

## Japanese companies and those introductions of the American management technique

Seiichi Fujii

*Hiroshima University Graduate School, 1-1-89, Higashisenda-chou, naka-ku, Hiroshima-city 730-0053, Japan  
(Tel : +81-82-542-6962; Fax : +81-82-542-6964)  
(fujii@dear.ne.jp)*

**Abstract:** Straying is seen in the American companies shown weakness by a financial crisis. There was the time when the sick Japanese companies were going to take again in a domination of the strong American companies all together more than ten years before it. The experimental study was done how the Japanese companies had approached the American companies by technique introduction of American companies while clarifying the characteristic of the Japanese companies and the American companies. As a result, it is conducted that many companies still maintained the accumulation and the long-term intention that was the superiority of the Japanese companies. On the other hand, it is found that there was partly the company which had Americanized. As a result of having inspected how a product market strategy was practiced for the introduction period of the American management technique while allotting the financial resources mainly on human resources with a focus, it became clear that the characteristic of each company appeared to the divisions of the business or the decision-making structure.

**Keywords:** accumulation, long-term intention, a product market, business rebuilding, securities reports, household appliance industry

### I. Introduction

Many Japanese companies followed the back of American companies in rapid economic growth period, and took in various management techniques, such as a quality control and improvement activities. As a result, it grew up, by the time it caught up at last and passed in the beginning of the 1980s, and it became world No.1 which was commented. However, it considered that the status was temporary prosperity by the collapse of the 'bubble' economy, and many Japanese companies lost confidence. The motion which takes in the management technique became strong after the 1990s, regarding the American companies which regained vitality as leadership in the world again. However, American companies began land subsidence by collapse of the financial bubble this time. Moreover, the failure example in the introduction of the American management technique was reported [1]. Furthermore, the capability at the spot of the production in Japanese companies has indication that it has still high competitive power [2], so the voice to review strength of the Japanese type became strong. Then, how Japanese companies had been Americanized by this deployment of the American type management technique? It is a question of the beginning of this research.

In order to search for this answer, firstly previous study is reviewed about introduction of American

management technique. Next, the trend for the latest 20 years of the companies belonging to household appliance industry is analyzed based on the knowledge acquired through the review. After that, the Sharp which has finished steady growth, and Sanyo Electric which has made little increase are taken up, and it inquires in detail. And finally the result obtained by these analyses is summarized, and a future subject is arranged.

### II. Introduction of the American management technique by the Japanese companies

Firstly, it is reviewed about essential factor that came to pay attention to the American companies. Kono and Clegg [3], Yamasaki et al [4], and Itami et al [5] presented an inner factor and an external factor as the interaction. Fujimoto [2] pointed out the importance of synchronization with the market from the standpoint in the research of the production site. Similarly, Ikeo [6] proposed that the change in the consumer characteristic was the root of the environmental transformation. When approaching from all the administrative functions, the start of the problem was showed in the change of the market as "Quality from the Amount" or "Maturation of consumption".

Next, it is reviewed about point aimed at and details in technique introduction. Miura [7] and Kono and Clegg [3] stated that the management target changed greatly. Ohtsubo [8] took up a problem of the diversification and explained that the rebuilding of the business was

pressed for. Abegglen [9] and Itami et al [5] studied diversification, Moriya [1] studied human resource management, Cho [10] studied management financial affairs, analyzed them in the business restructuring.

Finally, finding obtained from previous study is arranged and specific of analysis viewpoint is given. Previous researches were reviewed from two aspects, essential factor and development. Almost researchers are describing about the feature of a Japanese type and the American type. Albert [11] compared "Success of the group and long-term profit" and "Individual success and short-term profit". Ishii [12] had allegorized as "Resource preceding" and "Purpose and reasonable". Mishina [13] were expressed, "Accumulation" and "Procurement".

So, in this research, the business rebuilding based on the market is mainly considered. And, how the feature of the Japanese type and the feature of the American type are seen is examined. In that case, it assumed that the Japanese type is accumulation and a long-term intentions, the American type is procurement and a short-term intention.

### **III. A proof study : The change of the household appliance industry**

Household appliance industry is an about 45 trillion yen scale near the market size of the automobile industry among the manufacturing industries, and history of companies is only a long-life company exceeding 50 years. Moreover, there are many major companies representing Japan, they have export manufacture typical for Japan, and high long global competitiveness has been maintained. In addition, there are many precedence researches. In this research, nine companies (Hitachi, Panasonic, Sony, Toshiba, Fujitsu, NEC, Mitsubishi Electric, Sharp, Sanyo Electric) are dealt with in the household appliance industry which has such a feature.

