

## Chapter 2

### Japanese Style Management and Its Corporate Culture

This chapter begins with a theoretical overview of Japanese style management, which first drew the attention of Western entrepreneurs, economists and sociologists as an essential factor that led Japan's economy through such rapid growth after World War II. The characteristics of Japanese style management as well as its positive and negative aspects are examined.

This section then discusses how the major elements of Japanese style management affect its corporate culture. Although Japanese style management was not prescribed by law but rather developed as a custom, it soon became common among large Japanese enterprises that fostered very similar corporate cultures as a result. This section shows the double-sided nature of Japanese corporate culture; ambiguity and stability. Moreover, *settai*, or corporate entertainment, characteristic of Japanese corporate culture and its considerable influence on Japanese business and society are explored.

Discussions on the applicability of Japanese style management and its resulting corporate culture in the Thai context follow. This section shows the difficulty of introducing both of them, considering the conflicts and misunderstandings that Japanese resident officers and Thai employees have experienced. In addition, this section discusses how Japanese corporate culture is maintained among Japanese resident officers in Thailand.

## *2.1 Japanese Style Management*

### *2.1.1 Characteristics of Japanese style management*

The study of Japanese style management began around 1958 through the work of Abegglen, J.C., an American cultural anthropologist. Japan's rapid postwar development as the industrialization of a non-Western nation became a popular subject among economists, entrepreneurs and sociologists in Western countries. It was generally accepted that the basic attitude towards labor-management relations; a more familial attitude, was totally different from the Western style which usually stressed rationalism and individualism, and viewed the workplace as a purely economic unit.

At the beginning of the work entitled "The Japanese Factory: Aspects of its Social Organization", Abegglen asked: "...how Western technology, modern industrial technology, may be fitted into a non-Western context with a different social inheritance"(Abegglen 1958: 3). This sentence clearly shows Western countries' view towards industrialization: non-Western countries' industrialization would be developed together with westernization of the society. Through his one-year empirical study in a total of 53 Japanese factories, Abegglen listed characteristics of Japanese style management such as lifetime employment, promotion by age and length of employment, regular recruitment only from new graduates, and reciprocal obligations between senior and junior like a parent-child relationship.

Abegglen makes unexpected conclusions about Japanese-style management:

If a single conclusion were to be drawn from this study it would be that the development of industrial Japan has taken place with much less change from the kinds of social organization and social relations of preindustrial or nonindustrial Japan than would be expected from the Western model of the growth of an industrial society (ibid.: 129).

His study reveals that industrialization of a country can be accomplished by incorporating its patterns of social systems into the personnel management (ibid. : 142).

On the basis of Abegglen's study, Japanese style management became a more noteworthy subject in the 1960s and the 1970s. In 1970, the Organization for Economic Cooperation and Development (OECD) dispatched a mission to observe Japanese labor system. The mission reported, in 1973, that Japanese style management comprised of a set of three pillars: lifetime (from recruit to retirement) employment; seniority-based promotion; and enterprise unions. Soon after the term 'the three pillars' appeared in that report, the three pillars came to define the essential institutions of Japanese style management both in and outside of Japan. Later 'the three pillars' became the 'Three Sacred Treasures' in praise of Japan's marvelous economic progress (Odaka 1984: 11, Tao 1998: 3, Nishinarita 1998: 195-6).

Odaka, a leading Japanese sociologist in the field of industrial relations and union problems, defines the characteristics of Japanese style management as listed below:

1. Lifetime employment (*Shushinkoyo* in Japanese)

2. Regular recruitment only from new high school or university graduates
3. In-house education aiming to nurture the young employees into desirable company men
4. Job rotation aiming to produce generalists who are useful at any department, rather than specialists
5. Seniority-based promotion, and pay-by-age system  
(*Nenkojoretsu* in Japanese)
6. Stress on harmony and conformity rather than competition among employees
7. *Ringi* system: virtual agreement among the people concerned as a whole
8. Encouragement of group consciousness and group identity
9. Paternalistic attitudes towards the employees  
(1984: 114-5)

These features show the idea that the company is supported by all of its employees, and the company's prosperity promotes the lives of its employees. This view nurtures employees' strong sense of identity with their company and their high loyalty towards the company (ibid. : 4). This concept affects Japanese labor unions. In contrast to trade-specific unions organized in Western companies, most Japanese labor unions consist of employees working at the same company and are called enterprise unions. With the idea of the company being like a family, even labor unions try to seek appropriate compromises with management, rather than conflicts and strikes that would cause both economic and social damage to the company (Abegglen 1958 : 104-6, NHK and Daiwa 1995: 63-7).

Odaka, however, claims that Japanese style management does not have only positive aspects which Western scholars highly praised and exaggerated during the Japan's high economic growth period, but also negative aspects that need to be modified when Japan's economic turned to low growth since the 1970s (ibid. : 133).

### *2.1.2 Positive and negative aspects of Japanese style management*

Under the lifetime employment system, recruiting is mostly performed among new graduates from high schools or universities once a year as regular employees, and most of them continue working for the company until their retirement age. The management takes the responsibility of training the employees to become practical labors for the company. The management, at the same time, is held responsible for the employees' whole lives. The relationship between labor and management is not just one of providing labor in exchange for wages as commonly seen in the Western system (Abegglen 1958: Chapter 2, Odaka 1984: Chapter 7).

All new employees are required to undergo corporate education and training programs before they are assigned to each department. The education and training programs aim to nurture general company men for the company, by teaching desirable attitudes, behavior, and a sense of value as 'company men'. Tao defines 'a company man' as one who mainly concentrates on the matters of his company, and deeply devotes his life to the company by showing his strong loyalty (1997: 232). The management, in return, provides the necessities of life, such as dormitories for single employees, company housing for married men,<sup>\*1</sup> family allowance besides salary, recreation facilities, regular health

checks at a company-run hospital, housing loans and so on through their company lives (Odaka 1984: 54, Tao ed.1997: 233, Kato 1990: 6, Reishauer 1990: 396).

This paternalistic labor management succeeds in encouraging employees as well as their family members to have a strong sense of identity with their company (Tao ed. 1997: 233). The management enjoys the stability of the employees and their loyalty to the company as a result (Odaka 1984: 119). On the other hand, Japanese management can hardly dismiss abundant or useless employees even when the company suffers recessions. Abegglen points out that the principle of the lifetime employment system affects productivity in terms of the efficient use of present personnel, which is the most important concern among Western management. In addition, less threat of firing makes Japanese employees more concerned with loyalty to the company and close relations with his colleagues and seniors, rather than with energetic performance in their jobs (1958: 114).

