A Comparative Sociological Analysis of the Japanese and American Corporation

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“It [the corporation] is the fundamental institution of advanced capitalist societies.” (Berberoglu, 1993, p. 80)

Just as in Japan, the American corporation evolved out of family owned enterprises to assume a quasi-governmental status (taking care of such social needs as transportation or energy production). It was a radical new form of social and economic organization, from which accrued a new abundance of seemingly unlimited capital for investment and expansion. An “unimaginable concentration of economic and human resources, made it a formidable social contender.” (Roy, 1997, p. 268) A description of this historical change appeared in 1937 article on “the modern corporation,” and is worth quoting in length because it shows, even in 1937, an awareness of how revolutionary the change was for American society:

“The factory system, the basis of the industrial revolution, brought an increasingly large number of workers directly under a single management. Then, the modern cooperation, equally revolutionary in its effect, placed the wealth of innumerable individuals under the same central control. By each of these changes the power of those in control was immensely enlarged and the status of those involved, worker or property owner, was radically changed.” (Berle and Means, 1937/1999, p. 8)

Japanese Political Economy Overview: Cartels and Oligopolies

“Japan appears to be a case where capitalists and state officials share control over the policy domains of the economy.” (Fligstein, 2001, 187)

Like the American corporation, the Japanese corporation must be understood in its historical context. It is tempting to assume that the modern Japanese corporation is contiguous or isomorphic with the corporation which arose in America. This is not the case; rather, a unique set of historical and cultural factors lie behind the development of Japanese firms. It is by looking at the historical background behind the development of the corporation that we can better understand just how uniquely different they are from American corporations.

A few large corporations, trading companies (sōgō shosha), mostly export industries, were largely responsible for the phenomenal economic growth of Japan from being a poor nation to one of the world’s great economic powerhouses. They achieved this, by all accounts amazing economic feat, not once, but twice: once at the end of the 19th century when Japan opened up to the West
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and mobilized to catch up (which it did), and once again after World War II had left the country in ruins and it needed to rebuild itself.

**Historical Background: Prewar Oligopolies (zaibatsu)**

The ideology of “poor people, strong state economy,” harks back to feudal times but runs through the whole period of modernization of Japan. (Kerr, 2001, p. 26) Perhaps a key phrase which will help us to understand how a society could go from rags to riches in such a short time is summed up by the expression, “to be mobilized;” the development of Japanese business and economy over the past 100 years should be understood in a socio-historical context in which an entire society was mobilized to catch up with the West, economically, and also, at times, militarily. (Edgerton, 1997, P. 98)

In the early Meiji period (1868-1912), when Japan was finally fully opened to the West, the whole nation was mobilized to catch up with America and the European powers. The great family owned banking and industrial combines or oligopolies of modern Japan go back to the Meiji Period; in the case of Mitsui, the lineage goes back even further to the feudal (Tokugawa) period. Mitsui was started by a landless warrior in 1616 but its bank became one of the top ten banks in the world. (Weston 1999, p. 3) The other zaibatsu which developed post-1868 were Mitsubishi, Dai Ichi Kangyo, Sumitomo, Sanwa and Fuyo. These family owned concerns were given tax subsidies and tax breaks by the new government in an effort to help Japan avoid being subjected to control by America and European powers. This was the real beginning of “developmental capitalism” in Japan, the ideology of “rich country, poor people.” (In fact, rural areas such as Hiroshima were so heavily hit by taxes to pay for the infrastructure to support these new industries that it led to mass migration to the sugar plantations of Hawaii.)

**Post-war Recovery**

The previous oligopolies known as the zaibatsu were initially broken up by MacArthur and the American occupation forces and divested of their family ownership ties. Nevertheless, with the help of the government, they were resurrected. Of these old zaibatsu, “Mitsubishi is considered the most goal-directed and having strong leadership.” (Hamada, 1991, p. 46) Even though many new non-zaibatsu based firms were part of Japan’s miracle growth period after the war (e.g., Toyota, Honda, Sony), the old oligopolistic firms were instrumental in providing the heavy industry that was responsible for Japan’s rise out of the dusts of poverty. The zaibatsu “had reassembled themselves as corporate ‘families.’ These cartels have come to be known as the famous ‘keiretsu’ system which are business networks assembled around a bank. (Tett, 2003, p. 11)

