to some dismissible jobs. Because of the fact that Japanese employees have to be loyal to one company, they cannot search for a new job in another corporation. Therefore, they have no choice, but to deal with the meaningful job they were transferred to. The author does not describe the American working hours though.

As far as lay-offs are concerned, Anderson states that when Japanese organizations need to decrease their costs, they usually cut overtimes, transfer their employees, or offer their senior employees an early retirement. On the other hand, American companies always try to keep the profit high for managers, and that is when they start laying off their employees in order to maintain those high profits.

2.7 Comparison & Contrast of Viewpoints on Employees and Job Responsibilities in Japan and America

Authors Takeshi Ohsawa (2010), Pisal Yooyanyong, Nuttawuth Muenjohn (2010), and Robert V. Anderson (2009) explore various differences regarding employees and their job responsibilities in American and Japanese corporations. All four authors agree that Japanese management supports harmony within the organizations where people are more important than money or jobs. Ohsawa describes Japanese management regarding employees and their job responsibilities in more details, including the reasons behind the great loyalty to one company – contracts based on trust, job security until age of 60 years, etc. He successfully compares these practices to those of American companies. Yooyanyong and Muenjohn, on the other hand, give more details mostly only about the different ways of expressing and directing criticism/punishments and compliments/rewards in Japan, where the whole team is being considered, and America, where the evaluation is delivered individually. Anderson, as the only one among all four authors, points out the long work hours that are expected from Japanese workers. Moreover, he successfully argues that job rotation every two or three years within Japanese companies is not always a good thing because of the little time spent in each department. Both Anderson and Ohsawa show the different perceptions of lay-offs in American and Japanese corporations. To sum up, all authors basically describe the main points in different management approaches in America and Japan; however, Anderson also points out a few negative aspects of Japanese management style that can pose as its main weaknesses, which somehow contradicts the generally good perceptions of Japanese management.

2.8 Decision Making Process in Japanese Companies: Viewpoint of Kazue Okamoto and Stephen Teo

Kazue Okamoto from the University of New South Wales and Stephen Teo from the

University of Western Sydney (2009) describe the Japanese style of making decisions in a company. According to them, the decision making process in Japanese corporations consists of two processes – formal and informal. The first one that takes place is the informal process called "Nemawashi." The authors explain that "Nemawashi" is being done among all employees in order to achieve a consensus. Then, the formal process can start by holding actual meetings. With such methods, the decision making process seems to bring even better results because of participation of all employees that involves many different points of view. The authors, however, do not compare Japanese style of decision making process to that used in America.

2.9 Decision Making Process in Japanese Companies: Dinesh P. Chapagain's View

Professor Dinesh P. Chapagain from Nepal (1998), who is involved with National Productivity and Economic Development Centre, also describes Japanese decision making process. He explores this process in a little bit more details. Firstly, he explains the Japanese "Ringi System" as a part of the overall decision making. According to him, this system is very helpful because thanks to it, the implementation of various recommendations and policies. The reason behind this is that the approval and opinions of people involved has already been discussed during this process. However, Chapagain does not explain the details of the "Ringi System." On the other hand, he describes other aspects of Japanese decision making process. According to him, the Japanese have different communication methods which precede the good decision making. Firstly, the Japanese hold regular meetings of all manager levels and other employees every morning. Even their offices' layouts are designed in a way that ensures a good and easy communication between employees and their managers – all employees work with their managers.

Secondly, Chapagain mentions the "Nemabashi" process which means an unofficial leaking of information to those who are involved. However, the name of this process he used

is wrong because it is called "Nemawashi," not "Nemabashi." Another communication method is called "Nomanication" which means exchanging information while eating in restaurants or bars after work. The last important communication method that contributes to a good decision making process is the so-called "Horenso" reporting system. It is an abbreviation from three parts of this system – "Hokoku, Renraku, and Sodan." Chapagain, however, does not provide the right Japanese terms for these three parts since the terms should be as follows: Houkoku, Renraku, and Soudan. Houkoku stands for report that should be comprehensive; Renraku means to contact, and Soudan stands for consultation or discussion (Nihongodict, 2009). Overall, Dinesh Chapagain successfully explains the general methods of decision making process in Japanese companies, but he misspells the technical Japanese terms involved in this process. Furthermore, the author does not provide any comparison of the Japanese way of making decisions and the American one.