#### **1. Indicator setup**

Its attention in this research is paid to securities reports to which the booklet object from 1961 is opened. Furthermore, the methodology which makes this data applicable to research is already shown that validity [Kida, Bowman]. Firstly, Securities reports were examined, and the scope was limited based on the policy of making the one related to the resource that was the medium of accumulation and procurement a center. Next, when the indicators are set, it is necessary

to think about two elements greatly. They are the indicators concerning the achievement and the indicators concerning the resource. These relate mutually. As the first indicators, five items (sales amount, operating income, pure profit and loss, sales of each business, and profit of each business) were set. As the second indicators, ten items (number of employees, representative's on the register years, number of outside executives, number of trueborn executives, amount of capital investment, R&D spending, number of single employees, average age of single employees, single employees' average length of service, single employees' average salary per year) are taken up. There is a detailed description on a part of these indicators, and they are targeted when it is necessary.

#### **2. Analysis of the household appliance industry by indicator**

Firstly, all of the nine companies are the expansion almost keynotes as sales are shown in Figure 1 for 20 years after the collapse of the economic bubble. The operating income had been dropped to 0.9 times though sales of nine companies total had expanded to about 1.6 times for the earlier half ten years. But, for the latter half ten years, the operating income had been extended to 3.3 times though sales had been about 1.3 times. In a word, it can be thought that the business objective changed from sales and the market share to the profit.

Continuously, such an improving one's physical condition and the restructuring of the business is considered from the aspect of the resource allocation. Some tendencies were seen when analyzing it according to the business. The first is to center on the main business respectively and to raise sales and the profit. The second is to turn a lot of human resources to a leading business without sticking to productivity. And, the third has been to have redefined the business frequently. In addition, the fourth is to be done the anticipatory investment like equipment and R&D to non-final products that is called module, electronic device, and parts positively. The fifth at the end is to be seen the difference in the achievement of the non-final products business.

Then, the decision-making machinery is considered. First of all, it falls overall though a trueborn (work for the enterprise for 20 years or more) ratio of executives was about 70~90% in the first half of the 90's. Especially in Sony, it had dropped on about 30% in 2004 though it had exceeded 70-90% in the 90 year. The

change is conspicuous. Next, on the average representative's tenure, the shortest is 2.5 years of NEC, the longest is 6.0 years of Sharp. It was clarified that the constituent member of the decision-making institution was changing greatly from these facts in these 20 years. It is thought that the continuance of the idea and the climate is high, and it tends to stand in a long-term intention when the representative alternates regularly and the representative is selected from trueborn. It was clarified to do the decision making that stared at the future while maintaining employment by most enterprises.

### **3. Consideration concerning change to the Americanized**

To consider it more objectively, the correlation coefficient was asked for all 15 items (9 companies) of 20 years. As a result, a strong correlation was confirmed at the single average age and the single average length of service. Moreover, the average age, the annual average salary, and the single average length of service have increased every year. From these facts, it is guessed that it is required the person is not employed from various labor markets by the mid-career hiring but to employ the new graduate and to employ it long. However, only Sony's situation is different in recent years. Single employee's average age and average length of service are level-offs after 1998, the scale expansion is intended putting it in to the business by M&A, the trueborn rate of executives has decreased rapidly since 2002, and so on. In Sony, the feature of the American companies as procurement and a short-term intention appears. In a word, it is considered that only Sony had progress the change to Americanized and shifts the business structure greatly in these 20 years. On the other hand, in eight other companies, it was clarified that accumulation and a long-term intention of the resource that centered on talent were maintained. In one side, it has been understood that a big difference is seen in the achievement by eight that has maintained the feature of the Japanese companies for a long term. It appears in the rate of profit in Table 1. Sharp's operating profit margin and the pure profit and loss rate are the highest from this table. And, the change is small, and with stability. However, both operating profits and the current term net profit or losses of the accumulation are deficits in Sanyo Electric. The comparison of Sharp and Sanyo Electric is necessary as the following consideration.

## **IV. Comparison of Sharp and Sanyo Electric**

### **1. Comparison of capabilities to be related to achievement**

Set indicators are combined, employee's sales a person, employee's the operating profit, and employee's the current term net profit or loss are examined. Sanyo Electric is sluggish while Sharp has extended it almost well in three indicators. Therefore, Sharp is thought to be demonstrating an ability employee individual enough and the achievement is pushed up. But, there is some existence of inefficiency in Sanyo Electric somewhere.

### **2. Consideration concerning capabilities difference**

The place where the capabilities was accumulated when the product market selects and method of decision making are considered.

First of all, the business definition of Sharp is very simple. It is only two kinds that are the electronic marvel and the electronic parts for 20 years. It doesn't divide by the consumer goods and the industrial goods when these content are examined. It is the final products and the non-final products. In other words, electronic parts are non-final products of the industrial goods though the electronic marvel has been divided into the final products of consumer goods and the final products of the industrial goods. While the final products accounts for about 65% of the whole on the sales scale among these, non-final products is reversed with about 60% in the profit. The intention of expanding the market from such a composition with the final products, and bringing earnings with non-final products can be clearly read. Moreover, it is guessed that the decision making that stares at a long term has been done about the distribution of management resources because presidents on the register years are long.

