JAPANESE BUSINESS ORGANIZATION
...through mentality perspective

by

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ABSTRACT

This paper is an attempt to shed light on Japanese business organization from a mentality perspective and thus to explain some characteristic attributes of the organization.

"Mentality" provides, the basis for the mode of thought attributable to the nation. The "YAMATO SPIRIT", which is one of such mentalities and which is also the core concept of this thesis, is the Japanese mentality and thus is the basis for Japanese ways of thought and action.

The Japanese mentality, in other words, the "YAMATO SPIRIT", is defined as "an effort to attain the identity of one with many through 'Nothingness'". As such, it manifests itself in the business field as well as in other aspects of Japanese life. In fact, this SPIRIT is one of the decisive elements in the business field, emerging as the Japanese business spirit.

The Japanese business spirit, in turn, takes various forms, such as the maxim "do your bit for your country" on the management side, Nenko wage system and Shushin Koyo employment system on the labor side, and the interdependence among firms, banks, and the Government. Furthermore, it is manifest in the business decision-making, functioning as a synthesizing element. Finally apart from the business organization, the Japanese mentality manifests itself with the existence and importance of the "Betriebswirtshaft" in the scholarly field of business in Japan.

Again, this paper is an attempt to explain these characteristic attributes of Japanese business organization through Japanese mentality.

The paper is composed of three Parts. In Part I, we shall look briefly, from a historical point of view, at the management and labor sides of Japanese business organization. This preliminary survey should present a good background for us to understand what the "YAMATO SPIRIT" is, and what its implications are in the Japanese business scene. In Part II, we shall discuss the three elements on which the "YAMATO SPIRT" is based, and then arrive at the definition of YAMATO SPIRIT by referring to Dr. Nishida's philosophy, and finally take up two distinguishing traits of Japanese mentality. The definition of YAMATO SPIRIT and its traits in this stage will be highly conceptual and abstract. Proceeding to Part III, however, YAMATO SPIRIT will take concrete forms; i.e., the forms of those above-mentioned characteristic attributes of the organization. In other words, it is in this Part that we shall view Japanese business organization from a mentality perspective. For this reason, much more emphasis has been put on this particular Part.

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PART I

In Part I, we will look briefly at the management and labour sides of Japanese business organizations from a historical point of view. The first three sections of Part I are concerned with the management side, depicting it chronologically from Meiji era to Post-war Japan. The remaining three sections, on the other hand, deal with the labour side, depicting it in a similar manner.

It is intended to be shown, in this Part, that such attributes of Japanese business organization as the maxim "do your bit for your country", Nenko wage system, and Shushin Koyo employment system have characterized the organization from Meiji era to post-war Japan. Since these "legacies" are, in a real sense, very much characteristic of Japanese business organization, the following discussion will undoubtedly provide the basis for the main theme of the paper.

Sec. I. Entrepreneurship[1] in Meiji Era

The entrepreneur is one of the most significant elements in the early stage of industrialization. Without his initiative, industrialization cannot be carried out successfully, no matter how abundant the capital resources. Good and vigorous entrepreneurs are decisive in economic progress in that they perform the key functions of innovation, risk-taking, and management.[2]

So, we shall first begin with pioneers of modern Japanese enterprise.

Back in the early Meiji era (the Meiji Restoration was in 1868), "the social origins of the new industrial pioneers were diverse. Some were merchants; others came from families traditionally engaged in agriculture; and finally there were the samurai".[3]

Generally speaking, however, "the role of samurai families in founding Japan's modern business class can hardly be exaggerated".[4] The samurai were the upper, educated class of the feudalistic Japan. In the beginning they had been respected as the governing class. But, with the growth of a money economy, they became poorer and poorer until at last their social status suffered a sharp decline. Above all, the life of lower-rank samurai became

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[1]The term "entrepreneurship" is used here as meaning, in a broad sense, the ability to recognize and exploit economic opportunities.

[2]For a more detailed discussion on this point, see a group of articles on entrepreneur, The American Economic Review (May 1968) pp. 60-98.

[3]W. W. Lockwood (ed.), The State and Economic Enterprise in Japan (Princeton, N.J.: Princeton University Press, 1965), p. 194.

[4]Ibid., p. 195.

a bitter struggle against poverty, which in turn led to a gradual dampening of their martial spirit. In fact, "most of them, becoming dispirited by poverty, sank into obscurity".[5]

Others (a minority) primarily from the lower ranks, however, made great efforts to absorb Western knowledge and engaged himself in political activity, thus sustaining their ambitions. It was these industrious and ambitious samurai who accomplished the Meiji Restoration. Even after the Restoration, they were quite conscious of their elite status and responsibilities, and they appeared in almost every field in the society, to say nothing of the business field.[6]

Japan's business pioneers, whether of samurai or commoner origin, had one characteristic in common; i.e., the Confucian education. "In Tokugawa times Confucianism was more than a learned specialty of scholars and rulers; it was a way of life and thought widely disseminated through every stratum of society."[7] Furthermore, Japanese Confucianism was different from that of its mother country, China.

"It was easier to understand and practice; it was blended with Shintoism in certain respects, for instance the virtues of loyalty to the emperor and filial piety were linked together at the center of the national ethic; and it modified Bushido, the feudal code of honor and duty, to embrace

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[5] Ibid.

[6] Shigeki Toyama (ed.), Meiji no Ninaite, Jinbutsu Nihon no Rekishi (Tokyo: Yomiuri Shimbun, 1966), Vol. 11-12.

[7] Lockwood (ed.), op. cit., p. 196

both the ethic of the warrior and the ethic of the ruler." [8]

Thus, Japanese Confucianism did not lose its significance even after Meiji Restoration and contributed much to generating leadership from both commoner and samurai ranks.[9] In addition, its flexible pragmatism facilitated the introduction of Western knowledge and technology, and made the Japanese quick to employ the new knowledge once its practical utility for national defense and other purposes became clear. Yet it also cultivated a form of nationalism, even in the process of adopting Western ways. Hence, "it certainly provided an intellectual and moral climate that favored the emergence of this new leadership." [10] Or, to take this further, it might be said that Confucianism was conducive to breeding the entrepreneurial spirit in as positive a manner as did the Protestant Ethic in the Western World. As a matter of fact, in the early Meiji years, although business leaders progressively absorbed Western ways of thinking and knowledge, they clinged firmly to the Confucian ethical and philosophical values. This is clear in their motivations for proceeding with their new careers. The national interest was their genuine concern, along with personal advantage. Such patriotic phrases as "do your

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[8] Ibid.

[9] Transcendental effort is very much characteristic of Confucianism. For example, "The Master said, In the morning, hear the way; in the evening, die content". Arthur Waley, The Analects of Confucious (London: Allen & Unwin, 1949), p. 103. Since transcendental effort is one of the main qualities required for entrepreneurship, it can be said that the link between entrepreneurship and Confucianism is quite strong. Thus, if Confucianism is easy to understand and practice, it is of no wonder that this philosophy would help to breed the entrepreneurial spirit.

[10] Lockwood (ed.), op. cit., p. 196.

bit for your country" became their favorite mottoes. This might suggest that such mottoes were used to conceal selfish purposes. "But not necessarily. And whatever the motive of the speaker, the maxim was wholeheartedly accepted by the people."[11]

In short, a national consciousness, the sense of national crisis that developed in the closing days of Tokugawa was carried over into the Meiji era. The slogan "sonno-joi" (Revere the Emperor; Expel the Barbarians) was altered after the Restoration to "bummeikaika" (civilization and enlightenment)."[12] Business careers in this connection provided a good opportunity to be "enlightened" and it helped to make Japan a strong and healthy nation able to cope with severe competition outside. "Gustav Ranis thus characterized Japanese entrepreneur in this early stage of industrialization as 'community-centered' in contrast to Shumpeter's 'auto-centered' entrepreneurs."[13] We would call them "Men of Japanese spirit with Western knowledge."[14]

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[11] Ibid., p. 197.

[12] Ibid.