It was the handful of GTC’s (General Trading Companies/ sōgō shōsha) which were responsible for most of the revenue Japan got from exports. (Sjöberg, 2001, p. 196). With the help and guidance of the Ministry of Finance (MOF), the Japanese keiretsu-based corporate structure came to dominate most markets, especially export markets and we see the rise of a kind of socialism, or state sponsored capitalism, sometimes called “developmental capitalism.” In this postwar
system capital funding came from banks; the role of equities was simply to “enable members of keiretsu and banks to hold large stakes in each other’s enterprise.” (Tett 2003, p. 33) While large companies did not launch hostile take-overs of other companies, small companies not members of a keiretsu were involved in fierce competition for survival.

Before 1973, the financial system was highly regulated through compartmentalization. “All financial intermediaries were categorized by the type of business they were allowed to do... Competition between different categories of institutions was eliminated. No newcomers were allowed to enter the market and compete with existing institutions.” (Reading 1992, p. 151) This contrasts with American corporate growth which was much more disorganized and had to contend with strong anti-monopoly legislation.

**Period of “Miracle” Growth**

In the 50’s, during the height of the Cold War, there was a total revitalization of Japan’s industrial base. By 1956 Japan had replaced Britain as the number one producer of ships; in the following year it became the world’s number one steel producer. (Reading 1992, p. 133) The 1960’s was also a period of incredible growth, beyond what was seen before. Japan grew by leaps and bounds through its heavy industries called, *Ju-kou-chou-dai*, which means, “heavy, thick, long and big,” i.e., steel, ships and petrochemicals. (Gavan, 2001, p. 55) Overall, the period from 1955-1973 was the period of exponentially high growth, sometimes referred to as “miracle growth,” and this is the period when Japanese society really emerged in people’s minds as “the business state,” or *kigyou kokka*. The period of rapid growth in 60’s and 70’s was a period during which Japan became known to some (pejoratively) as “Japan Inc.”

Many big changes occurred in economy and society in the 70’s and 80’s, some positive and some not so positive. The 1970’s saw a move away from “heavy, thick, long and big” to “light, thin, short and small (kei-haku-tan-shou), i.e., hi-tech, information based industries, electronics, and so on. By 1979 Japanese GDP surpassed that of the UK and Italy; France in 1984; by 1987 Americans had to deal with the fact that Japanese GDP had passed that of America. Wage earners saw a quadruple increase in income level. (Katz, 1998, p. 55) There was even some movement at this time away from the self-enclosed incestuous *keiretsu* system. This was also the time when reliance on banks started to ease and corporations entered into international capital markets. “By the end of the 1970’s, Japan’s GDP per capita had reached 66 percent of America’s, ...” (Tett. 2003, p. 19) It was at this time that MITI proposed the “technopolis” based on America’s Silicon Valley as its counterpart. (Gavan, 2001, p. 55)

This only increased dependence on Tokyo which was the brains or control center for the organization. By the 80’s the comparative advantage of industrial parks/regional industrial centers failed to materialize. Japanese society had become fully urbanized. During the 1980’s Japan grew faster than any other industrialized nation, and this urban growth came at the price of depopulating regions not located near an urban center where corporations had their headquarters. (Katz, 1998, p. 55)

However, despite the problems of environmental destruction, intense urbanization, and the
rise of powerful organized crime syndicates, this overall fantastic business success led many to reflect that Japan must have been doing something right. The Japanese economic miracle, coming at the time of a downturn in the U.S. economy, spurred a whole genre of comparative business studies and popular books—a as well as a whole genre of Japan bashing. The admirers of Japan saw in it the paragon of capitalist methods and achievements: a well-integrated society geared up (mobilized) for efficient production: high-tech, well managed, with little labor strife, and happy and harmonious workers. Japan bashers, however, saw Japanese businesses as basically dishonest, stealing American technology and management techniques. Japanese businessmen and government officials appeared to say one thing and do another in negotiations. Japan bashers characterized the Japanese corporate system as having achieved success only because it over-worked and exploited its labor force. In general, the Japanese corporation was seen by Americans as a rigidly hierarchical system of power relations which permitted very little originality.