On the other hand, the business division of Sanyo Electric approaches Sharp. However, it is shape that non-final products pulls both sales and operating profits according to the business, and it is different from Sharp. Moreover, the ratio has changed by fiscal year though a lot of investments are distributed to non-final products. It is thought that it originates the fact that the constituent member of the decision-making machinery has been changed as each year. In a word, representative's on the register period is short, there are a lot of outside executives, and the trueborn rate of the executives is low. So, the policy concerning the resource allocation is blurred, and it is guessed that it might be a

short-term intention consequentially. It is considered that it has brought the difference of the achievement.

## V. Figures/Tables

### 1. Figures

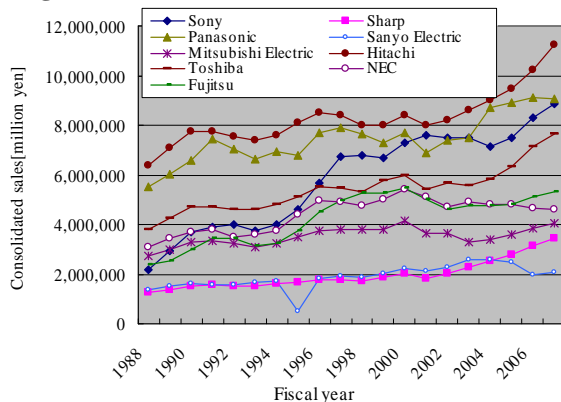


Fig.1. Consolidated sales changes of household appliance 9 companies

### 2. Tables

Table 1. Rate of consolidated profit of each company for 20 years

		Sony	Sharp	Sanyo	Hitachi	NEC
Consolidated operating income ratio	Average	3.85%	4.65%	2.59%	3.19%	0.40%
	Standard deviation	0.71%	0.25%	0.28%	0.47%	0.53%
	Range	14.28%	3.78%	5.45%	8.55%	11.04%
	Total	76.98%	93.05%	51.78%	63.85%	8.00%
Consolidated pure profit and loss rate	Average	1.56%	2.30%	-0.52%	0.43%	0.27%
	Standard deviation	0.54%	0.19%	0.60%	0.49%	0.44%
	Range	11.53%	2.99%	10.16%	9.03%	8.59%
	Total	31.14%	46.03%	-10.39%	8.56%	5.34%

## VI. Conclusion

In the end, the result in this research is brought together, and the conclusion is obtained. To verify whether a Japanese companies had changed to American type, it was assumed that the feature of a Japanese type and the American type was caught as "Accumulation and long-term intention" and Procurement and short-term intention", based on the finding obtained from the previous studies. It applied it to nine consumer electronic industry companies, and the transition of 20 years was analyzed and considered. As a result, although only Sony had changed to the American type company, it turned out that other eight companies do not change and the feature of the Japan type company is maintained. While those companies with

this feature redefined the business, it turned out that employment is secured at a long period of time, and know-how and technology are accumulated in the spot. Moreover, the highest decision-making function found that there were many patterns which are the necessary personnel raised from the inside and are constituted. It will not be different from before 20 years, and accumulation and a long-term intention are maintained. Furthermore, it became clear that the difference of the mechanism for changing the accumulated capability brings about the difference of achievements by comparing two companies, the Sharp and Sanyo Electric which have the feature of the same Japan type company. Moreover, it turned out that it is very important also for the definition of the business which is the essential subject of marketing.

And, some future subjects were discovered. First, it is important for Sony to consider the process by what kind of circumstances to have converted into the American type, and its time. Secondary, consideration is required, how the American management technique was taken in and attaches. The last subject is clarifying the structure of circulation with finished goods and non-finished goods in detail.

## REFERENCES

- [1] Moriya T (2005), Performance-based evaluation i ntroduction into Japanese enterprise(in Japanese).p50
- [2] Fujimoto T (2004), Japanese manufacturing philosophy (in Japanese).p55
- [3] Kono T and Clegg S (2001) Trends in Japanese Management: Continuing Strengths, Current Problem and Changing Priorities.p5
- [4] Yamasaki H and Business History Society of Japan (2004), (in Japanese).p364
- [5] Itami H and Hitotsubashi MBA Strategy workshop (2002), Analysis of strategy 2001 in Japanese enterprise (in Japanese).p16
- [6] Ikeo K(1999), Innovation of Japanese type marketing (in Japanese).p61
- [7] Miura M(2004), A management organization {Tashiro Y compilation ,The business administration of the modern Japanese company }(in Japanese).pp74-75
- [8]Ohtsubo M (2005), Restructuring of Japanese enterprise (in Japanese).p13
- [9] Abegglen, J.C. ( 2004 ) 21st Century Japanese Management: New Systems, Lasting Values .p52
- [10] Cho E(2004), A consideration of corporate governance reform in Japan (in Japanese). The Ritsumeikan business review 43(4):p121
- [11] Albert M(1991),Capitalisme contre capitalisme.p148
- [12] Ishi J(1993), Myth of marketing (in Japanese).p194
- [13] Mishina K (1997), "Accumulation" Versus "Combination" (in Japanese).Business Review 45(2):p76