[13] Ibid.

[14] One of the greatest Meiji entrepreneurs is Shibusawa Eiichi. "He was the acknowledged leader of this rising business community for almost the entire Meiji and Taisho periods and was widely admired and imitated by the younger generation especially". (Ibid., p. 209). "Speaking to bankers in 1892, he remarked that the reasons why some of the ills of Western Capitalistic society had not yet appeared in Japan were reverence for the Emperor and loyalty to old traditions. Confucian mentality was the bulwark; if modern education should eradicate the influence of Confucian tradition and ethic, those ills would appear in Japan too. The bankers, he concluded, had the moral responsibility to prevent such a development from taking place." (Ibid., p. 245).

Sec. 2 Emergence of Zaibatsu

The evolution of capitalism has promoted concentration of capital and has produced gigantic corporations,[1] as can be seen in every developed country. These gigantic corporations came into being as the Zaibatsu[2] in Japan.

It is after the Taisho period (the next era to Meiji) that Mitsui, Mitsubishi, Sumitomo, and other Zaibatsu came to be dominant in the Japanese economy; in the Meiji period, they had not developed enough to exert extensive control over the whole economy. In other words, "During the Meiji period, except for some sectors, there was still much room for founder-type executives to manifest their entrepreneurial spirit."[3] Because of relatively little bureaucracy in the corporate structure, many new and young employees in the Meiji era had opportunities to exert their abilities, and actively participate in entrepreneurial activities, such as initiating innovation, taking daring risks, and performing managerial functions. In so doing, they could take full advantage of the size of the corporation, even under the Zaibatsu system; and yet, they contributed much to the growth of Zaibatsu itself. Toward the end

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[1] For further discussion, see J. K. Galbraith, The New Industrial State (Boston: Houghton Mifflin, 1967).

[2] "The Zaibatsu were the rich families of prewar Japan (Mitsui, Mitsubishi, Sumitomo, etc.) who owned the great industrial empires, sometimes delegating the job of management to hired managers, but sometimes actively controlling the boards of directors themselves." The Economist, Consider Japan (London: The Economist, 1963), p. 44.

[3] Ryutaro Komiya (ed.), Postwar Economic Growth in Japan (Berkeley: University of California Press, 1966), p. 232.

of the Meiji period, however, "the first generation of the corporation came to be replaced by a group of more conservative executives whose main interest lay not so much in expansion of the firms through new innovations as in preservation and consolidation of the corporate bureaucracy through market protection and absorption of other firms"[4] We can quote a chemical industry case as one of the examples of such passive Zaibatsu policy. Yujiro Hayashi has observed: "Development of the chemical industry by old Zaibatsu firms was accelerated during the First World War, but since the postwar Depression began, not a single adventurous step was taken by those firms. -------- When the new Zaibatsu, such as Nippon Chisso introduced a new method of producing ammonium sulphate from synthetic ammonia, the old Zaibatsu, continued to cling to the obsolescent method of making it from calcium cyanamide. The old Zaibatsu tended to keep up with new technology not through their own research and development but rather through absorption of other, newer firms. ------------ Mitsui, Mitsubishi, Sumitomo, and other old Zaibatsu would refrain from adopting new production techniques until and unless their profitability was absolutely assured. They could realize sufficient profits by manipulating financial and commercial means, and the problem of introducing new technology was soluble by way of patents acquisition and absorption of other technically progressive but financially vulnerable firms."[5]

This tendency was revealed not only in the chemical industry but also in other industries. Because of this conservative and passive attitude taken by the old Zaibatsu, some hostility was aroused among the leaders of the

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[4] Ibid.

[5] Yujiro Hayashi, Nihon no Kagaku Kogyo (Tokyo: Iwanami, 1957), pp 94-95, 104.

military clique. After the Manchurian Incident, however, many old Zaibatsu changed their attitude into one of much closer cooperation with and active participation in the military-economic operations in the Chinese mainland.

No one can deny that the old Zaibatsu helped Japan progress economically in many respects. It may be said, however, that they were, in one way or the other, an obstacle to the process of growth in that they tended to generate a bureaucratic atmosphere in the corporate structure. They may have been responsible for discouraging the creative activity of the entrepreneurial spirit.

Sec. 3 Post-War Executives

With Japan's total surrender in the Second World War, such conditions were completely reviewed. "The United States government's memorandum on occupation policy, issued as early as September 22, 1945, already indicated the forthcoming Zaibatsu dissolution. In reply, the Japanese Government disclosed its own plan for the dissolution in November of the same year. The basic outline of the Japanese plan was accepted by the G. H. Q., and the liquidation of the four largest Zaibatsu (Mitsui, Mitsubishi, Sumitomo, and Yasuda) and the purge of Zaibatsu families and chief officers from their holding companies were announced." [1]

Accordingly, there was a thorough withdrawal of the VIP's of pre-war Japanese industrial and financial circles. In the first place, a sweeping personnel reform was taken at the top-executive level of the old Zaibatsu companies. "A total of 2,210 officers of 632 corporations and 56 members of the Zaibatsu families were discharged from their previous posts." [2] Secondly, in accordance with the Revised Purge Decree, "2,500 high-ranking officers and major stock owners of large corporations and banks, who were active during the war, were purged in January 1947." [3]

These two measures resulted in new and fresh opportunities for a younger generation of corporate managers. In other words, these high posts that had been so suddenly vacated had to be filled by those younger managers who were

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[1] Komiya (ed.), op. cit., p. 233.

[2] Ibid., p. 234.

[3] Ibid.

then department heads, sectional vice-presidents, plant managers, divisional supervisors, and the like. Yet, the tasks which they faced were extremely difficult, partially because they were those of recovery and reconstruction in the post-surrender mess, and partially because they required full-scale research in modern managerial-control techniques since they were faced with the complexity of post-war political, economic, and social conditions.

As a matter of fact, the rapid rise of labor unions and the concomitant multiplication of labor-management problems, the new and complex role of the government vis-a-vis re-orientation and revision of the accounting procedures of business firms, the diversification as well as intensification of competition requiring firms constantly to engage in rationalization, product development, and market research ---all these meant a long list of radically different qualifications[4] demanded of the post-war generation of corporation managers.

As a result, some of the younger managers were unable to accomplish the arduous tasks set before them, and thus had to resign after a short period of time. This is why they were called "third-class executives."

However, the majority of them did accomplish their tasks successfully and mastered their new jobs. The performance of these men may indicate that they were equipped with high managerial qualities as well as the entrepreneurial spirit. These managers, incidentally, may fall into the category of

[4]In order to get these newly demanded qualifications, many of them tried to absorb the methods of American-style management control. With the "management-science boom" starting in 1955, a great number of publications concerning American management-science have come out, frequent management-control seminars have been held, and incessant visits of Japanese business groups to the States have been made. All of these may indicate the indefatigable enthusiasm of post-war executives for modern-management theory.

"professional managers" [5] although "in the light of their performances and achievements, these men may be said to have the characteristics of 'founders'." [6]

In other words, the professionalization of corporate managers is one major phenomenon in the post-war Japanese business organization. This was promoted by several measures. In the first place, "following G. H. Q. instructions, executive prerogatives and compensations were reduced by a sizable margin to become comparable to those of professional managers in the United States." [7]

In the second place, "a major revision (1950) of Japanese commercial laws included numerous provisions designed to promote professionalization of corporate managers, in which the decision-making power of the directors was significantly increased (and that of the stockholders reduced)". [8] In the third place, priority was provided to "outside" buyers in purchasing newly issued company stocks. Furthermore, "various social forces which tend to regulate and restrain corporate activity, such as labor unions, financial intermediaries, and institutional shareholders, became more powerful and complex than they had been before the war". [9] Due to these changes, along with the so-called

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[5]The "professional manager" here is broadly defined as an executor of the art of getting things done through and with people. For a more detailed discussion of this point, see Harold Koontz, "The Management Theory Jungle", Journal of the Academy of Management, Vol. 4 No. 3 (December, 1961).