Recession

These days there are few voices, few books in the West making the case that Japanese business management systems are superior and more efficient, and that Japanese workers are happier and more fulfilled in their work. Instead, writers see that Japan’s quick rise to economic prowess was due to two main things: 1) a government policy which fostered monopolistic state capitalism, and 2) a mobilized society which could extract from its workers more dedication and pure man-hours worked than any Western nation. However, despite a system of state sponsored capitalism, and despite a docile and fairly exploitable workforce, there was a near total economic collapse of the system, including such things as banks going bust, massive layoffs, massive pay cuts, higher taxes to pay for the collapsing system, and corporations moving most of their production to Southeast Asia and China.

During the bubble of the 1980’s, Japan had overextended itself. A combination of greed and hubris and systematic inefficiencies led to reckless investing. Japan had to compensate for its domestic inefficiencies, so banks lent money without regard to creditworthiness; companies kept their non-performing subsidiaries afloat with injections of funds because they didn’t want to abandon their children; debt was hidden through creative book keeping: “a pyramid of bad debt was being constructed.” (Katz, 1989, p. iii.) In January of 1990 the stock market crashed, wiping out hundreds of billions of dollars in value. The collapse quickly spread to the rest of the economy, much of which was on shaky foundations, and all of which was interdependent. During a three year period from 1992, Japan had almost no GDP growth. As of the writing of this paper Japan has yet to really recover and pull itself out of this recession (low growth, high unemployment, deflation). By coddling inefficient companies, but overextending investment as if the bubble would expand indefinitely, and by allowing influence peddling and racketeers to manipulate the economy for narrow personal gain, Japan had dug a hole for itself which it has yet to extract itself from.

Katz has also argued that much of the bubble of the 1980’s was based on an illusion. A point we will have to explore later is his assertion that Japan never really was a wealthy nation in the way America defines wealth. Certain (mostly export) industries in certain key sectors had
brought in a lot of revenue to the country, putting its GDP up there with Germany and America. In reality, however, Japan “still has a long way to go just to catch up.” (Katz, 1998, p. 56) Export sectors are indeed highly productive, but other sectors of the economy are very inefficient. Productivity is ranked 9th out of top 11 nations. (Katz, p. 56) In 1996, nominal GDP per person was $35,000 compared to $29,000 for USA, but in terms of Purchasing Power Parity (PPP), Japan falls well below America, Canada and Germany. (Katz, 58) The corporation may be incredibly wealthy, but the sociologist observes that this wealth has not really percolated down to significant numbers of people.

**Political Economy: Crony Capitalism and the Developmentalist State**

In understanding Japan’s development as a corporate state in the 20th century we must abandon Western ideas of free market capitalism. “In no other comparable capitalist country has the invisible hand of organization and planning pushed back so far the invisible hand of market forces.” (Sayer, 1992, p. 212) Communist countries control the money, which is of secondary importance; after the war Japan controlled lending. (Reading, 1992, p. 150) The Japanese government and the long arm of its bureaucracy developed a targeted industrial policy which regulated the whole economy such that the large conglomerates prospered, even if individual citizen did not. Again, the prewar approach of “poor people, strong nation,” was the ideology which underlay economic policy. It was a policy to protect markets and dampen competition from the outside. It was a policy which channeled tax revenue more into helping large corporations prosper; it was not targeted at providing social services or up-grading the quality of ordinary citizen’s lives.

**Bureaucracy**

The Japanese corporation should be understood in the sociological context of a highly bureaucratic society. Not only large corporations, but most institutions display this bureaucratic character. One visiting professor from Hungary expressed to this writer her impression that Japan was very much like her country was when it was under the umbrella of the Soviet Union. “Japan is a test case: what happens to a country that chooses an extreme form of bureaucratic rule?” (Kerr, 2001, p. 133)

Japanese economy and society are largely controlled by the central bureaucracy in Tokyo. A variety of ministries put forth a wealth of bureaucratic regulations which aim more to control rather than protect people or consumers. (Kerr, 2001, p. 135) There is no strong tradition of product liability law, no lender liability law, and few laws preventing insider trading, with the exception of a few high profile showcase prosecutions. Regulations are not to make businesses more honest and efficient but more to protect vested interests and keep society well regulated and stable. While this bureaucracy has been, in part, responsible for maintaining and supporting and fostering the developmental state, it has also worked to prevent or inhibit needed change. Yashiro Masamoto, one of the top international bankers in Japan complained that “one of the worst features of the Japanese economy was its bureaucracy; in his eyes, there was absolutely no reason for
Finance