Seniority-based promotion and pay-by-age system that function effectively with lifetime employment system nurture respect for seniors and harmony among colleagues, rather than competitive consciousness (Odaka 1984: 121). The system makes employees worry less about demotions or salary reductions. Employees can easily plan their future life because they can expect pay raises in accordance with his length of employment with very few exceptions. This system, however, may reduce motivation of young and talented employees because their contributions rarely reflect their salary. In fact, about 40 percent of Japanese enterprises having more than 1,000 employees reportedly do not make any distinction in promotions among the colleagues for the first 10 years after entering the company (NHK and Daiwa 1995: 49).\*<sup>2</sup>

It must be remembered that above-mentioned principles are applied only to male regular employees, not to female or part-time employees with few exceptions.\*<sup>3</sup> Japanese women have been expected to single-handedly play the role of managing household and taking care of their children in place of their husbands, who have to give their company priority over anything else (Abegglen 1958: 102-3, Watanabe 1996: Chapter 2, Teruoka 1997: 10-4,129-32).

In the 1980s, Japanese style management made a boom not only in Western countries, Southeast Asian countries, Korea and Taiwan. American TV programs often made special programs on Japanese style management, and business magazines published special editions on it one after another. Further, seminars and lectures on Japanese style management were held at universities in the United States and Canada, and were nearly full house every time (Odaka 1984:16-7). Japanese style management, however, successfully worked during the Japan's high economic growth until the 1973 oil crisis. Negative aspects of Japanese style management, as mentioned above, have gradually become prominent during the low economic growth period, 1973 to the present (Odaka 1984: Chapter 11). However, Japanese large companies had not made any drastic readjustment of their management style until the so-called "Heisei recession", which began in the 1990s. The delay of restructuring their management methods clearly illustrates one characteristic of Japanese management: they follow the crowd. Even if one company tried to carry out radical reforms, their action would lead to a loss of support from the business community, and its business performance would suffer (NHK and Daiwa 1995: 95). Japanese large enterprises have just begun to see the limitations of their management style in earnest since they fell into the Heisei recession of the 1990s, which is generally called the worst postwar economic slump (Nishinarita

1998: 212). \*4

## *2.2 Japanese Corporate Culture*

### *2.2.1 Lifetime employment and loyalty to the company*

It is important to note again that Japanese style management is merely a custom, neither prescribed by law nor agreed upon among enterprises. Nonetheless, Japanese style management did not only affect customs but also produced an influential culture by nurturing the sense of over-conformity and strong commitment to the company among the employees (Tao 1998: 75-77). Tao defines the term “conformity” as “individual behavior controlled by group pressure”. The stronger the group pressure grows, the more restrictive its corporate culture becomes (ibid. : 33-6).

Once employed, a man tends to remain in the same company until his retirement. An employee comes to identify himself with the company by means of company education for recruits, on-the-job training (OJT) and family-like relations with colleagues and seniors. In addition to routine work at the workplace, the loyalty and the sense of identity are often developed by company activities performed outside the workplace: drinking after a day’s work; a welcome party for new comers; an end of the year party; golfing on weekends; athletic festivals and recreational trips. These events are expected to be carried out with everyone’s participation (Odaka 1984: 12, Kodansha 1998: 292, Miyamoto 1997a: 70-101). \*5

In other words, the company assures the salary man security as long



as he stays. In this way, employees' loyalty to the company is strengthened (Tao 1998: 76). Employees consequently come to have no other identity than that of the employees of the company. As Tao analyzes, many Japanese would feel a sense of relief and comfort so long as they show conformity to the organization. On the other hand, it may be little more than a vain attempt for them to achieve their own goals by demonstrating their own abilities in their society (ibid.:39). It is no exaggeration to say that Japanese people actually tend to judge others with their company affiliation and its status by which they are employed rather than their personalities or abilities (Odaka 1984 :100, Nakane 1972: 109).

It is evident in Japan that Japanese men can enjoy dinner or drinks at many luxurious restaurants and nightclubs on credit as long as they present business cards on which their well-known company names are printed. Business cards thus are worth more than credit cards in Japanese society. As this example shows, reliability and social status of a salary man comes to be measured by the scale of the company he works for in Japanese society. This value orientation is introduced in practice at many *karaoke* establishments at the Thaniya area as will be described in Chapter 4.

### *2.2.2 Seniority-based promotion and harmony*

Seniority-based promotion gives employees the feeling that everybody is equally appreciated. In addition to lifetime employment, it means that relations with colleagues and seniors would be permanent. Seniors have the responsibility to teach new comers by means of OJT not by using manuals. This training method plays a role in nurturing close

relations between juniors and seniors, and at the same time juniors learn naturally the importance of paternalistic relations (Abegglen 1958: Chapter 5).

From the above discussions, it can be said that Japanese men develop friendships with his fellow workers after he starts working. Through the deep involvement in personal relations with one's colleagues, he may come to adjust himself to group demands and accept the group value orientation, even though he felt them unreasonable or uncomfortable before. If he insists on opposing group decisions even if his opinion is more reasonable and correct, he would risk being cast out from the group (Nakane 1972: 121-2). Heretical employees hence will often be transferred to an inferior post, or forced to resign on account of a distorted reason at the worst like the following example:

Soon after I joined the department when I returned from the United States, I felt that personal abuse towards me by the other members of the department began. ... . My manners and the way I behaved, even my clothing, at that time irritated the other members because my behavior was not applicable to those of their corporate culture. The more I was reluctant to follow the culture, the more their abuse escalated. (Miyamoto 1997a: 207-219, translated by the author).

Miyamoto was later subject to disciplinary dismissal for publishing books disclosing the detail of the corporate culture to which he belonged. This example indicates that a sense of solidarity and unity must be maintained by all of those working at the same place and those who are reluctant to accept, needless to say those who oppose the value orientation of the workplace, will be punished or excluded at worst (Tao 1998: 36).

The firm relationships are still effective abroad among Japanese resident officers. They cannot leave their fellows and seniors alone even one night while they visit places. For instance, it is almost a must for Japanese resident officers to escort their colleagues or seniors coming from Japan to a *karaoke* establishment at the Thaniya area and enjoy singing, drinking, and sometimes commercial sex services together, even though the resident officer might have already lost interest in *karaoke* (Fujii 1997b: 200-1).