2.10   *Decision Making Process in Japanese Companies: Robert Anderson's View*

Aside from the explaining the perception differences between Japanese and American management styles that have already been mentioned in this research paper earlier, Robert Anderson (2009) points out the different methods of decision making as well. He states that American corporations tend to make fast decisions in order to achieve immediate results. Due to this, American managers are usually the only ones making the decisions which are then communicated to subordinates. In Japan, on the other hand, companies use two methods for making decisions. The first one involves a proposal – "Ringisho" – that makes its way from the lower levels of the management upward, seeking an approval – "Kessai." The second method of decision making process is "Nemawashi." Here, there are two approaches that take place: informal meeting or social gathering – "Kondankai" – and formal meetings – "Kaigi" (Nihongodict, 2009). Anderson also demonstrates the advantages and disadvantages of the Japanese decision making process. The main advantage is the bigger participation where all

employees involved can contribute with their opinions and points of view. This, however, can be also viewed as a disadvantage because there are too many people participating and lots of meetings. Moreover, due to the high number of participants, the proposals and decisions are made slowly.

2.11   Comparison & Contrast of Viewpoints on Decision Making Process in Japanese Companies

Kazue Okamoto, Stephen Teo (2009), Dinesh Chapagain (1998), and Robert Anderson (2009) describe the Japanese style of decision making process. The most detailed description is made by Anderson who not only explains the whole Japanese decision making process, including the "Ringi" and "Nemawashi" systems, but he also compares this process to the one used in American corporations. Moreover, he points out the main advantage and disadvantage of Japanese decision making process – more various contributions to decision making vs. slow proposals and decisions. Kazue Okamoto and Stephen Teo lack information about the "Ringi System," and they do not provide any comparison to the American decision making process. What is more, since they do not include the "Ringi System," they wrongly assume that informal and formal methods of decision making process are two different things when, in fact, both are the parts of the "Nemawashi System." Dinesh Chapagain provides a very weak explanation of the "Ringi System" – he does not describe how it works. Moreover, he misspells the technical Japanese terms used in the decision making process, and he does not show any comparison to American decision making process. On the other hand, he provides additional communication background in Japanese companies that lead to a better decision making process, including the "Nomanication" and "Horenso" reporting system.

3.0 Further Thoughts on Japanese vs. American Management Style: Which One Is Supposed to Be Better?

3.1 Japanese Management: A Better But Not So Flawless Way to Success

Japanese management style probably holds a more important key for a successful company than the American one. However, there are some approaches in the Japanese management that have their own flaws which could be fixed by learning and adapting some approaches from American companies.

3.2 Arguments in Favor of Japanese Management

Firstly, Japanese Management seems to be far superior to the American one when it comes to the corporate social responsibility - CSR (Wokutch, 1990, & Mals, 2012). Japanese ensure a better job security; they are more concerned about health, and they strongly care for the living environment. Furthermore, the Japanese always satisfy the society as a whole.

Secondly, Japanese companies practice better approaches towards their employees. For Japanese managers, people and harmony among employees are more valuable than anything else (Ohsawa, 2010; Yooyanyong & Muenjohn, 2010; & Anderson, 2009). In Japan, the employment is a life-time matter where each employee is loyal to only one company. This is a very good aspect because it means a great loyalty from the employee's side. A project is always taken care of by a whole group, team, where all members are responsible for the project equally. All compliments, rewards, or punishments and criticism are directed to the whole team, not only the team leader. Also, when it comes to managing their employees, the Japanese have an excellent approach to make the managers learn about the company they work for as much as possible. The great idea bears the name "job rotation" where Japanese managers are transferred every two or three years to different departments within a company to enhance their knowledge and experience.

Lastly, Japanese decision making process certainly appears to be the best way how to make decisions properly. Thanks to the two methods used for Japanese decision making process – the "Ringi" and "Nemawashi" systems - the proposal of decisions is discussed among all employees and at lower levels of management, and only then it is pushed upward

(Okamoto & Teo, 2009; Chapagain, 1998, & Anderson, 2009). This way, the decisions are made more carefully and more points of view are involved. Therefore, the outcomes are probably better and more successful.

3.3 Arguments against Japanese Management

Even though Japanese management is said to excel in the corporate social responsibility approaches, not all dimensions of the Japanese CSR approaches are superior because there are still some of them that are handled in America better (Wokutch, 1990). Moreover, Americans and Japanese have different emphasis on the social environment and individual rights; therefore, it is hard to tell which CSR approaches are better for a company's success.

Although Japanese companies practice better approaches towards their employees, at the same time, the preferences in hiring workers and a different perception of job descriptions are not so good (Ohsawa, 2010; Yooyanyong & Muenjohn, 2010; & Anderson, 2009). A great loyalty from the employee's side towards one company is very good. However, if, for some reasons, an employee is transferred to a meaningful job because of bad performance, he/she cannot apply for a job in a different company due to the "life-time employment." When it comes to responsibilities for a project, it might be good that the whole team is responsible for the project, but it also means that even those, who are not at fault when something goes wrong, will be criticized and punished. Regarding Japanese managers, they are supposed to enhance their knowledge and experience by being placed in different departments within the company they work for every two or three years. However, two or three years is a small amount of time, during which managers cannot really become too much of experts on the different departments' practices.

Even though the Japanese style of decision making process might be better and more successful because decisions are made more carefully and more points of view are involved,

this process is much more time-consuming and slow than the American one where the decisions are made fairly quickly.