The idea of letting an unprofitable institution wither and die a natural death was anathema to Japanese. (Tett, 2003, p. 21)

The role of banks in corporate finance is significantly different in Japan than it is in the United States. Whereas large American corporations rely on the issuance of stock/equities as the primary means to raise capital for investment, Japanese corporations have historically relied on banks for the bulk of their investment capital. Furthermore, Japanese banks are usually part of the very cartel/keiretsu system in which the company exists. In other words, the lending bank is not really an outside institution lending money to an applicant based on such issues as credit-worthiness and short-term profit viability, as is the case with American investment banks. Rather, the network of personal and business associations between the bank and the firm is so closely intertwined; it is almost as if a company or cartel is lending money to itself. Incestuous ties blur the boundary between the bank and the borrower; this means that investment decisions involve social factors which are operative above and beyond issues of how much return might be expected on an investment. Corporate statistics are less important than personal contacts and relationships. (Tett, 2003, p. 12)

Indeed, money lending is a way of developing long-term relationships rather than short-term profits. Subsidiaries are traditionally looked upon as children. (Tett, 2003, p. 193) Because suppliers and subsidiaries exist within the cartel, a level of trust and confidence is implied between the lender and the borrower. However, just because Japanese corporations protect their “children,” their subsidiaries within the cartel, doesn’t mean that these subcontractors are more free and flexible. Even though they are under one protective umbrella, they are also bound by the obligations connected with this ideological network. This is radically different from the pragmatic market based capitalism of American business culture. For one thing, American business is not organized into cartels which include investment banks. Lending decisions are made on the basis of business statistics, which show the creditworthiness of a firm and the promise of return on the investment. In Japan, capital/money was seen as a means to an end, which is the long-term stability and growth of the total business “family.”

As we might guess, the consequences of this for Japanese businesses are not bad. Bonds of trust are not to be taken lightly. In the cloistered and protected Japanese system, debts can be forgiven to help insure the survival of the firm. Companies don’t have to face bankruptcy due to heavy debts as they might in America. Needless to say, this is all well and good when times are good (because eventually a subsidiary or weak partner can be expected to turn a profit). On the other hand, imagine what happens when weak firms are continually propped up by parent firms in times of negative growth (recession). The result is the Japanese economic conditions we see today—massive layoffs, chronic unemployment, under-employment, and the consequent social malaise which is inevitable when an economic system stagnates.
Manufacturing/Production

It is in the area of manufacturing and production where much of the adulation of Japanese corporation has been directed. Much has been made of the superiority of Japanese manufacturing over American manufacturing. Indeed, Japanese culture as a whole highly values cutting-edge technological innovations and continues to lead the world such areas as robotics, fiber optics, miniaturization technologies, and telecommunications/wireless IT. (Carter, 2002, 26) In America, much basic engineering and bio-medical research takes place in universities or research institutes dedicated to pure research. In Japan, most R&D takes place within the company. This means that research can be strictly geared to pragmatic utilization for production and sales. It has been pointed out by many that the original technology originated in America, but Japan then copied it—only copied it, but took and resigned it and made it better, more marketable. The classic case was the Xerox copier: the engineering came from America, but Canon came along and made the whole thing smaller and faster and better and more attractive for consumers.

A famous innovation on the production end is the Japanese “just-in-time” (JIT) inventory system, made famous by Toyota Motor Corp. Many have thought that this is vastly superior to American style inventory control (order parts when you run out and then rush to fill new orders). It helped Japanese companies out-compete America ones. The just-in-time system is more than just an inventory reduction system (Abegglen, 1985, p. 93). It reflects a whole ethos in Japanese corporations which is different from America. The Japanese JIT system is actually a prelude to fully automated plant production which is an ideal most companies hold. (Abegglen, 1985, p. 116) American companies have been reluctant to adopt JIT which they see as too rigid and inflexible. (p. 109) “Some Western executives feel that the Japanese are more willing than Americans to sacrifice sales in the short term for the efficiencies inherent in a smoothly scheduled factory: the resulting low costs can then be used to gain market share in the future.” (Abegglen, p. 109)