[6]Komiya (ed.) op. cit., p. 243.

[7]Ibid., p. 235.

[8]Ibid.

[9]Ibid., p. 236.

"democratization of securities-ownership", the corporate ownership and control were decisively separated.

This does not mean, however, that the professional managers are exclusively dominant in the Japanese industry. In other words, there is another major phenomenon in the post-war Japanese industry; i.e. the emergence of new firms set up after the war or of those which were on a smaller scale before the war. The founders of these companies may be called "founder-type executives" [10] in contrast to the previously mentioned "professional managers". As a matter of fact, "these individuals are noted for their colorful 'entrepreneurship', although their educational and business backgrounds are too diverse to be generalized." [11]

These men were, incidentally, in a good position for exerting their abilities and knowledge since the post-war conditions were very conducive to the full working of entrepreneurship. "Before the war there were social, economic, and even historical restrictions as an under-developed country. The Zaibatsu domination is one example: it meant a formidable set of conservative and passive forces opposing new plans, positive ideas, and fresh ventures of entrepreneurs." [12]

With the end of the war, however, these restrictions were thoroughly removed, as was previously mentioned. As a result, these founder-type executives

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[10]The founder-type executive is distinguished from the professional manager in that the entrepreneurial spirit is more important than managerial skills and in most instances he is an owner of the company.

[11]Komiya (ed.), op. cit., p. 243.

[12]Osamu Shimomura, Nihon Keizai Seicho Ron (Tokyo: Kinyu Zaisei Jijyo Kenkyukai, 1962), p. 297.

could take the initiative in the reconstruction and reorganization of the economy as well as setting an example for those who were still in a state of upset and stagnation. "They helped to spread a cumulative, revitalizing influence throughout the entire country,"[13] whereby the whole economy was refreshed and became active again.

There is, in this connection, one common characteristic among the post-war executives, whether of the professional manager type or the founder-type. That is, their philosophical or mental backbone is very much like the entrepreneurs in Meiji. In fact, they often say: "Do your bit for your country",[14] which reminds us of Confucianism. For instance, Sazo Idemitsu (President of one of the largest petroleum companies) writes as follows: "Business must be for the sake of the nation and its main objective must be the welfare of the people......... To regard business only as profit-making will lead to short-lived entity or to ruin......"[15]

For this reason, we can call them "Men of Japanese spirit with Western knowledge", the same title that we gave to the entrepreneurs in Meigi.

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[13] Komiya (ed.), op. cit., p. 244.

[14] In this connection, there are a number of books which have been written by the business elite in the past decade or so, and it is characteristic that each book, more or less, smacks of Confucianism. For instance, Katsuji Kawamata, Yumewa Kokusai Kigyoe (Tokyo: Diamond, 1966), Matasaburo Kinoshita, Nanio Shitaka (Tokyo: Diamond, 1966), etc.

[15] Sazo Idemitsu, Waga 45 Nen Kan (Tokyo: Bungei Shunjyu, 1966).

Sec. 4 Labor Market in Meiji Era

So far, we have concerned ourselves with the management sector of the Japanese industry. In discussing it, we have neglected the labor side for the sake of analysis. It is not necessary to say that the labor side is as significant as the management in talking about business organization, since the labor sector is one of the three pillars in the industrial relations system.[1] In other words, the discussion about the management makes sense only with reference to its counterpart, i.e. the labor side. In order to fully understand the Japanese business organization, we shall have to acquire some knowledge of the labor side as well. So, let us go back about 100 years, and begin with the labor market in the Meiji era.

The situation and movement of the labor market in the Meiji era is quite familiar to most economic historians in Japan. In the first place, it is well known that the industrial labor in this era, particularly from the 1880's to the World War I period, had three main sources. That is, "(a) A major portion of the industrial work force was composed of unmarried females who were not expected to remain permanently (and, indeed, did not) in industrial work; (b) Of the males engaged in industrial work, only a small proportion remained regularly in a given work place, while most of them either floated back and forth between farm and factory (so-called deka segi) or moved around from one workshop to another; and (c) Independent labor contractors or master workmen (Oyakata) for the main part provided labor for and withdrew it from the industrial workplaces under agreements with employers."[2]

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[1]For further discussion, see John Dunlop, Industrial Relations Systems (New York: Holt, 1958).

[2]Lockwood (ed.), *op. cit.*, p. 642.

During the greatest portion of this period, turn-over rates had been quite high and internal wage systems had not been established except for the government agencies or institutions and the few large-scale corporations.[3] These conditions will be explained in the context of relatively limited industrialization which has the outstanding characteristic of dominating many of the small and quite unstable enterprises.

In many instances, wage rates had been determined by the Oyakata middlemen. They "developed highly particularized and personalized methods for setting rates, usually without direct employer participation".[4] In fact, most employers concluded a great many production contracts with Oyakata, who in turn had the responsibility of finding the labor, determining methods of work, supervising operations, providing payment to the workers, and meeting the production deadlines. In order to carry out these responsibilities, most Oyakata formed a band of followers (Kokata) and thus assured their own personalized sources of labor supply. Oyakata nurtured their own band of followers principally through personal connections in the rural villages. Therefore, "to secure a place in an Oyakata's retinue (batsu) young workers had to find where these connections existed and to devise an entree into them."[5]

Oyakata apparently held sway over skilled Kobata workmen, and by regulating the use of such key skilled Kokata, they could also manipulate the unskilled. "Wage structures thus hinged critically upon the Oyakata-Kokata system."[6] Like most master-apprentice guilds, Oyakata and Kokata were tied

[3]Showa Dojinkai (ed.), Wagakuni Chingin Kozo no Shitaki Kosatsu (Tokyo: Shiseido, 1960), pp. 245-249.

[4] Lockwood(ed.), op. cit., p. 642.

[5]Ibid.

[6]Ibid., p. 643.

together through strong personal relationships. "To become an apprentice, a youngster had to rely upon intimate personal connections of family, friends, or home community. Psychological forces such as on and giri (both are types of obligation) served to bind the Oyakata and his Kokata for life."[7] Thus, "within the batsu of an Oyakata, there developed a status hierarchy based more on the time length of Oyakata-Kokata attachment and less precisely on the value of tasks performed".[8]

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[7] Ibid.

[8] Ibid.

Sec. 5 Emergence of the Prototype of Nenko

With the end of the Russo-Japanese War, radical changes occured in the industrial labor market. It is in this period, as a matter of fact, that the industrialization progressed rapidly; a great number of large establishments were set up, advanced Western technology was introduced, vast quantities of raw materials were imported, and sizable production capacities were developed. By the end of World War I, the agriculture-dominated economy had been gradually transformed into an industry-dominated one, although the "traditional industry", mainly in the form of small family-centered shops, had expanded along with the development of modern industry. That is, "in the expanding traditional sectors, most of the labor and wage practices retained the characteristics of the Meiji period above, especially since many Oyakata themselves became small business operators; but a number of sharp departures were developed in the modern industrial sectors." [1] This will be accounted for largely by the new technology and the scale of modern industry which "made it economically and administratively feasible to fix workers in a single work place, to employ males rather than females, and to modify the haphazard and personalized methods of Oyakata for recruiting, selecting, training, and assigning workers". [2]

One of the significant changes was the decline of Oyakata control over wage rates. This was made possible primarily by two measures. First, the government positively widened the multi-track secondary school system under the increasing pressure of modern industry. A steady and reliable source of

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[1] Ibid., p. 645.

[2] Ibid.

labor was thus assured. In addition, most large firms set up inplant training programs so that the new school graduates could apply their knowledge to specific techniques in production processes. Staff specialists for direct recruiting and training were also supplied from the same source, which helped to circumvent continued reliance upon personalized Oyakata connections. "The well-known arrangement among the major spinning companies to divide up the labor supply on a geographical basis was a major example of the work of these directly employed professionals." [3]

Such steps alone, however, could not thoroughly eradicate Oyakata control, particularly over existing supplies of labor skills. "With skills still highly personalized, management was at a serious disadvantage in its lack of expertise on technical production problems (most officials were university graduates without practical shop experience)."[4] Thus, it was not a good idea to destroy Oyakata control completely. Rather, their cooperation had to be sought. "To gain this, employers offered a variety of inducements to the Oyakata, guarantees of lifelong attachment to the enterprise,[5] regularized salaries and salary progression, management recognition of Oyakata-led unions or the establishment of company unions,[6] and in some cases managerial or supervisory titles." [7]

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[3] Ibid., p. 647.