### *2.2.3 Ringi-system and unanimity*

As the underlying concept of Japanese style management is family-like cooperation, harmony and solidarity, most Japanese companies adopt unanimity in decision-making, rather than by a simple majority. Conflicts among the members should be avoided as much as at every stage of the decision-making process. *Ringi*, a procedure of decision-making conducted by circulating a proposed paper among all those concerned in order to obtain unanimous approval, is often described as a unique Japanese approval-seeking process. *Ringi-sho*, or a proposal paper is firstly prepared by a lower positioned employee. The proposition in the *ringi-sho* should be examined and approved by every person in charge from the lower positions to the higher positions in the organizational hierarchy.

In this system, employees even in lower positions can feel that they participate in making proposals or decisions from an early stage. Even if any opposition arises at a certain stage in the process, a point of compromise should be found by revising or amending the contents. Men in charge have to complete all of the arrangements before the final stage of

decision-making. A process called *nemawashi*, a figurative term indicating behind-the-scene negotiation or prior consultation, is a necessary technique in order to reach consensus, and obtain a certain objective (Kodansha 1998: 524, Yoshino 1995: 100, 235). The *ringi* system, in this way, illustrates that Japanese management places strong emphasis on conformity. It can be said that employees are compelled by the system to reform wrong ideas and confirm common norms and common values, instead of making objections and inciting conflicts, among the colleagues and seniors (Odaka 1984: 53, Kato 1990:144-5, Kodansha 1998: 296).

A unanimous approval is not reached by direct negotiations or arguments but by ambiguous manners called *nemawashi* among men concerned. It must be noted that *nemawashi* should be initiated considering others' desires and carried out in the most effective way that would make counterparts consent to the same goal (Kato 1990:143-8). Concretely speaking, drinking together after day's work, playing golf and any other activities not directly concerning the business matter are often carried out for the purpose of producing a friendly feeling and a common value orientation among the employees (Watanabe 1996: 233-4, NHK and Daiwa 1995: 139-41).

These indirect processes of negotiations are also required when a company wishes to open a new business and maintain partnership for further business with other companies: *settai*, or corporate entertainment would come from this context. A columnist of Asahi Shimbun once critically wrote that Japanese companies created a curious custom so that a new business must be initiated by inviting the customers for dinner (Asahi Shimbun 1995: 232).

## ***2.3 Japanese Corporate Culture and 'Settai', Business Entertainment***

### ***2.3.1 Function of 'settai', corporate entertainment***

The best explanation for the principle of *settai*, or corporate entertainment can be found in the unanimous approvals and the agreements that lack any conflicts or arguments at every stage of the decision-making process in Japanese business. When a company needs to negotiate for a new contract with another company, or needs to request any changes to the other company, negotiations and arguments should not be conducted in a direct way according to their principles. To understand the counterparts' real intention and make them comprehend, *nemawashi*, or prior-consultation is necessary. In other words, the aim is to give rise to camaraderie and partnerships between the persons concerned. *Settai*, or corporate entertainment, plays an important role in performing *nemawashi*, or growing camaraderie and partnerships between the two parties (Watanabe 1996: 233, Asahi Shimbun 1995: 84-7).

For a heart-to-heart talk, inviting persons concerned to dinner is the best and easiest way because it is a traditional and basic way to make others relax and feel amicable. In the early 1950s, there already had been a word in fashion among white-collar workers of business departments, 'The five let's; let him (client) dine, let him drink, let him have (money), let him sleep (with women) and let him behave like a lord.' These were indispensable for business success (Asahi Shimbun, 1995: 84). Golf came later. Playing golf is another essential skill for a company man to get a promotion. As a matter of fact, a company man who does not play golf is likely to be labeled as powerless. Playing golf together is a good opportunity to have a heart-to-heart talk because it takes a whole day. The important point to note is that the persons never talk about the

business during *settai* but just enjoy themselves. It is important to share after-work time and weekends, which would develop camaraderie to understand each position and suggest the point of compromise.\*<sup>6</sup>

### *2.3.2 Shayo-zoku, expense-account spenders*

The term, *shayo-zoku*, ('company business gang', if translated literally), which means expense account spenders, first appeared in 1951 and quickly became popular in Japanese corporate society. While the Japanese economic recovery started in 1951, even a person in a managerial position did not get a salary sufficient to escort business partners and clients to nightclubs and bars at his own expense. The expense account for business entertainment was introduced to almost every company during the beginning of the economic recovery. It did not take a long time until luxurious restaurants, nightclubs, first-class seats for professional *sumo* wrestling matches and traditional seasonal festivals began to be crowded with those who enjoyed them with expense accounts (Asahi Shimbun 1995: 85, 230-1).

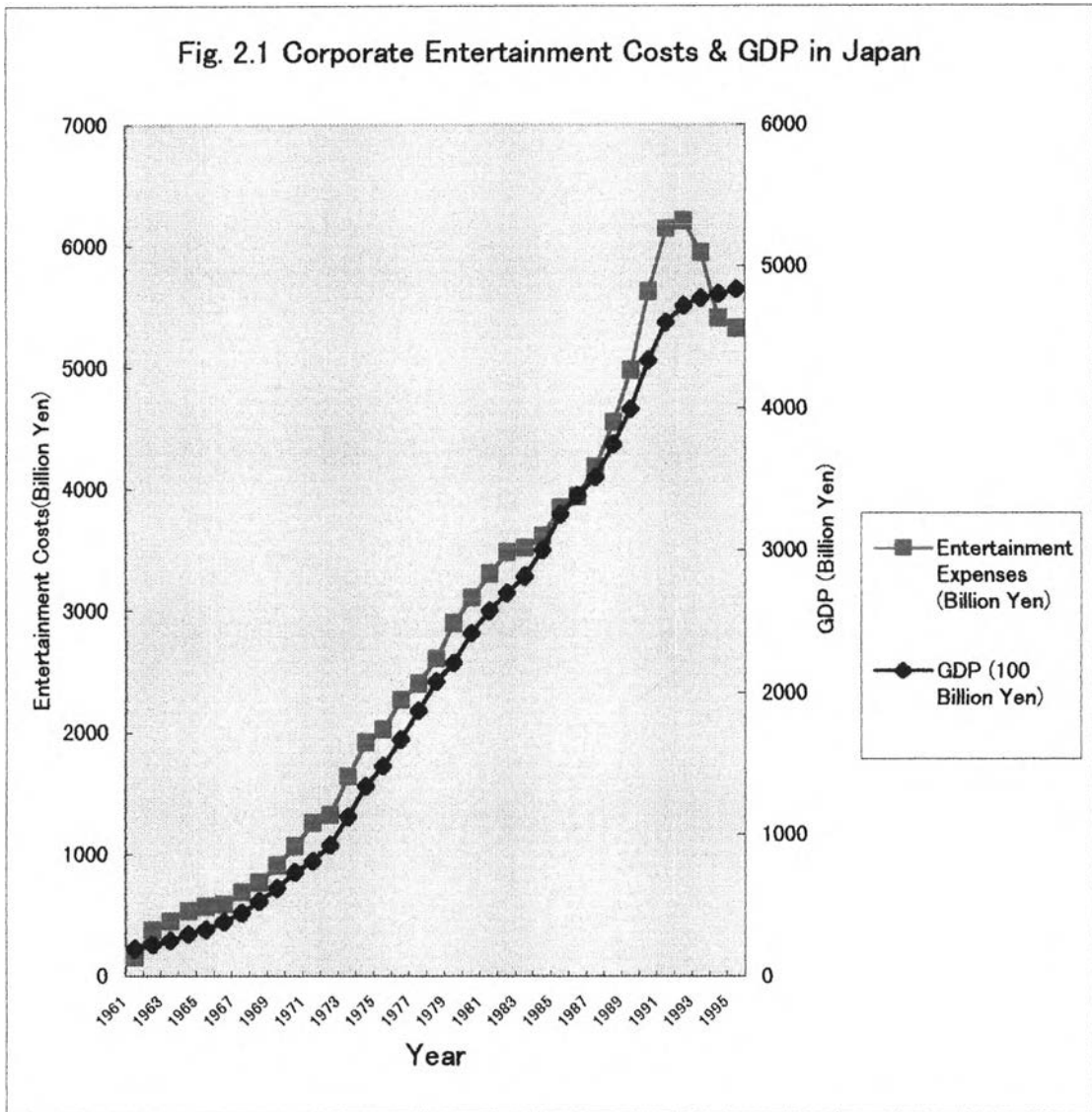
In 1954, the Japanese Ministry of Finance introduced a tax for business entertainment expenses in order to put a brake on lavish expense accounts. However, the annual amount of entertainment expenses reported from all Japanese enterprises has never been lower than the previous year until the serious recession in 1993, since the National Tax Administration Agency first began to take the statistics in 1961 (Asahi Shimbun 1995: 85, 231). Figure 2.1 shows total annual entertainment expenses of Japanese companies and the Gross Domestic Product (GDP) of Japan. Total entertainment expenses and GDP increased accordingly from 1961 to 1991. The rise indicates that cost