Governance and Corporate Management

American companies are vertically integrated, or have been for most of the 20th century. (Chandler, 1962/1990, p. 52) This does not mean that they are oligarchies, as in Japan. The American CEO and board of directors retain a lot of power, but they are answerable to the shareholders and they do have to be talented and aggressive enough to respond to changing market forces (not to mention changing political administrations in Washington). The senior management of major Japanese companies are, however, self-perpetuating oligarchies. (Reading, 1992, 65) They do not have to answer to the public or to the shareholders in a transparent way. They do not have to answer to their lending institutions, since they are, in a sense one and the same. And they don’t have to respond to a changing political climate since the same party (the LDP) has had a virtual lock on power for the last 50 years. (Van Wolferen, 1996, p. 41) In Japan, stability is prized above all else, and executive management forms the inner clique where power really resides, though middle-managers may be given a lot of leeway to actualize a policy decision which comes down
from on high.

Most business planning is done by a centralized planning department, which creates policy, and this insures a level of stability sometimes absent from American firms. (Tett, 2003, p. 197) Indeed, as we shall show, stability is the key word for understanding Japanese business culture and negotiation: maintaining status quo: "don't rock the boat" is a fundamental principle which runs through both the Japanese corporation, as well as the larger society.

In some ways, Japanese industry shows flexible specialization, yet in other ways it can be rigid. (Sayer, 1992, p. 212) Once policy decisions are made in the higher levels of the corporation by central planning, a great deal of apparent leeway is given to middle managers for implementation— for how they want to organize and motivate their troops to actualize the policy goals of the top managers. Middle managers employ the unique style of Japanese consensus decision making known as nemawashi: a middle-manager asks for debate and discussion on a topic before implementing action, thereby creating a feeling of consensus and group harmony. (Tett, 2003, p. 200) It is important to note here that this gives a lot of power and responsibility to managers; they are not merely carrying out decisions from on high, following a fixed set of procedures: rather their work is more creative in the sense that they have to feel out their subordinates for advice and opinions, and in the end, marshal the group's energies so as to carry out policy decisions in a satisfactory manner.

A cynic might say that this nemawashi consensus style of decision making is purely a way to create the illusion that the group has been involved with the decision making: the cynic would be right in so far as the fundamental decision had already been made a priori; the cynic might be wrong in so far as actual implementation of a company decision does, in fact, incorporate much of the small scale decisions of the group. Another way of describing this situation would be to say that upper management makes clear and unilateral decisions, yet they don't micro-manage. One of the biggest managerial differences between American and Japanese firms is that on the level of implementation of policy, there is more leeway given to Japanese groups or subdivision members than there is in an American firm. This can be seen in the physical (and cultural) space of the corporation as well: higher managers don't mix with lower level workers except in formalized situations. (Tett, 2003, p. 231)

Labor

"Japanese worker's lives are not their own, but the company's." (Reading, 1992, p. 230)

Japanese large corporations and many smaller ones as well, usually offer life-time employment, rather than the three year contracts which might be typical of an American corporation. Because of life-time employment, more than in the America, Japanese firms have more of an incentive to invest in occupational training of their workers (Triglilia, 2002, p. 242) "the high level of job rotation and horizontal communication among key employees facilitate problem-solving and restructuring." (Sayer, 1992, p. 220) The result is a culture of generalists moving from place to place. (Tett, 2003, p. 197) It should be noted, however, that having a workforce of non-specialists
does not necessarily imply that the corporation is an open arena where people are free to develop their careers in individualist ways. “Firms tend to homogenize their workforces as much as possible. . . .” (Warring, 1991, p. 219)

Erez (1992) elaborates some of the major labor patterns he found in his study of 10 large Japanese corporations:

- life-long employment
- concern or empathy for employees
- participative style of work, with apparent bottom up (ringi) style of decision making
- an ideology or overall emphasis on group harmony
- standardized training
- job rotation to prevent over-specialization

And on the negative side he found:

- an authoritative management style hand in hand with participative style decision making
- a seniority, rather than merit based system of promotion
(Erez, p. 136)

Addressing these points one by one, we can see clear differences between the Japanese and American style of company labor practices and personnel management:

1) America does not usually have life-time employment. The relationship between an American corporate enterprise and its employees is strictly contractual. Workers are hired for a certain contracted period which may or may not be renewed based on performance or other factors. In Japan, the relationship between a worker and his company is fundamentally not contractual. This is a very important point and needs to be underscored and discussed in more detail below. In a very real sense, we can say that the worker belongs to his or her company and the set of mutual obligations which exist between the company and the employee are not put down in writing, but exist as a matter of custom. The section on corporate culture and ideology will suggest that, in Japan, even one's own body is owned by the corporation. The notion that each worker is their own person, endowed with certain inalienable civil and human rights above and beyond the firm, is an American notion, not a Japanese one.