[4] Ibid.

[5] This is called Shushin Koyo and is still dominant in today's enterprise.

[6] It should be noted here that today's typical union is the so-called "company union."

[7] Lockwood (ed.), op. cit., p. 647.

In the final analysis, the Oyakata and their retinues were brought into the firm and the former interfirm mobility was phenomenally reduced. Out of these organizational re-arrangements, incidentally, the now well-known Nenko Joretsu (length of service or experience) wage system came out among modern industrial firms. "Once established within a firm, Oyakata usually received the highest wages and benefits, and their followers, as mentioned, were scaled down according to length of attachment to the Oyakata."[8] For this reason, even the new school graduates had to start their careers at the bottom of this hierarchy. "Progression up the scale depended on demonstration of faithful devotion to work and respect for the status system." [9]

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[8] Ibid., p. 648.

[9] Ibid.

Sec. 6 Labor Movement in Postwar Period

The end of the Second World War and the total surrender of Japan brought many changes in the labor side of the entire economy.

Following the labor reform policies under the Occupation, there developed trade unionism as a countervailing force, and the equalization of income opportunities for the wage earning class was promoted. "The economic objectives, then, were to achieve both an increased labor share and income redistribution. To implement this, labor was guaranteed the right to organize, bargain, and strike; universal labor standards were enacted; social security systems were launched; and public employment exchanges greatly expanded, while labor contracting agents were outlawed or subject to strict supervision." [1]

Along with these changes, what occurred within the firm was that the traditional Nenko and Shushin Koyo (lifetime employment) have been greatly refined and transformed into the present system. In fact, "union pressure no doubt has led to a greater systematization of Nenko Joretsu by requiring managements to make more exact specifications of the incremental pay increases that a permanent worker can expect as he goes up the career ladder in his enterprise. Also, it has eliminated arbitrary treatment of union members in the distribution of base wage increases and bonus payments and in dispensing of non-money welfare benefits." [2]

Through the refinement of Nenko and Shushin Koyo, however, trade unionism helped to strengthen the attachment of the unionized worker to his

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[1] Ibid., pp. 651-652.

[2] Ibid., p. 656.

particular enterprise. That is, the so-called "enterprise union", which is the typical Japanese union today, is dependent upon the preservation of the Nenko and Shushin Koyo systems to a great extent.

Strong "enterprise consciousness" is characteristic among Japanese unionists, and various economic functions of unionism are executed at the plant or enterprise level. "When the primary unit is the plant, a federation of all unions connected with the same enterprise is normally established. The next level of organization is either a regional or prefectural grouping, or direct affiliation on an industrial basis with a national union. These national unions in turn are generally members of one of the national federations."[3]

However, "the struggle on the part of national federation officials to enlarge their power and functions has been exceedingly difficult."[4] In addition, "more than two and one-half million unionsmembers remain apart from such federations."[5] In other words, the "company unionism" dominates the entire labor sectors of Japanese industry, and this is primarily because of the widespread use of Nenko and Shushin Koyo systems.

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[3] Ibid., pp. 670-671.

[4] Ibid., p. 671.

[5] Ibid., p. 671.
For more details, see Ministry of Labor, the Division of Statistics and Research. Basic Survey Report on Trade Unions, 1963.

SUMMARY

In this Part, we have examined briefly both the management and labor sides of Japanese business organization from a historical point of view.

We have found, first of all, that the maxim "do your bit for your country" has lived in the minds of Japanese management. Since this philosophical or mental backbone is a strong "bond" which ties together Japanese management from Meiji to post-war Japan, we called them "Men of Japanese spirit with Western knowledge".

We have also found that Nenko and Shushin Koyo have survived many radical changes in the post-war Japan; and that, because of the preservation of these systems, the "enterprise union" is dominant in the entire labor sector of Japanese industry.

In short, these "legacies" are some of the main characteristic attributes of Japanese business organization. As such the previous discussion was intended to provide the basis for the main theme of the paper, i.e., viewing Japanese business organization from a mentality perspective.

PART II

In this part, we will discuss the very core concept of this thesis, i.e., the "YAMATO SPIRIT" (Japanese mentality). Since the "YAMATO SPIRIT" is a mentality, it has the attributes of mentality in general. That is, the "YAMATO SPIRIT", as a mentality, functions as a broad and rough framework so that it is the basis for Japanese ways of thought and action. Without such a basis, everything would be in a state of extreme complexity and chaos, and thus there would be no development of ways of thought and action. On the other hand, however, since Japanese ways of though and action are based on the "YAMATO SPIRIT", they cannot go beyond this mentality. In other words, the "YAMATO SPIRIT" as a mentality is a limitation on the development of Japanese ways of thought and action. Or, at least, if forms a curb that regulates the direction of Japanese development.

This Part is composed of three sections. In Sec. 1, we will discuss the three elements on which the "YAMATO SPIRIT" is based, and then in Sec. 2, we will arrive at the definition of "YAMATO SPIRIT" by referring to Dr. Nishida's philosophy. Finally, in Sec. 3, we will take up two distinguishing traits of Japanese mentality.

As might be expected, this Part, together with Part I, is intended to provide the basis for the main theme of the paper, i.e., viewing Japanese business organization from a mentality perspective in Part III.

Sec. 1 What is Japanese Mentality based on?

Japanese mentality is, in a general sense, based on "Shinto", "Confucianism", and Buddhism". The "Shinto" is the archaic, indigenous religious cult of Japan and the essence of "Shinto" is a genuine respect for the past. The "Confucianism" was introduced from China and its moral order is concerned with the present. "Buddhism" was introduced from India via China and Korea, and emphasizes the future and eternity.

Since our mentality rests on this triad, in order to firmly grasp the meaning of "YAMATO SPIRIT", we must first acquire an understanding of "Shinto", "Confucianism", and "Buddhism". So, let us describe these.

"In ancient times the soul of Japan found its expression in Shinto. For over two thousand years this ethical expression of the deepest self of the Japanese people has preserved itself with undiminished directness, and reaches into modern life, like a stratum of ancient rocks, together with later layers of reflective and sophisticated consciousness. Shinto represents the rhythm of life of the Japanese people as a social and racial whole, and encompasses all phases of communal activity. It received visible form as a mythology and as a 'national cult' but lives invisibly and formlessly in the hearts of every individual. Shinto is the consciousness of the national hearth, of 'NIPPON' as eternal home and holy order.----In Shinto there is a feeling that nature is sacred and pure. This feeling is expressed in the veneration of mountains, waterfalls and trees, as well as in the pure and simple architecture of the central Shinto shrine at Ise. The old Japanese State philosophy was based on the concept of 'kokutai' (landbody), which means the consciousness of the unity and natural sacredness of the country.--------A fundamental feature of all

Japanese philosophy is the respect for nature as something sacred, pure, and complete in itself. Above all, Shinto means reverence for the imperial and familial ancestors. We might even speak of a communion between the living and the dead,--an eternal presence of the past." [1]

Shinto means the eternal presence of the past and is a deeply-rooted emotional trend in Japanese life. In contrast to this, "Confucianism forms a rational and sober moral code of social behavior. Confucian ethics formed the solid structure of Japanese society in olden days and, despite modernization, even today. This system of clearly defined duties is like a later rationalization of the early emotional ties in family and state. Confucian ethics consist of the following five relationships: Emperor-subject, father-son, older brother-younger brother, man-wife, friend-friend. Around this fundamental structure, we find woven a wealth of practical rules of etiquette and customs. The conviction that there is a correlation between the outward forms of social behavior and the inward form of character, lies at the base of Confucian philosophy. From this root springs a strong desire for form and distinct delimitation. It is here that the family system, which is the lasting foundation of Japanese communal life, finds its moral justification. Here all duties are clearly defined and delimited." [2]

"While Shintoism means the eternal presence of the past, and Confucianism the practical, moral shaping of the present, Buddhism opens the gates to the eternal future. Japanese philosophy, which has kept aloof from the dogmatism

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[1]Kitaro Nishida, Intelligibility and the Philosophy of Nothingness (Tokyo: Maruzen, 1958), pp. 7-8.