reductions for entertainment expenses were seldom examined or argued for during the period. Although manufacturing cost had been reduced by introducing the latest technologies in the same period, the rise of entertainment expenses indicates that white-collar sections did not contribute to reducing business cost (Kato 1990: 97).

Bribery scandals \*<sup>7</sup> or lavish corporate entertainment costs often became the subject of criticism during the period. Nevertheless, drastic changes in *settai* were not strongly argued for as far as Figure 2.1 shows. The peak of the expenses shows Japan's bubble boom. Japanese bubble boom made a *settai* bubble as well. The first and rapid economic drop from 1993 to 1995 indicated Japan's economic bubble had burst. The worst postwar economic recession in Japan immediately impacted *settai* costs, which had never dropped in its recorded history.



Fig. 2.1 Corporate Entertainment Costs & GDP in Japan



Source:

Corporate entertainment costs: National Tax Administration, Japan

GDP Japan: Economic Planning Agency, Japan



### 2.3.3 Impact of *Settai* on Japanese society

*Settai* still is an essential and effective way to promote new business and keep good relationships and partnerships. It was not business-like partnerships but personal friendships that would lead companies to achieve business goals in the Japanese business world. Japanese companies have accordingly spent much on entertainment expenses. It was reported that as much as 6.2 trillion yen (about 1.9 trillion baht) was spent on *settai* in all of Japan in 1992 (Asahi Shimbun 1995: 231, Asahina, 1997: 88).

Some *shayo-zoku* spend expense accounts per month that exceed their monthly income by as much as ten fold. In addition, budget for business entertainment expenses reportedly increases in accordance with one's promotion. They, therefore, are provided with considerable budgets for corporate entertainment, in spite of much lesser salaries compared with their American counterparts, and are able to enjoy a lavish business dinner at a luxurious restaurant relative to the scale of their company (Reishauer 1979: 196).

The following is an example showing how important *settai* still is today. *Teikoku Data Bank Co., Ltd.*, the top research company in Japan, carried out a survey asking 384 company owners with more than 30 employees about the effect and necessity of *settai*. More than 60 percent of them answered that *settai* affects their business, and more than 85 percent noted the necessity of *settai*. On the other hand, 60 percent of them hoped the custom of *settai* would end (Yomiuri Shimbun, May 20, 1998). The result shows a contradiction that *settai* is an unfavorable custom, but one that cannot be abandoned.

Lavish *settai* budgets produced a double price system in Japanese society. Arai Shinya, president of a middle scale supermarket chain called it 'company yen' against 'private yen'. He criticized 'company yen' which boosted prices as a result of limitless *settai* budgets. For example, many luxury restaurants double or triple the prices of what ordinary people can afford to pay by themselves at one time. Membership prices of a golf club located in the outskirts of Tokyo quadrupled in only three years. Commercial flower farmers raise orchid flowers especially bred for gift purposes, that can sell at an extravagant price, about ten times as much as the price of common ones (Asahi Shimbun 1995: 90). These facts show that Japanese corporate culture impacted Japanese society by means of establishing an extraordinary price structure. The Taxation System Research Committee of Japan points out that the extreme price structure influenced by *settai* was a clear factor that led to a general dissatisfaction of lifestyle in Japan (ibid.: 90-1).

## ***2.4 Japanese Corporate Presence in Thailand***

### ***2.4.1 Japanese investment flow to Thailand***

Japanese private foreign direct investment centered on South East and East Asia beginning in the 1960s. At that time, the aim was to secure markets rather than profits (Yamashita 1998: 63-5). In 1963, Japanese investment to Thailand was 180 million baht (Yoshikawa 1992: 183). The volume increased to 404 million baht in 1969, over the twice that of the previous year. In 1973, Japanese direct investment to Thailand amounted to 707 million baht, which surpassed the amount of foreign direct investment (FDI) from the United States for the first time (Phongpaichit

and Baker 1997: 137). There were only 30 Japanese affiliates in Thailand in 1954, but 137 by 1965, and 217 by 1970 (JCCB 1995: 216-7).

The rapid investment increase caused Thailand's trade deficit to accumulate against Japan. By 1969, the deficit reached 300 million US dollars. The situation made Thai local capitalists fear potential Japanese domination of the local economy (Yoshikawa 1992: 183-6). Japanese trade procedure became a target of criticism and fostered a movement to boycott Japanese-made goods. In November 1972, anti-Japanese protests led by Thai students erupted in Bangkok (Wun'gaeo 1984: 82-6). After the protest, the Japanese government took some countermeasures to reduce antipathy of Thai public criticism by reducing duties on Thai goods and increasing loans to the Thai government. Japanese affiliates that wanted to stay there were compelled to amend business procedures so as to be accepted by the local capitalists and workers (Phongpaichit and Baker 1997: 137).