2) The concern or empathy for employees which Erez observed in the Japanese corporation was also observed by this writer in the context of the Japanese educational institutions. There is a sense that the company (or school) must show concern for the worker's well-being beyond providing a paycheck and safe working environment. The negative side of this is of course, that there is a lack of privacy, even a kind of prying into one's personal life which would not be acceptable in an American working context.

3) The traditional vertically integrated American corporation does not especially emphasize a par-
participative style of work, and does not have a bottom up style of decision making. However, it should be noted that this traditional structure in American corporations has been breaking down in recent years with more horizontal integration and more bottom up, consensual style decision organically making its way into new multi-national firms.

4) American firms do not have an overarching ideology or emphasis on group harmony like Japanese corporations do. In the American firm, people seek to actualize their career potentials, not sacrifice themselves for their company or their subsection.

5) The level of standardized training in America varies greatly from firm to firm, but overall we can say that the intense preparation and training given to new recruits in a Japanese corporation is beyond that of most American firms, especially in the area of ideological indoctrination.

6) American firms do not feature job rotation, but rather emphasize specialization and compartmentalization.

7) On the negative side, American firms do often share authoritarian style as do Japanese firms, though there are often more casual relations between workers and managers, with more bantering and joking around. In Japanese firms you are not likely to see this kind of light atmosphere and democratic relations. Though after work, workers and managers often go drinking together (albeit required), the mood in the office is serious, and it has even been characterized by Peter Senge of the MIT Sloan School of Management as being like in a temple. (1990, p. 145)

8) One of the hardest things for Americans to understand is the Confucian type ideological system of seniority based promotion. American business is predicated on merit based promotion. Merit does enter into company evaluations and promotions, to be sure, but it is usually in a context where seniority is paramount.

Though many small companies do not offer life-time employment for its male employees, many of the larger ones do. This obviously ensures a measure of job security. However, the dark side of life-time employment in Japan relates to the fact that workers don't own their own labor. Life-time employment implies a set of obligations to the company beyond merely putting in the required “nine to five” and then forgetting about work. It implies a total commitment and life-long sacrifice for the good of the company. In Marx's interpretation of industrial society, workers are said to own their own labor (and that's about all they own). Japan challenges this Marxist idea in that workers don't even enjoy that- rather their very bodies and private lives are owned by the corporate entity to which they belong. “The lifetime employment system is modern-day serfdom,” writes Brian Reading (1992, p. 230) who sees vestiges of feudalism in the Japanese corporate system. Some social scientists have seen in Japan vestiges of feudal Confucian society and an examination of the situation of labor tends to support this position. In any case, the sociological and economic data does indeed support the notion that Japan “carries the commodification of
labor to new heights.” (Tabb, 1995, p. 141)

Just as in an American corporation, in a Japanese business enterprise, or just about any other Japanese financial, educational or government institution, there is a clear hierarchy which rewards some with special privileges and forces a set of obligations on all its members (including company presidents). In Japan, so called voluntary overtime occurs because, culturally and sociologically speaking, the worker belongs to the enterprise.

Japanese workers often do not take vacation time allotted to them, and do more unpaid overtime than in any other industrialized country. (Gavan, 2001 p. 80) This in itself is very telling and suggests that various forms of coercion are at work. Why wouldn't an overworked worker take the vacation time allotted? Why would a worker agree to a large amount of unpaid overtime? Japanese are physically overworked compared to American and especially Europeans. The term karoshi which means, sudden death by overwork, is an established part of the Japanese lexicon because it is a serious social problem. (Gavan, p. 85) Many studies of Japanese business organizations miss the degree to which success is the result of demanding more of their workers and exploiting them more efficiently. “Higher productivity, intense work relations of participation, and institutionalized learning come at a price.” (Tabb, 1995, p. 141) Non-cooperation is less likely in Japan than in America. The reason for this lies in society and culture; the Japanese corporation is a microcosm of society and is embedded in a Japanese cultural matrix such that the business enterprise is only on the surface similar to American corporations but, more fundamentally different.

