

Japanese managerial behavior in strategic planning

Case analyses in global business contexts

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Abstract

Although globalization urges corporations worldwide to pursue economic efficiency, culturally induced differences in corporate behavior persist in a globalized business world. This paper explores the behavior of Japanese corporations in this context. Interviews were conducted to investigate the internal decision-making process in major Japanese firms. Their outcome provides the basis for the following hypothesis: A unique characteristic of Japanese companies, which can be different from that of Western firms, is that they have similar managerial behavior with other Japanese companies in the same industry. The collectivity culture exists behind it. This hypothesis is attested by case analyses of historical events of two Japanese industries in the global market in the past half century. Japanese firms in the automotive and electronic industries exhibited similar behavior in their entries to foreign markets either in marketing or production.

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1. Introduction

Although globalization intensifies corporations' pursuit of economic efficiency, differences in corporate behavior induced by cultural factors cannot easily be changed and continue to affect the strategic planning of the world's large corporations. A comprehensive understanding of strategic behavior requires to identify the mechanisms that combine economic and cultural factors and influence corporate strategic behavior. This paper focuses on the relationships between the cultural factor and corporate behavior. In order to widen the perspectives of this discussion, the cases of Japanese corporations (otherwise), which can be influenced by a culture different from the Western one, will be analyzed in this paper. Although this discussion basically covers the whole scope of their behavior, the examination will be conducted in the global aspect of such behavior by analyzing their historical events. This analysis will eventually reveal the driving forces behind the Japanese economic expansion in the world market in the past half century.

2. Methodology

The results reported in this paper were developed in two phases. In the first phase, the author interviewed persons who are or used to be involved in the major decision-making processes in nine leading firms in electronics, automotive, cosmetics and food industries in Japan. A common pattern about the internal decision-making process of Japanese corporations emerged from these interviews. This heuristically obtained outcome suggests the hypothesis regarding the Japanese behavior in strategic planning. In the second phase, this hypothesis is examined by analyzing the historical events characterizing Japanese corporations' behavior in the global market.

3. Outcome of the interviews

3.1. Interviews and their outcomes: similar managerial behavior

The interviews began with the author's question as to whether or not the internal decision-making processes in their companies were influenced by similar decisions of the peer firms in the same industry. The author then

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encouraged interviewees to discuss any related issues based upon their experiences. The views expressed during the interviews reconfirmed the author's views developed during his previous work experience for a few decades in international strategic decision-making processes in a leading Japanese electronics firm. The interviews revealed the following outcomes.

The typical Japanese company has a strong tendency to behave similarly to other companies in the same industry. Accordingly, the Japanese firm is always alert to what peer companies do and tries to collect information on other companies' decisions. As this information strongly influences the decisions of the receiving firm, this causes the typical Japanese company to generate similar managerial behavior.

One of the typical examples in many Japanese companies is that the easiest method to gain the approval of top management on any proposal is to inform it that some other company has already made the same decision. When proposing a new business or a new product development without a peer precedent, the proposing unit in the firm has to withstand criticisms and will be requested to submit strong supporting data to ensure the success of the proposal. Once another firm makes the decision to proceed with a similar venture, the proposal will be swiftly approved. Japanese top management, usually reluctant to take responsibility for a new venture, feels released from its responsibility for the decision by being provided with an excuse for failure that the peer firm has already done it and that this company also has to do the same to compete against the peer. It is difficult for Japanese firms to make decisions that are unique and different from those of their competitors. Top management in many Japanese firms does not use logical approaches following management or marketing theories in decision making.

One can easily find such parallel managerial behavior in Japanese firms within the same industry. The leading firms in the same industry, for example, in a machinery industry, often have quite similar internal organizational structures and compete with quite similar product mixes and the equivalent distribution channels. Japanese commercial banks offer rather similar financial products with almost the same daily service practices in their branch offices.

The collectivity culture, in the author's view, exists behind such similar behavior.

3.2. One of the driving forces of Japanese international expansion

Although this is a by-product of the study of this paper, in order to identify the growth factors of industries of any nation in the international market, it is important to note that this similar managerial behavior among the Japanese firms in the same industry is, in fact, one of the major driving forces for the international expansion of Japanese industries.

Originally, in Japan's domestic market, this similar managerial behavior is one of the strong internal factors

for fierce competition. Once any one of these firms enters a foreign market, all the other competitors rush to enter the same market. After such entries, the same logic works among the Japanese firms in the host country market and they try to compete against other Japanese firms with similar product mix and organizational structures. The cumulative effect of such behavior by all Japanese competitors works as a strong driving force for the growth of the particular industry in each foreign market, eventually expanding Japan's market share in the global market.

Being part of a social structure of collectivity culture, which is now mentally extended to foreign nations, Japanese firms are concerned about internal issues, other Japanese firms in this case, without being aware of the external consequences that their competition has caused in the host countries.

Although other factors such as product or technology can be mentioned, the author believes, however, that this factor is indispensably one of the strongest driving forces for the globalization of the Japanese industries in the past half century.

3.3. Two types of Japanese management

Another point that should be added on the context of this paper is that there is always an initiator in Japan for each movement. Without such an initiator, no new event can commence, and no other firms can easily make subsequent decisions. The typical initiator is Honda in the automotive industry or Sony in the electronics industry.

In general, when the so-called Japanese management is discussed, Japanese firms should, in the author's view, be classified into two categories: (a) firms which have operated for decades, often under well-established but inflexible management systems, and in which the personal profile of the founder is no longer visible; and (b) firms which were established relatively recently and in which their founders are still active and taking initiatives in all major corporate decisions. In the former, the majority in each industry behaves like a follower, while in the latter, the minority (which can be even only one) in each industry behaves like a challenger (Kotler, 1991). This paper discusses the managerial behavior of the former—the large, established followers.

4. Suggested hypothesis and a way to test it

4.1. Hypothesis

The outcome of the above interviews provides a basis for the hypothesis in this paper:

Parallel managerial behavior is observed among Japanese companies in the same industry.

The collectivity culture exists behind such a similar behavior.

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