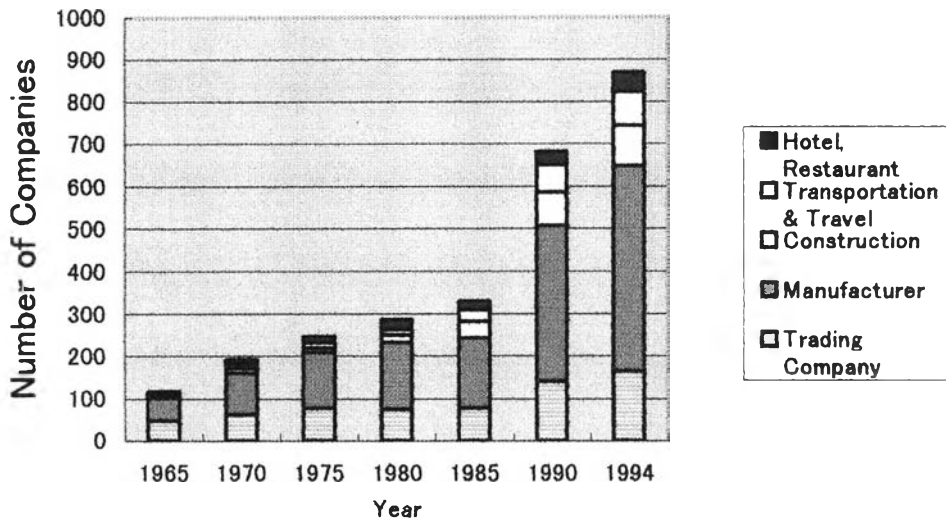
It must be noted that Thailand's trade deficit has continued to increase even after the aforementioned protest. Nevertheless, the anti-Japanese movement has not occurred since then partly because the Japanese government, authorities and private enterprises operating in Thailand have promoted cultural exchange and cooperation between the nations (Wun'gaeo 1984:87-88). \*<sup>8</sup>

Following the 1985 Plaza Accord, \*<sup>9</sup> a big change of the pattern of Japanese investment to Thailand occurred. Japanese enterprises, due to the yen's high appreciation caused by the Plaza Accord, were forced to transfer production process to lower-cost production sites in order to maintain international competitiveness. Japanese investment rushed into Thailand partly because they could realize lower wage cost and

partly because the country had long-term political stability, openness to foreign investment and relatively well developed infrastructure (Phongpaichit and Baker 1997: 155-6, Yamashita 1998: 63-4). In 1987, the amount of Japanese direct investment to Thailand was 3.3 billion baht and it dramatically increased until 1990: 14.6 billion baht in 1988, 18.7 billion baht in 1989 and 27.8 billion baht in 1990. The share of Japanese direct investment of the whole foreign direct investment to Thailand grew 52.2 percent in 1988 (Harada and Ino 1998: 108). The number of Japanese affiliates in Thailand was 394 in 1985, and continued to increase until March 1998, up to 1,178 (JCCB 1995: 216, JETRO 1998: 28).

Figure 2.2 shows that the number of Japanese affiliated companies in Thailand has increased enormously and rapidly after the Plaza Accord. Table 2.1 summarizes postwar economic relations between Thailand and Japan in chronological table form.

Fig. 2.2 Number of Japanese Companies in Thailand



Source: Japanese Chamber of Commerce in Bangkok

Table 2.1 Chronological table of economic relations between Thailand and Japan

Japanese Investment to Thailand	Thai Economy and Politics
<p><b>1954</b> Japanese Chamber of Commerce in Bangkok (JCCB) is founded with 30 member companies.</p> <p><b>1959</b> Mitsui and Itochu found a joint trading company.</p> <p><b>1961</b> The Japanese government agrees to provide 9.6 billion yen to Thailand without compensation.</p> <p><b>1964</b> Thai Daimaru opens. Toyota starts to operate a factory.</p> <p><b>1965</b> The number of JCCB member companies reaches 138.</p> <p><b>1968</b> 1<sup>st</sup> yen loan to Thailand (21.6 billion yen)</p> <p><b>1970</b> Japanese direct investment occupies 32.2 % of the total FDI (USA, 18.8%) . The Thaniya Building is established. It soon becomes the center building of gathering Japanese affiliates.</p> <p><b>1972</b> 2<sup>nd</sup> yen loan to Thailand (64 billion baht)</p> <p><b>(1973</b> The first oil crisis)</p> <p><b>(1978</b> The second oil crisis)</p> <p><b>1980</b> JCCB member companies: 349 Japanese direct investment averages 523 million baht per year, 1960-1980.</p>	<p><b>1954</b> Industrial Promotion Act is settled.</p> <p><b>1959</b> Budget Bureau, National Statistical Office, NEDB and BOI are established as infrastructure for promoting urban economic growth.</p> <p><b>1960</b> Investment Promotion Act is passed (operated from 1962).</p> <p><b>1961</b> The first NEDB plan is carried out: stress on economic growth by encouraging the private enterprises.</p> <p><b>1966</b> The second 5-year plan stressing agriculture is started.</p> <p><b>1967</b> ASEAN is founded.</p> <p><b>1969</b> Thailand's trade deficit against Japan reaches 300 million US dollar.</p> <p><b>1971</b> Thanom comes to power by coup de' tart. The 3<sup>rd</sup> 5-year plan starts: encouragement of heavy and chemical industry</p> <p><b>1972</b> Investment Promotion Act is renewed to encourage export industry. NSCT starts anti-Japanese protests.</p> <p><b>1973</b> Student-led uprising</p> <p><b>1974</b> Student uprising erupts against Japanese PM Tanaka's visit.</p> <p><b>1976</b> 4<sup>th</sup> 5-year plan starts: promotion of Agro-industry</p> <p><b>1977</b> Investment Promotion Act is revised. BOI is under the direct control of PM.</p> <p><b>1981</b> 5<sup>th</sup> 5-year plan: re-establishment of national economy and improvement of trade deficit</p>