Corporate Culture/Ideology

Though some have argued that Japanese management systems and labor practices are different and even superior to those of American corporations, others have shown that many of these techniques in fact originated in America in the 1950’s and were simply copied by Japan. Quality Control Circles and other efficiency systems were products of management specialist like Demming and Drucker who the Japanese assiduously studied in their attempt to catch up with America. (Tabb, 1995, p. 90) Whichever position one takes, however, it is clear that Japanese business culture and ideology is radically different from America, as is the large cultural matrix in which all business practices takes place. Some of the key differences were discussed above, e.g. the stance that Japanese workers have toward their firm, in which mutual rights, duties and obligations which the worker and the enterprise share are more neo-Confucian than they are legal-contractual, as they are in the West.

Japanese workers are expected to put their companies first, before self, family, friends, in a single-minded drive for greater efficiency. “This is Organizational Man with a vengeance. All other aspects of society become colonized by this narrow imperative. Human autonomy is reduced and the cultural space of civil society is limited.” (Tabb, 1995, p. 141) Matsushita Konosuke, founder of Matsushita Electric Industries espoused several innovative business concepts which can also be read as a kind of indoctrination into the total institution of his corporate enterprise system:
1) Each worker should feel a sense of pride and responsibility as if they were an owner of the shop.
2) The company should not be managed like a dictatorship but should include the collective wisdom of all its workers.
3) Information should be shared within the company: lines of communication should be open.
4) Management must be flexible in their demands.
5) With regard to same market competition, the goal should be shared prosperity rather than squeezing out competitors. (Carter, 2001, 40)

An American firm is concerned with profit maximization reflected in sales, market share, and expansion of product line. (Hamada, 1991, p. 204) “Profits must be made so the company can provide a solid return on investment and internally generate the funds with which it can operate and grow.” (Hamada, p. 204) A Japanese firm, however, is willing to sacrifice short-term profits for long-term goals such as market share expansion. Also, quality is a bigger concern in Japanese corporations because workers and managers take greater pride in their company than American workers who are likely to jump around from company to company. (p. 207).

As might be guessed, getting workers to internalize these corporate ideologies involves a process of both formal and indoctrination, especially during the initial training period. When this writer worked briefly for Revelon Corp. in America, there was a brief, 20 minute corporate training film which presented an overview of the company and its philosophy. This is different from the kind of long and intensive training periods that Japanese company freshman have to endure which may include living together in the company dormitory and going on outings together. Much of the training process involves indoctrination as well as insuring a fit of employee with the goals of the total organization.

“On a day-to-day basis, most Japanese subscribe to the ideal of consensus decision making. But on rare occasions when leaders try to break out of this mold, they often go to the other extreme— and become distinctly authoritarian, precisely because they are unchallenged.” (Tett, 2003, p. 190) This suggests that there are subtle and invisible lines of power and authority which though unstated, are nevertheless recognized. The QC circles consist of 8 to 10 people engaged in some form of problem solving. The decision making style of informal discussion/consultation mentioned above (nemawashii) functions not just to solve a particular problem, but also serves to bind the working group together into a coherent and unified body.

Large corporations use “rituals of initiation, purification, secret teachings, and mind control techniques designed to achieve the assimilation and subordination of the will and intellect of the individual to the corporate purpose.” (Gavan, 2001, p. 82) This in itself can become a problem for managers so that the Japanese Federation of Economic Organizations (Keidanren) has called for a new philosophy of management and a new paradigm for competitiveness and for realizing one’s self. Corporate culture features and fosters homogeneity within a very hierarchical structure. (Tett, 2003, p. 197) This suggest that the so-called consensus is really a kind of surface structure based on a deeper structure of hierarchy and clear lines of power with sanctions. Face to face communication does occur between higher level of management and the lowest levels on the corporate ladder more than in America, however this involves many “inspirational talks,” i.e., indoc-
trination and propagandizing. Such pep talks may even include such things as the ideal wife or couple, or Japanese aesthetics. (Erez, 1993, p. 136)