[2]Ibid., pp. 8-9.

of Buddhist sects, is yet inseparable from the spiritual atmosphere of Buddhism. As Mahayana Buddhism, it has dominated Japanese minds and has ruled intellectual life for 1,500 years. Mahayana Buddhism is basically pantheistic; its prevailing idea is that Buddha is in all things, and that all things have Buddha-nature. All things, all beings are potentially predestined to become Buddha, to reach salvation. To comprehend the Buddha-nature in all things, an approach is required which ignores the peculiarities of things, and experiences absolute oneness. When the peculiarity and individuality of all things, and also of the human ego disappear, then, in absolute emptiness, in 'nothingness', appears absolute oneness. By meditative submersion into emptiness, space, nothingness, such revelation of the oneness of all beings brings about absolute peace of mind and salvation from suffering. ....Recalling what was said above about unity and sacredness of nature in Shintoism, it can be understood why Mahayana Buddhism with its pantheistic trend could take root in Japan, and live for so many centuries in perfect harmony or even symbiosis with Shintoism. Although during the Meiji revolution Shintoism was restored as an independent cult, Buddhism and Shintoism still live in peaceful co-existence in the Japanese heart.

"In contrast to the early Indian form of Hinayana Buddhism, Mahayana Buddhism considers itself neither pessimistic nor hostile toward nature and life. Again and again Japanese Buddhists affirm that Buddhism is not negative but positive. This is to be taken in the pantheistic sense of Mahayana Buddhism. Even the fundamental concept of 'MU' (Nothingness) receives a positive meaning through the doctrine of the identity of the one with the many. The Buddhists use the word 'soku' which means 'namely', and say: 'the world is one, namely many'."[3]

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[3] *Ibid*., pp. 9-11.

Of all Buddhist sects and schools in Japan, "Zen" is the most dominant and popular one and it is really the "living Buddhism of Japan". Zen is not a system formed upon logic and analysis. In this sense, Zen is not a philosophy in the ordinary application of the term. Then, is Zen a religion? Since it has no God to worship and no ceremonial rites to observe, it is not a religion in the popular sense of the word. According to D. T. Suzuki, "Zen is free from all these dogmatic and 'religious' encumbrances. When I say there is no God in Zen, the pious reader may be shocked, but this does not mean that Zen denies the existence of God; neither denial nor affirmation concerns Zen. When a thing is denied, the very denial involves something not denied. The same can be said of affirmation. This is inevitable in logic. Zen wants to rise above logic, Zen wants to find a higher affirmation where there are no antitheses. Therefore, in Zen, God is neither denied nor insisted upon; only there is in Zen no such God as has been conceived by Jewish or Christian minds. For the same reason that Zen is not a philosophy, Zen is not a religion".[4]

"Zen means a full life. Every moment of our human existence can be decisive and can become the self-revelation of reality: a quiet moment of contemplation in a tiny tea pavillion, a fine autumn rain outside, the picture in the alcove showing two vigorously drawn Chinese characters: 'Lion Roars'. Reality in its full vigour is completely and undividedly present in this quiet moment of contemplation. Zen means concentrated by flexible force, an inwardly rich life, existence from the centre, completely balanced freedom at every moment."[5] A Zen Buddhist is not satisfied to merely understand life, but rather, he aspires to grasp the essence of reality.

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[4]D. T. Suzuki, An Introduction to Zen Buddhism (London Rider, 1949), p. 39.

[5]Nishida, op. cit., p. 18.

Sec. 2 What is the "YAMATO SPIRIT"

Now that we have gained some knowledge of the three elements of YAMATO SPIRIT, i.e., Shintoism, Confucianism, and Buddhism, the next task will be to draw a common denominator from these three elements. In other words, what we are searching for is the thread which ties the threefold basis together in the whole personality; since that must be the real essence of YAMATO SPIRIT.

In order to come up with the definition of YAMATO SPIRIT, therefore, we will quote Dr. Nishida's philosophy because, first and foremost, his philosophy is thought of as an attempt to synthesize these three elements in the total personality of the individual. In developing the "logic of nothingness", he attempts to give a semantic rendering of this synthesis. For this reason, to understand his philosophy would be to grasp the thread which is the core of Japanese mentality.

So let us begin with the introduction to his philosophy.

Dr. Nishida conceives reality as an inseparably interwoven unity of subjective and objective elements as unity of subject and object. Everything that is regarded as being real, is subjective-objective. True reality on the one hand forms a unity, on the other hand it is an eternal splitting up and eternal evolution. Reality contains endless contradictions which, however, form a unity. On the side of unity we find artistic intuition and on the side of division and evolution we find moral obligation. In the core of the world, there is neither one nor many.[1]

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[1]Nishida, op. cit., pp. 15-40.

From this line of argument, it is easy to see "how much Dr. Nishida must have been attracted by Hegel's concept of a 'concrete logic' which tries to grasp reality in its "dynamic historical unfolding".[2] In fact, "as in Hegel, the state is the perfect intellectual form of society and the moral substance of the historical species".[3] In other words, "the personality must keep in mind that it exists only in the whole of the people and in the whole of the world".[4] However, his "Absolute Nothingness", which is the essential concept of Nishida's philosophy, is not like Hegel's "Geist", but is "nothingness" in the Buddhist sense. In other words, although he makes use of a methodology similar to Hegel's, the backbone of his philosophy is precisely Zen Buddhism. Thus, "Nishida's treatise''Unity of Opposites' may be called a grandiose metaphysics of history as realization of the unreal, and at the same time a profound meditation on a Zen-problem: the form of the formless".[5] Dr. Nishida is much concerned with the wholeness and completeness of human existence through practice. It is this way in which the Japanese desires existential mastery in his contact with the world. He wants to "grasp" life. This is the reason why the Buddhist does not strive to know Buddha, but rather strives to become a Buddha himself. This is also why Zen emphasizes the grasping of a full life by practice.

Following Dr. Nishida's argument, the world is envisaged as a task of overcoming the contradiction of the individual standing alone against the

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[2] _Ibid_., p. 49.

[3] _Ibid_., p. 60.

[4] _Ibid_., p. 61.

[5] _Ibid_., p.64.

Absolute. The "historical species" or in other words, the people, act as the mediator between the many and the one. However, if the individual is thoroughly determined by the fixed form of the past, it would eventually lead to the death of the "historical species". The creative productivity of a nation lives only in each of its members. Only when the individual is creative can that which stands behind him also become apparent in his work. In an analogous manner, it is the "historical species" through which the historical world forms itself by "action-intuition".

As has been seen, Dr. Nishida's fundamental problem is how to achieve the identity of the one with the many, e.g. that of the individual with the nation. And he comes to a conclusion that this has to be done through "Nothingness".[6]

This very problem of how to attain the identity of one with many, incidentally, is at the same time the problem of synthesizing the three elements of YAMATO SPIRIT in the whole personality. In other words, the self-contradictory identity of the one with the many is the crucial factor not only in this philosophy, but also in the determination of the total personality. This is revealed in Dr. Nishida's philosophy per se. In addition, this can be more easily seen by recalling the fact that the Japanese wants to "grasp" life, and in order to do so, his philosophy must at the same time be his whole life.

Thus, we arrive at the definition of the essential nature of the bond which ties the three elements together in the whole personality. That is, "YAMATO SPIRIT is an effort to attain the identity of one with many through 'Nothingness'".