<p><b>1985</b> The Plaza Accord is signed. JBBC member companies: 394 9 Japanese banks decide to make a 37 billion yen loan to 4 Thai public corporation.</p> <p><b>1988</b> The number of Japanese direct investment is 391, amounting to 148 billion baht.</p> <p><b>1989</b> JCCB has the most increase of the member companies: 172, adding up to 696 companies.</p> <p><b>1991</b> JCCB member companies exceed 1,000.</p> <p><b>1995</b> the total amount of Japanese investment flows since 1960 reaches 711 billion baht (BOI basis).</p> <p><b>1998</b>JCCB members reach 1,166. Japan's over 8.6 billion USD loan, 'Miyazawa Plan' included, for Thailand's recession is approved.</p> <p>The number of Japanese residents decreases by 5.4% to 22,481 from the previous year.</p> <p>Japanese investment to Thailand decreases from 720 billion baht in 1997 to 373 billion baht in 1998, on a start-up basis.</p>	<p><b>1982</b> Foreign exchange earnings from tourism surpassed that from rice for the first time.</p> <p><b>1984</b> Domestic sales of TV averages 74 % increase per year since 1980.</p> <p><b>1986</b> 6<sup>th</sup> 6-year plan: diversification of production process</p> <p><b>1987</b> Tourism promotion: Visiting Thailand Year The hundred-year anniversary of the treaty of amity between Thailand and Japan</p> <p><b>1988-1990</b> GDP growth exceeds 10%.</p> <p><b>1991</b>Thai military instigates a coup.</p> <p><b>1992</b> Uprising against Suchinda government occurs. 7<sup>th</sup> 5-year plan: promotion of provincial industrialization</p> <p><b>1996</b> 8<sup>th</sup> 5-year plan: improvement of human resource</p> <p><b>1997</b> The government shifts Thai baht to floating exchange system. The growth rate of GDP is -0.4%. 17.2 billion USD loan including IMF is approved. 58 finance companies are suspended.</p> <p><b>1998</b> Exchange rate of USD/Baht has the lowest record: 1 USD/56 baht.</p> <p>Total government debt reaches 476.1 million baht, 9.9% of GDP.</p> <p>The GDP growth rate is -8.0%.</p> <p>-<b>1999</b> Amazing Thailand campaign is carried out to promote tourism.</p>
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Source: Phongpaichit and Baker (1997), Suehiro (1996), Yoshikawa (1992), JCCB (1995), Harada and Ino (1998), JETRO (1998, 1999), JP(1999), Bangkok Post (1999).

#### *2.4.2 Japanese style management in Thailand*

From the beginning of the 1960s until the 1970s, Japanese investment to Thailand was aimed at import substitution in the domestic market. Japanese affiliates performed technical transfer by means of OJT. Japanese resident officers dispatched from the headquarters taught operation technology, machine repair and maintenance, and quality control to Thai local employees on a one-to-one basis. In contrast, European and the U.S. companies sent company technicians to teach operation technology as specified in the manuals to Thai local employees, and then returned home (Yamashita 1998: 65-66).

When OJT was carried out, Japanese affiliates attempted to educate local employees under Japanese style management, such as lifetime employment and seniority-based promotion (ibid.). However, as Abegglen concludes, industrialization of a country may succeed when labor management is carried on by adopting the social system and values (1958:142). The point of contention that Japanese style management would work among Thai local employees is whether Thai people would value lifetime employment and seniority-based promotion system, and then feel loyalty to the company.

Komin Suntaree analyzes various value clusters of Thai people from her empirical research. She points out that the Thai value system relating to motivational processes in organizational settings is characterized by three features: 1) Thai people values 'ego' and 'face', therefore strong and direct criticisms and face-to-face confrontations should be avoided; 2) since Thai society has a relatively tight hierarchical social systems, Thai people accept existential inequality and a strong value of 'relationship'. Thai employees can be motivated to work



devotedly for the leader they like and respect; and 3) a relation-oriented leadership style is necessary when a new system is indoctrinated (Komin 1990: 701).

Japanese resident officers in practice feel some work-related 'cultural gap' when they carry out the education of human resources. The followings are some example:

"Soon after the Thai engineers learned our techniques, they moved to another company where they could get better pay"(JCCB Monthly Journal vol.302, 1987: 38-42).

"Thai engineers seem to have strong sectionalism. They do not want to teach their learned technique to other engineers of the same company"(JCCB Monthly Journal vol.297, 1986: 79).

"New Thai university-graduate engineers refused to work under senior engineers who had only high school background" (JCCB Monthly Journal vol.305, 1987:17).

These examples significantly reflect Thais' work-related value system that Komin analyzes. Thai employees do not seem to value lifetime employment or seniority-based promotion. These examples indicate the difficulty of transferring Japanese style management transfer to Thai industry as it is. Labor management based on socio-cultural values of the people would successfully lead to high organizational performance and productivity in the process of industrialization of a country (Abegglen 1958: 142, Komin 1990: 703).

### *2.4.3 Japanese community in Thailand and its local cultural interactions*

According to the Japanese Embassy in Thailand, there are 22,481 Japanese who have registered themselves as residents with the embassy as of October 1998, whereas, there might be about 45,000 Japanese when including those who stay in Thailand without register with the Japanese Embassy (Saito 1999: 17). Nearly 80 percent of 22,481 live in Bangkok, and only 265 of all have registered themselves with the Embassy as permanent residents (the Japanese Embassy in Thailand).

Table 2.2 Characteristics of Japanese living in Thailand (as of October 1998)

Characteristics	Number
Japanese affiliated company workers and their family	18,736
Reporters of Japanese media and their family	103
Self-businessmen, liberal professionals and their family	679
Researchers, students and their family	467
The Japanese governmental officials and their family	916
Others	1,315
Permanent residents	265
Total	22,481
Those living in Bangkok	17,809

Source: The Japanese Embassy in Thailand. The number is based on Japanese who registered themselves as residents with the Japanese Embassy.

Although almost all of the Japanese living in Thailand are temporary residents, various features mirroring the distinctiveness of Japanese culture – groupism and collectivism – are found in Thailand, mainly in Bangkok. Many Japanese residents live along the Sukhumvit Road. There are supermarkets, Japanese restaurants, beauty parlors, and even tutoring schools, targeting Japanese residents in this area. The number of pupils of the Japanese School in Bangkok had kept increasing until 1998: from 1,027 in 1987 up to 2,016 in 1998 (see Table 4.2 in Chapter 4). The pupils of the Japanese School are required to have Japanese nationality, and all teachers are sent from Japan except those of Thai language and swimming. Many Japanese wives study at several Thai language schools designed for Japanese at Sukhumvit area partly because they want to make Japanese friends in the same situation. Many Japanese affiliated companies organize Japanese wives' activities: for example, regular lunch meetings and volunteer activities on behalf of the company. The Japanese Association in Thailand provides various kinds of leisure activities covering all fields of sports and culture to the 9,206 members as of May 1999 (Krung Thep, July 1999). As seen through these activities, the Japanese social stress on the importance of belonging to a group seems to be unmistakable.