3.4 Weaknesses of the Arguments against Japanese Management

As far as the corporate social responsibility is concerned, the arguments against Japanese approaches are quite feeble because the authors discussing this issue have not provided any further information about CSR dimensions that are better handled in America. Therefore, it is difficult and almost impossible to identify whether there is really something that Japanese should learn from Americans in this matter.

When it comes to employees and their job responsibilities in Japan and America, the statement that American team leaders are the only ones responsible for the whole team and the project they work on is not supported properly. In American corporations, each employee is responsible for his/her job; the team leader is not the only taking responsibility for either success, or failure. Furthermore, when the project is a success, all team members profit from it, and when it is a failure, again, all team members suffer from it. Regarding the job rotation within Japanese companies, the statement whether two or three years is a small amount of time to become an expert is irrelevant. Some people learn quicker than others, so for them, such amount of time might be just right and sufficient in order to learn all the most important practices in different departments. They might not become experts, but they certainly learn more about other departments thanks to this than from sticking to their department only.

As for the decision making process, in terms of identifying a more efficient way of making decisions, the Japanese are still better at this. Even though it might take more time, the fact that they come up with better decisions that are not hasty still remains.

4.0 Conclusion

The main point of this research paper was to compare the Japanese and American management styles and find out which of these styles has better assumes for managing a successful company. By comparing different views of various authors discussing main differences, such as the corporate social responsibility approaches, perceptions of employees and their job responsibilities, and methods of decision making process, it can be said that Japanese management presents a bigger chance of success. However, there are still some flaws in the Japanese style that makes this statement a little bit questionable. Still, even though Japanese can learn a few things from the American corporations, they do not have to learn as much as Americans should learn from them. To conclude, Japanese companies are on this path much closer to the desired destination going under the name "success," and when they adapt some of their missing practices from American corporations, they will certainly arrive to the goal straight away.

5.0 References

Anderson, R. V. (2009, March/April). *Japanese and American management: Contrast of styles.* Retrieved February 5, 2013, from http://cob.jmu.edu/icpm/management_world /CMartMar09.pdf

Bloom, N., Homkes, R., Sadun, R, & Reenen, J. V. (2011, June 13). *Why American management rules the world* [blog post]. Retrieved February 1, 2013, from http://blogs.hbr.org /cs/2011/06/why_american_management_rules.html

Chapagain, D. P. (1998). *Japanese style management.* Retrieved February 1, 2013, from http://www.dineshchapagain.com.np/admin/files/Japanese%20Style%20Management. pdf

Houkoku. (2009). In *Nihongodict Japanese online dictionary.* Retrieved from http://www .nihongodict.com/?s=houkoku

Kondankai. (2009). In *Nihongodict Japanese online dictionary.* Retrieved from http://www .nihongodict.com/w/27720/kondankai/

Mals, D. D. (2012). *Japan: Leader in CSR for the 21st century.* Retrieved March 2, 2013, from http://miami.uni-muenster.de/servlets/DerivateServlet/Derivate-6544/diss _drausnick.pdf

Ohsawa, T. (2010, January 2). *Introduction to characteristics of Japanese management style: For better understanding of cultural differences in comparing MBTI data of Japan with that of other countries.* Retrieved February 1, 2013, from http://www.docstoc .com/docs/21041155/Introduction-to-Characteristics-of-Japanese-Management-Style-For

Okamoto, K., & Teo, S. T. T. (2009). Forms of informal management controls in overseas Japanese companies: A qualitative study. *Employment Relations Record, 9*(1), 64-82. Retrieved from Business Source Complete database.

Renraku. (2009). In *Nihongodict Japanese online dictionary.* Retrieved from http://www
.nihongodict.com/w/54159/renraku/

Soudan. (2009). In *Nihongodict Japanese online dictionary.* Retrieved from http://www
.nihongodict.com/?s=soudan

Uddin, M. J. (2011, July). Impact of Japanese management approaches on workers: Evidence
from Brazil. *Interdisciplinary Journal of Contemporary Research in Business, 3*(3),
443-450. Retrieved from Business Source Complete database.

Wokutch, R. E. (1990, May). Corporate social responsibility Japanese style. *The Executive,
4*(2), 56-74. Retrieved from Pamplin College of Business website: http://www
.management.pamplin.vt.edu/directory/Articles/Wokutch7.pdf

Yooyanyong, P, & Muenjohn, N. (2010). *Leadership differences: Comparison between
American and Japanese expatriate managers.* Retrieved February 2, 2013, from
http://jgxy.usx.edu.cn/DAOM/097_PisalYooyanyong.pdf

Zaman, M. R., & Unsal, F. (2000, January). Comparative performance of American,
European and Japanese automobile companies in the 1990s. *American Business
Review, 18*(1), 115. Retrieved from Business Source Complete database.