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[6]Nothingness is the "last place for every being, and, therefore, is itself no 'being". As the last and enveloping place, Nothingness has the metaphysical function of God in Christian philosophy. _Ibid_., p. 248.

Sec. 3 Distinguishing Traits of Japanese Mentality

Now that we have arrived at the definition of YAMATO SPIRIT, let us next examine what traits or tendencies it has. Since some traits of YAMATO SPIRIT are closely linked to the characteristic attributes of Japanese business organization, this section will serve the function of prologue to Part III.

Broadly speaking, there are two distinguishing traits in Japanese mentality. In the first place, Japanese mentality, as an effort to attain the identity of one with many through Nothingness, is typically seen in the attitude of Japanese people toward the phenomenal world. "The Japanese are willing to accept the phenomenal world as Absolute".[1] A Japanese individual regards "the phenomenal world itself as Absolute and rejects the recognition of anything existing over and above the phenomenal world".[2] This way of thinking can be noticed in Shintoism, for instance. "Nowhere is there a shadow in which a God does not reside: in peaks, ridges, pines, cryptomerias, mountains, rivers, seas, villages, plains, and fields, everywhere there is a God. We can receive the constant and intimate help of these spirits in our tasks".[3] Likewise, Buddhist philosophy was received and assimilated on the basis of this phenomenalist way of thinking. For example, "the Chinese translated 'dharmata' in Sankrit as the 'real aspect of all things'. This concept refers to the real

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[1] Hajime Nakamura, Ways of Thinking of Eastern Peoples (Hawaii: East-West Center Press, 1964), p. 350.

[2] Ibid.

[3] Ibid.

aspect of all kinds of phenomena in our experience, and therefore is composed of two distinct contradictory elements, 'all things' and 'the real aspect'. But, Japanese Buddhism gave this phrase the interpretation which emphasized that 'the real aspect is all things'"[4] In other words, "the truth which people search for is, in reality, nothing but the world of our daily experience".[5] There is nothing that is not exposed to us. "The fluid aspect of impermanence is in itself the absolute state".[6] The same can be said, in this connection, of Japanese Confucianism. In fact, "most of the Japanese Confucianist scholars, even when they follow the metaphysical doctrines of Chu Hsi, never choose the dualism of Li and Ch'i. All of the characteristically Japanese scholars believe in phenomena as the fundamental mode of existence. They unanimously reject the quietism of the neo-Confucianists of the Sung period".[7]

This characteristic tendency of thought to take the phenomenal world as absolute, incidentally, gives rise to "the acceptance of man's natural dispositions" in Japanese mind. "Just as the Japanese are apt to accept external and objective nature as it is, so they are inclined to accept man's natural desires and sentiments as they are, and not strive to repress or fight against them".[8] To take an example, "Japanese Buddhist ideas are preached with frank references to matters of love, for sexual love is not considered to be incompatible with religious matters. Not only has the significance of the human body been recognized, but also the idea of taking good care of one's body has become

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[4]Ibid., p. 351.

[5]Ibid., pp. 351-352.

[6]Ibid., p. 352.

[7]Ibid., p. 355.

[8]Ibid., p. 372.

prominent in Japanese Buddhism".[9] "Whereas the majority of the Indians and the Chinese in general try to distinguish the world of religion from that of the lusts of the flesh, there is a latent tendency among the Japanese to identify the one with the other".[10]

The acceptance of man's natural dispositions, in turn, is closely related to the "emphasis on benevolence" and "the spirit of tolerance" in Japanese mind. In fact, according to the classical records, "the Japanese generally treated conquered peoples tolerantly. There are many tales of war, but there is no evidence that conquered people were made into slaves in toto. Even prisoners were not treated as slaves in the Western sense of the word. Although there remains some doubt as to whether or not there existed a slave-economy in ancient Japan, the percentage of slave-servants was very small in the whole population. It may be safely concluded, therefore, that slave labor was never used on a large scale".[11]

Such a social condition, in turn, "gives rise to the tendency to stress 'harmony' among the members of a society rather than dominance based on power. This is not to deny entirely the presence of the power relationship in Japanese society since ancient times. The social restrictions and pressures upon the individual might have been indeed stronger in Japan than in many other countries. Nevertheless, in the consciousness of each individual Japanese, the spirit of conciliation and tolerance is pre-eminent".[12]

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[9] Ibid., p. 381.

[10] Ibid., pp. 379-380.

[11] Ibid., pp. 383-384.

[12] Ibid., p. 384.

Taken together, "the tendency to recognize absolute significance in everything phenomenal leads to the acception (sic) of the justification of any view held in the mundane world, and ends up with the adaptability of any view with the spirit of tolerance and conciliation".[13] In fact, owing to the tolerant and more open side of their nature, "the Japanese assimilated the heterogeneous cultures of foreign countries without much repercussion. They try to recognize the value of each of these different cultural elements, and at the same time they endeavor to preserve the values inherited from their own past. They seek national unity while permitting the co-existence of heterogeneous elements".[14]

As has been seen, "the tendency to take the phenomenal world as absolute" is one of the most significant traits of YAMATO SPIRIT. In addition to this trait, incidentally, we can cite another distinguishing characteristic of Japanese mentality, i.e. "the tendency to emphasize a limited social nexus".

This tendency involves the characteristic of attaching great importance to human relations, and is manifest outwardly in the Japanes practice of the rules of propriety. "Japanese greetings are highly elaborate. Forms of politeness have been observed not only among strangers but even among family members of upper classes, ...This habit gave rise to the elaboration of honorific words and phrases in their language. It is said that if all such honorific words were taken out of Lady Murasaki's Tale of Genji, the book would be reduced to one half its length".[15]

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[13] Ibid., p. 386.

[14] Ibid., p. 400.

[15] Ibid., pp. 407-408.

This habit of stressing proprieties is historically associated with their assimilation of Confucianism. "Confucianism, which was adopted with enthusiasm, deals largely with concepts of propriety".[16] "These Confucian concepts of propriety were much appreciated as soon as they were imported with Chinese civilization, as one may well gather from Prince Shotoku's Injunctions (604 A.D.), Article 4 of which states that if the duty of the inferior is obedience, the duty of the superior is decorum. This does not mean, however, that the concepts of propriety were practiced in Japan simply as they were laid down by Confucianism in China. The practical rules in Japan were to differ considerably from the Chinese rules. It was as social concepts ----- and as a means of preserving social stability and the clan system ---- that Confucian proprieties were appreciated, and as social concepts the Japanese and Chinese proprieties had much in common. And it was such points of similarity that made it easy for the Japanese ruling class to enforce the rules of propriety upon the people without undue resistance and friction; Confucian precepts would not have spread so widely among the people if they had been adopted merely as counsels of government."[17]

Too much stress upon the human relations, incidentally, leads to "the tendency of social relationship to supersede or take precedence over the individual". And, "consciousness of the individual as an entity appears always in the wider sphere of consciousness of social relationships, although the significance of the individual as an entity is still recognized; the recognition of the unique value of individuals is lessened, when he is placed in a social class".[18] In fact, most Japanese "tend to look upon man as a being subordinated

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[16] Ibid., p. 408.

[17] Ibid.

[18] Ibid., p. 409.

to a specific and limited human nexus; they conceive him in terms of his relations to a circumscribed society".[19] "A human event, in this way of thinking, is not a purely personal event but an event having some value and emotional significance in a narrowly given sphere of social relations".[20] Thus, "the people to whom a human nexus is important place great moral emphasis upon complete and willing dedication of the self to others in a specific human collective. This attitude, though it may be a basic moral requirement in all peoples, occupies a dominant position in Japanese social life. Self-dedication to a specific human nexus has been one of the most powerful factors in Japanese history".[21]

In this connection, "the tendency to confine values to a limited human nexus reveals itself in Japan in absolute devotion to a specific individual as a concrete symbol of Japanese social values. The Japanese, unlike the Indians and Chinese, prefer not to conceive of a human nexus in an abstract way. They are apt rather to follow an individual as a living representative of that nexus,-------the 'family' in ancient Japan was not an abstract concept, but was embodied in the person of the living family head. There is also a tendency to identify the Shogun with the bakufu (shogunate government), the Emperor with the State. In the feudalism of the West, relations between lord and vassal were extremely complex, and the notion of contract played an important part in such relations. In feudal Japan, however, this relationship was a simple one; the vassal devoted his entire existence to his lord. This gave rise to the motto 'a loyal vassal does not know two masters'. This way of thinking,

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[19] Ibid., p. 414.