There are many kinds of publication in Japanese to meet various readers' tastes. Japanese in Bangkok can keep up with current topics in every field both in Thailand and in Japan through newspapers and magazines. Table 2.3 shows the examples of publication for Japanese in Thailand. Unlike English publications, Japanese ones may have few foreign constant readers. The Japanese publications listed below therefore mainly target Japanese.

Table 2.3 Newspaper and other type of media for Japanese published  
in Thailand, as of July 1999

Type of publication	Number of publications*	Subject matter
<b>Newspaper</b>		
Yomiuri	13,000	Daily news
Asahi	10,000	Daily news
Nikkei	800	Business news
Bangkok Shuho	12,600	Weekly news of Thailand
Jiji Sokuho	550	Politics, economy in Japan and Thailand
Krung Thep Journal	several hundreds (Business secret)	Business news
<b>Other media</b>		
Marugoto Thailand	5,000	Providing information for enjoying living in Thailand, such as tours, golf, restaurants, events, entertainment, current topics, advertisements of shops which welcome Japanese customers
Voice Mail	13,000	
WEB	15,000	
KOKO	13,000	
DACO	15,000	
G-Diary	15,000	Providing information particularly to men's taste.

Source: Krung Thep Associates. *Living in Bangkok*. JETRO, 1998:115,

*Hello Thailand 1998/1999*, COMM Pte.Ltd., 1998: 496-497, and

collected by the author.

\* Numbers of publications are obtained by the author's inquiry to each publisher, as of August 1999.

The Japanese government, enterprises and volunteer groups have gradually stressed cultural exchange and social cooperation towards Thai society and Thai people since the 1970s. First, the Japanese governmental agencies and related organizations have carried out diverse cultural and educational activities mainly through the Japanese Ministry of Foreign Affairs and the Ministry of Education. The Japan foundation and the Japan International Cooperation Agency (JICA), both of which are affiliated agencies of Ministry of Foreign Affairs, have played a leading role in accepting and supporting Thai students who wish to study at Japanese universities and institutions. The number of Thai students accepted was 207 in 1977 and has increased every year since then, up to 1,018 in 1996. In addition, Japan also has inter-university exchange agreements with 105 schools in Thailand, as of 1995 (The University of Tokyo: Study Group 1998). The Thailand Cultural Center was constructed in 1987 at the Japanese government expenses (JCCB 1995: 188). Its main hall has opened to every kind of cultural performance, such as drama, musical concerts, and dancing performances, regardless of traditional or modern, and domestic or foreign made.

Second, private sector – business corporations, private foundations and NGOs – has also contributed to social and cultural cooperation towards Thai society and Thai people. Japanese affiliated companies in Thailand are engaged in not only industrial and economic activities but also cultural and social cooperation. According to a 1996 JCCB survey on the state of social and cultural contribution carried out by Japanese affiliated companies towards Thai society, 276 respondents donated a total of about 620 million baht in fiscal 1995. They mainly donated to the districts where the people suffered a disaster such as a flood, events in honor of royal families, and local schools and temples. In addition to

monetary donations, they usually accept a number of Thai students for technical education program, hold seminars and symposiums, and engage in environmental safeguard (JCCB 1997b: 14-15). With the Toyoda Foundation topping the list, many Japanese affiliated companies contribute themselves to improvement of cultural cooperation between Thailand and Japan (Imai 1998, Saito 1999: 185-6).

It is generally known today that NGOs play a leading role in improving social and cultural circumstances worldwide. Regarding Japanese NGOs' activities, Japan International Volunteer Center (JVC) and *Sotoshu* Relief Committee began their activities in Thailand in the early 1980s. Their main activities have gradually expanded from refugee assistance near the border between Cambodia to more cultural and social issues, such as improvement of life of people living in slums and, in mountainous districts (Ogimura 1990: 157). Today, more than one hundred NGOs based in Japan are engaged in social and cultural cooperation in Thailand, for instance, providing scholarship to poor children in the northeast district, tackling against trafficking in women into prostitution, improving poor farming, and so on (Interview with Ms. Saito). The Japanese government maintains financial assistance to these NGOs in the form of "Subsidy System for NGO Projects" through the budget for the Ministry of Foreign Affairs (the University of Tokyo 1998: 55).

In reality, there are many Japanese living in Thailand who are engaged in cultural exchanges and cooperation. For example, a volunteer group provides Japanese guide tours in the National Museum in Bangkok for the purpose of helping more Japanese to understand Thai history and culture. The Japanese wives association organized by the Japanese Association holds a charity bazaar once a year, and the total sales are

provided to several asylums and the NGOs in Thailand (Krung Thep August 1998). The Japanese school holds annual events with several Thai local schools for the purpose of cultural exchanges and bringing up friendship between Thai and Japanese children. The Japanese school regularly donates clothes and daily necessities as well as financial assistance to an asylum for handicapped children in Nonthaburi.

In this way, the Japanese government, enterprises and individuals are engaged in improving cultural and social cooperation between Thailand and Japan. However, most Japanese resident officers seem to have little time to participate in these social and cultural activities. It seems that it is more important for them to devote themselves to maintain Japanese corporate culture, rather than to understand the other culture, the act which should be more worthwhile in order to foster good relations with Thai local workers.

#### *2.4.4 Japanese corporate culture in Thailand*

18,736 of 22,481 Japanese residents are dispatched from Japanese companies and their families. As described earlier, it seems to be difficult for Japanese management to introduce their style to the Thai local staff and employees as it is. Japanese corporate culture therefore may be hardly adopted by them. The culture is maintained by Japanese resident officers, instead.

Japanese Chamber of Commerce in Bangkok (JCCB) was established in 1954 with 30 member companies, and increased to 1,162 member companies as of June 1998. All the member companies are Thai-

Japanese joint enterprises, and today they are classified by industry as follows;

- Metal
- Machinery
- Textile
- Agricultural products
- Finance, insurance
- Transportation
- Household products
- Automobile
- Tourism, advertising
- Construction
- Chemical products
- Electric machinery
- Communication
- Distribution sector
- Commercial and trading sector

Source: JCCB

Each section has a monthly meeting in order to exchange information with one another. All attendees are Japanese resident officers. According to a Japanese restaurant manager, who brings lunch boxes to sectional meetings, they sometimes gather for no reason but to enjoy casual conversation over lunch. In a sense, monthly meetings are carried out in order to maintain amicable relations among Japanese resident officers.