Compared to Japan, American managers assume an aggressive style with debate in an open and frank manner. Americans view Japanese as “frustratingly passive and risk averse.” (Tett, 2003, p. 205) Also opinions are rarely voiced directly (especially to superiors). There is a corporate ideology in which admitting embarrassing facts is to lose face—so they don’t. Denial becomes internal company policy as well. (Kerr, 2001, p. 265) In America, it is said that pencils have erasers for a reason; mistakes are seen as a way to learn and improve. (Peters, 1997, p. 75)

Perhaps the biggest ideological difference between the American and Japanese corporation is the Japanese sense that the corporation is fundamentally the one who bestows its largess on its workers. This being the case, an attitude of gratitude and obligation is implied. As we have showed, politicians and other procurers of favors are the biggest recipients of this largess. The poor are not; there are few charitable foundations as there are in America and the corporation rarely supports charitable causes. “Japan’s Ministry of Finance, intent on ensuring that labor and money go straight to manufacturing corporations, has discouraged charitable giving and volunteerism.” (Kerr, 2001, p. 272) They don’t allow tax deductions for giving to charities and it is extremely difficult to start nonprofit foundations.

Conclusion

“The Japanese believe that a great organization is like growing a tree; it takes twenty-five to fifty years.” (Senge, 1990 p. 210)

In Japan, the firm is an institution like a family which needs to be protected and perpetuated at all costs. The American corporation is not a family, as it is in Japan. American companies work for profit, as do their workers. American workers do not enjoy life-time employment and their sense of obligation and indeed identification with the company is purely legal-contractual and economic: a corporation in the U.S. will easily dissolve non-performing subsidiaries or abandon unsatisfactory suppliers, as well as fire workers if it is deemed necessary for the bottom line.

In American corporations, labor relations are governed by contracts, and contract law. In Japan, custom and an invisible web of mutual obligations is more binding than any words on a piece paper. Japanese corporate culture embodies the neo-Confucian principles which operate throughout Japanese society, and this governs Japanese organizational behavior: a clear notion of hierarchy based on seniority, a patriarchal system which relegates the role of women to a supporting role for men, and workers embedded in a system of mutual obligations within this paternalistic system.

It might seem evident to the westerner that the Japanese company is characterized by a high degree of exploitation of its workforce. Japanese workers work between 200 to 500 hours more than anywhere else in the industrialized world. (Gavan, 2001, p. 80) Nevertheless, social facts such as these always form part of bigger sociological picture; people in Japan work harder and have sacrificed themselves for Japanese corporate growth because the entire society has been
mobilized for such sacrifice. The education system has been an integral part of this mobilization for the training of good workers to insure the survival of the Japanese corporate state. "There is no doubt that Japan's educational system produces a dedicated workforce, and that these 'corporate warriors' are the engine behind Japan's tremendous industrial strength." (Kerr, 2001, p. 284). An important question for further sociological research would be the degree to which Japanese workers feel themselves to be exploited.

It must be pointed out that Japanese firms are now changing. Future research needs to look at the various social changes which are accompanying these changes in the business environment. Japan is struggling now, much in the same way it struggled to catch up with the West when it first opened up in 1868. "Japan won't sink into the Pacific, of course. And its multinational firms will remain formidable competitors. Still, increasing portions of the exports of these multinationals are from overseas plants. 'What's good for Toyota' is no longer necessarily what's good for Japan." (Katz, 1998, p. 11)

Though the macro-economic system shows a variety of enterprise structures, a fundamental pattern is easily observed: there is a clear policy towards cartelization, control of markets, and governmental "guidance" in the whole process. In other words, Japan is a kind of corporate state. It is our task to investigate further some of the sociological implications of this kind of "corporatist society;" or "state monopoly capitalism;" a society of state sponsored (as opposed to free market) capitalism.

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ABSTRACT

This is a sociological comparison of the Japanese and American corporation, looking at both micro-level structures and processes like management systems and labor relations, and macro-level social and cultural contexts. Japan is a society which was, and perhaps is now, totally mobilized to catch up and compete with Europe and America and the result is a kind of corporatist state. It is characterized by a system wherein a small number of oligopolies formed cartels to dominate and control markets. All this was done with the express consent and supervision of the central government and its massive bureaucracy. By seeing how the Japanese corporation manifests and articulates radically different cultural ideologies and social practices, it will better enable us see how the corporation is a unique product of its particular history and culture.