[20] Ibid.

[21] Ibid.

characteristic of Japanese society in general, manifests itself among Japanese thinkers in an attitude of absolute devotion and obedience to a specific individual".[22]

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[22] *Ibid.*, p. 449.

SUMMARY

We have seen that YAMATO SPIRIT is based on Shintoism, Confucianism, and Buddhism. Shintoism means the eternal presence of the past, and as such is the recognition of the identity of the past with the present. Confucianism is the practical, moral shaping of the present, and thus transcendental effort is very much characteristic of it. And finally, Buddhism (Zen) is the recognition of the identity of object with subject through Nothingness.

Since YAMATO SPIRIT is the thread which ties this triad together in the whole personality, we have arrived at the definition, i.e., "an effort to attain the identity of one with many through Nothingness" by referring to Dr. Nishida's philosophy.

We have also mentioned the two distinguishing traits of YAMATO SPIRIT. One is "the tendency to take the phenomenal world as absolute", and the other is "the tendency to emphasize a limited social nexus". We shall refer to these traits again in Part III.

PART III

This Part is the main body of this thesis. Based on Part I and II, we will try to explain some characteristic attributes of Japanese business organization through Japanese mentality.

This Part consists of four sections. In Sec. I, the Maxim, Nenko and Shushin Koyo that were mentioned in Part I will be reviewed in the context of YAMATO SPIRIT. In Sec. 2, the relationship between decision-making and Japanese business spirit will be discussed. This section strikes at the heart of the study and is therefore very important. A great deal of emphasis has been put on this particular section. In Sec. 3, the interdependence among firms, banks and the Government will be referred to again in the context of YAMATO SPIRIT. Finally, in Sec. 4, we shall refer to the connection between the "Betriebswirtshaft" and Japanese mentality.

This Part is not complete in any sense, but is simply an attempt to explain these characteristic attributes of Japanese business organization through Japanese mentality.

Sec. 1 The Maxim, Nenko and Shushin Koyo

In Part I, we looked briefly at the management and labor sides of Japanese business organizations from a historical point of view. There we found that the maxim "do your bit for your country" has lived in the minds of Japanese management, while on the labor side Nenko and Shushin Koyo have survived many radical changes in the post-war Japan. This maxim is, so to speak, a strong bond which ties together Japanese management, from Meiji to post-war Japan; and Nenko and Shushin Koyo have, at the same time, characterized the labor sector.

Now then, what do these legacies of the past age imply in the context of YAMATO SPIRIT? In other words, there must be some correlation between these legacies and Japanese mentality since they are products of the Japanese unique cultural setting.

Apparently, these legacies have their own basis in Confucianism. As was mentioned in Part I, Confucianism was a way of life and thought widely disseminated through every stratum of the Feudalistic Japanese society. Its ethics formed the solid structure of Japanese society, and its system of clearly defined duties is like a later rationalization of the early emotional ties in family and state.[1] In other words, it was blended with Shintoism in certain respects. For example, the virtues of loyalty to the emperor and filial piety were linked together at the center of the national ethic.[2] It is here that the family system, which is the lasting foundation of Japanese communal life, finds its moral justification.[3]

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[1]See Part II

[2]See Part I

[3]See Part II

The family system, incidentally, was brought into the business organization primarily because of the necessity of Oyakata's co-operation in the early stage of industrialization, and later Nenko and Shushin Koyo were built up.[4] Once established within a firm, Oyakata usually received the highest wages and benefits, and their followers were scaled down according to length of attachment to the Oyakata. For this reason, even the new school graduates had to start their careers at the bottom of this hierarchy.[5] Apparently, we can see here the "respect for age" which is one of the representative attributes of the family system. In addition, Shushin Koyo implies the guarantee of life-long attachment to the enterprise, so that the consciousness of enterprise would be quite similar to that of family. In this sense, Nenko and Shushin Koyo may be regarded as another and modified form of the family system in the business organization.

The family system is based on Shintoism, Confucianism and Buddhism. Furthermore, it is thought of as a form of the identity of one with many. In other words, the family is a typical manifestation of the Japanese tendency to emphasize a limited social nexus. It is the most important of their social nexus and the dominant unit of social organization. In fact, as Yaichi Haga asserts, "the unit of Western society is the individual and groups of individuals who make up the State. In Japan, the State is an aggregation of families. Therein lies the basic difference".[6] Thus, the family system is one of the typical manifestations of YAMATO SPIRIT in the entire society. This system, as was just mentioned, appears in the business field as Nenko and Shushin Koyo.

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[4]See Part I

[5]See Part I

[6]Nakamura, op. cit., pp. 417-418.

In other words, Nenko and Shushin Koyo may be considered to be manifestations of YAMATO SPIRIT in the business organization. By reasoning further, we can see that the maxim is also a manifestation of YAMATO SPIRIT. At first glance, it seems to be exclusively a reflection of Confucianism, but this does not tell the whole story. When a Japanese management says: "do your bit for your country", it is an expression emerging from his whole personality. In other words, we cannot arithmetically divide his mentality into three parts. Confucianism is complexly and inseparably interwoven with the other two elements in the whole personality. Moreover, the maxim implies an effort of synthesizing national interest with self-interest. As such, it can be thought of as a form of the identity of one with many. In addition, if the Japanese concept of emphasis upon a specific limited human nexus were to take its ultimate form, it would appear as "nationalism".

Thus, we would conclude that the legacies of the past age, i.e., the maxim and Nenko and Shushin Koyo are all manifestations of YAMATO SPIRIT in the business organization. For this very reason the term "legacies" is a misnomer since Japanese mentality has been forming for a few thousand years. It is the perpetual stream of life.

Sec. 2 Decision-making and Japanese Business Spirit

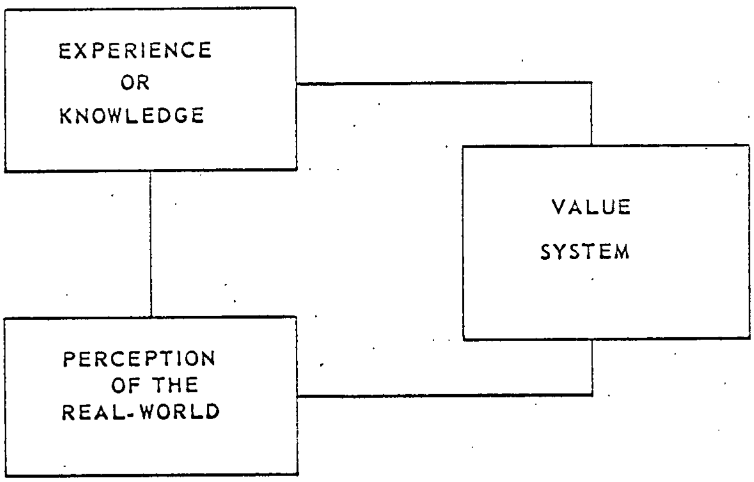
In this section, we shall survey a correlation between Japanese business spirit as the manifestation of YAMATO SPIRIT in the field of business and business decision-making.

Since the business decision-making is done by those who live in this unique cultural setting, apparently there must be some implications of the mentality in the decision-making process. In other words, it is the whole personality that makes an actual decision, not the logical frameworks.