Golf is essential element of *settai* among Japanese workers as described earlier. Golf for the purpose of *settai* in Thailand has become popular among Japanese resident officers, as it is relatively cheaper *settai* than offering dinner and drinking at nightclubs. The number of golf courses in Thailand has increased in parallel to increase of Japanese affiliates and Japanese resident officers. In 1968, there were few golf



courses that were completely furnished. After the 1985 Plaza Accord, golf courses mushroomed in the vicinity of Bangkok up to about 140. Japanese resident officers who like golfing reportedly enjoy the sport 80 to 100 times a year (Saito 1999: 156-7).

The Japanese Association in Thailand has a golf club. Almost all of the members are Japanese resident officers. Women members are very few, or rather an exception, even though the Japanese Association consists of Japanese residents in Thailand who are 18 years old and over, regardless of sex. The golf club gathers once a month to play golf, and the participants' names, company names and scores are reported in the monthly journal. As described above, playing golf together is a good opportunity to have a heart-to-heart talk because it takes a whole day.

As will be described in detail in Chapter 4, the Thaniya entertainment area is the gathering spot of Japanese resident officers and their business visitors. Many *karaoke* houses at Thaniya target Japanese resident officers, excluding foreigners. Japanese resident officers escort their Japanese business guests and partners to *karaoke* houses at the Thaniya area just like in Japan. It can be said that *shayozoku*, as explained earlier, actually exist in Thailand. From seeing these activities, it can be concluded that Japanese resident officers are likely to gather with one another, rather than staying with their families, and maintain Japanese corporate culture here in Thailand. As far as the author is concerned, as a wife of a Japanese resident officer, there are few Japanese wives whose husbands come home early in the evening and stay with their family every weekend.

## ***2.5 Concluding Remarks***

Japanese style management is characterized by lifetime employment, seniority-based promotion and in-house unions. These elements nurtured both the employees' mental and physical commitment to the company because regular employees can feel secure about their household finances as far as they stay in the company until retirement age. Many scholars point out that Japanese style management succeeded by introducing a Japanese socio-cultural value system – family-like relationships and a group-centered pattern of value orientation – to the constitution of labor-management relations.

When Japanese direct investment fled to Thailand in the 1960s, Japanese resident officers tried to perform technology transfer by means of OJT. At the same time, Japanese affiliates tried to introduce lifetime employment and a seniority-based promotion system to Thai local employees' management. As described above, Japanese style management is reflected in the Japanese socio-cultural value orientation, thereby, conflicts and misunderstandings occurred between Japanese resident officers and Thai local employees who have different work-related values. JCCB plays a part in analyzing the problems and seeking countermeasures through research and symposiums.

The influence of Japanese corporate culture upon Japanese lifestyle and Japanese values is so considerable that it is often said that Japan is a company-oriented society. Since the major concept of Japanese corporate culture is conformity and a sense of solidarity and unity, it becomes almost customary for Japanese employees to gather and spend time together drinking after a day's work and playing golf on weekends, not only colleagues but also partners and customers, meaning *settai*.

The remarkable reflections of Japanese corporate culture can be seen in the manners and behavior of Japanese resident officers here in Bangkok. Japanese resident officers have considerable opportunities to gather with one another. They make it a custom to have monthly lunch meetings organized by JCCB, monthly golf meetings that are one of the activities of the Japanese Association in Thailand. Furthermore, Japanese resident officers often spend time at the Thaniya entertainment area in order to escort their business guests and partners. *Settai* actually exists among Japanese resident officers here in Thailand. They are engaged in maintaining Japanese corporate culture even in Thailand, rather than in understanding Thai culture that would improve relations with Thai local workers. The details of *settai* at the Thaniya area will be examined in Chapter 3 and 4.

## Notes

1. A 1990 survey by the Economic Planning Agency of Japan found that 80 percent of companies with under 500 employees have company housing. For companies with over 1,000 employees, the figure is over 95 percent (NHK and Daiwa 1995: 140-3).
2. According to a survey by the Ministry of Labor, Japan in 1987. In this survey, also, one out of ten companies answered that they promote colleagues at the same time for the first 15 years after entering the company (NHK and Daiwa 1995: 49).
3. The 1986 Equal Employment Opportunity Law between Men and Women was adopted to eliminate discrimination between men and women for employment and promotions. Nevertheless, direct and indirect pressures on women, especially married women, who wish to stay at the workplace are still reported (Watanabe 1996:34-41, NHK and Daiwa 1995: 181-7).
4. For example, Japan's biggest automobile enterprise, TOYOTA has announced the termination of its seniority-based wage system (Yomiuri Shimbun, July 8, 1999).
5. According to the survey conducted by the Federation of Economic Organization in 1993, around 80 percent of employees, who replied to the question of whether they would put priority to the company or their family in certain situations of about equal weighting, would give their company priority (NHK and Daiwa 1995: 143).

6. The author's interview with Mr.Y

Such kinds of stories are often seen in business magazines or books disclosing one's *settai* scandals, such as Terry Ito, *Okurasho Himitsu Joho* (Secret Files of the Ministry of Finance), and *Okura Kanryo no Fukushu* (the Revenge of MOF Officials). Tokyo: Asakashinsha, 1998.

7. The latest and most sensational *settai* scandal occurred between most of Japan's leading city banks and the Ministry of Finance (MOF). MOF has a supervisory department of the city banks. Each city bank had repeatedly offered *settai* to the examiners of the department, aiming to have them disclose the examination date and items so that the banks could conceal some improper documents in advance. The sum of *settai* amounted to 10 – 30 million yen (about 3.1- 9.4 million baht) per bureaucrat per year during the bubble boom, the late 1980s. These banks had repeatedly entertained bureaucrats by dining them at luxurious restaurants, golf, overseas trips and expensive sexual entertainment (Mainichi Shimbun, January to February, 1998).

8. For example, Japanese study through Japanese literature translated into Thai was introduced and promoted. The Technological Promotion Association (Thai-Japan) was founded at Japan's cost to provide publications and seminars for encouraging Thai technology. Japanese mass culture, especially animation characters such as *Draemon* and *Ikkyusan*, worked well to make Thai people change the image of Japan from 'invader as *samuraï*' to 'more friendly characters' (Wun'gaeo 1984: 87-88).

9. The Plaza Accord is the name given to the 1985 agreement made at the Plaza Hotel, New York by the Group of Five Countries (G5: USA, Great Britain, France, West Germany and Japan) with a key aim being to co-

ordinate macro-economic policies and realign exchange rates. As a result of this agreement the value of the Japanese yen rose sharply in value against the dollar (Hook 1998: 36).