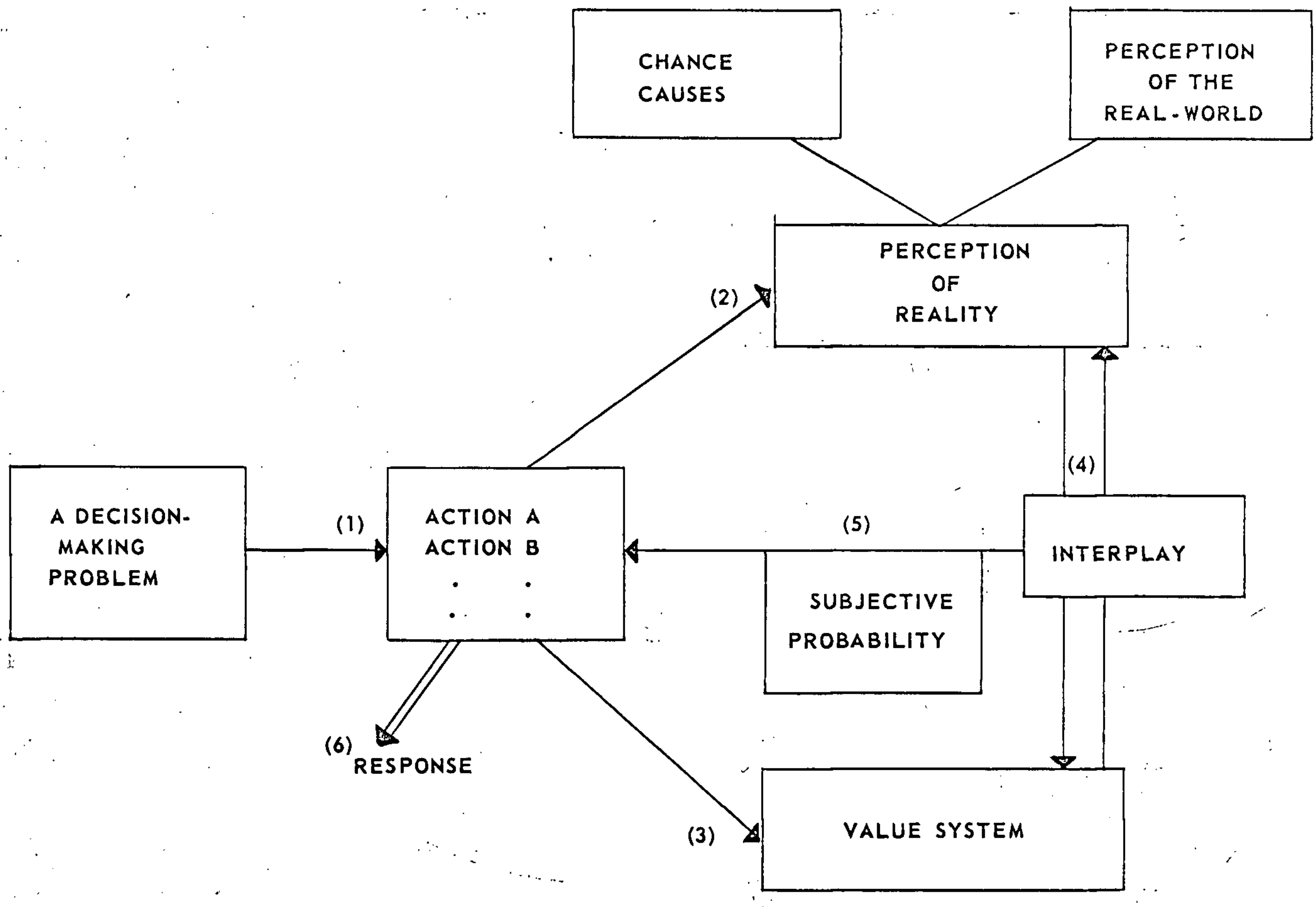
Then, as a whole personality, how does a Japanese businessman accept a decision-making problem? How does he understand it and think it through? How does he determine the course of action he must take?

In order to make these questions clear and arrive at some valid answers, let us first present a conceptual scheme for analyzing the decision-making process.

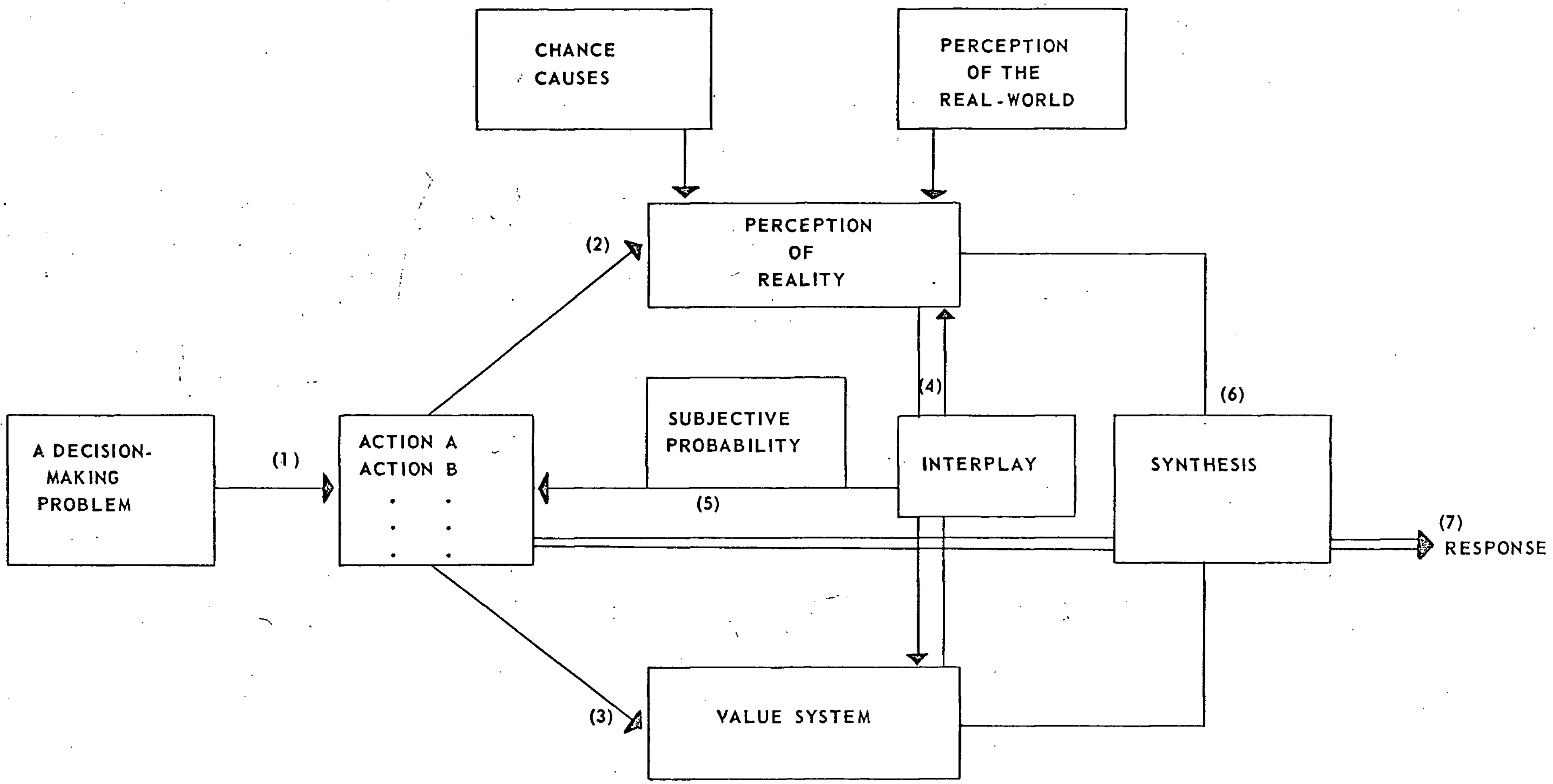
(Diagram 1) Whole Personality



(Diagram 2) DECISION-MAKING PROCESS (In most instances)



(Diagram 2) DECISION-MAKING PROCESS (In a few instances)



(Diagram 3) Feedback

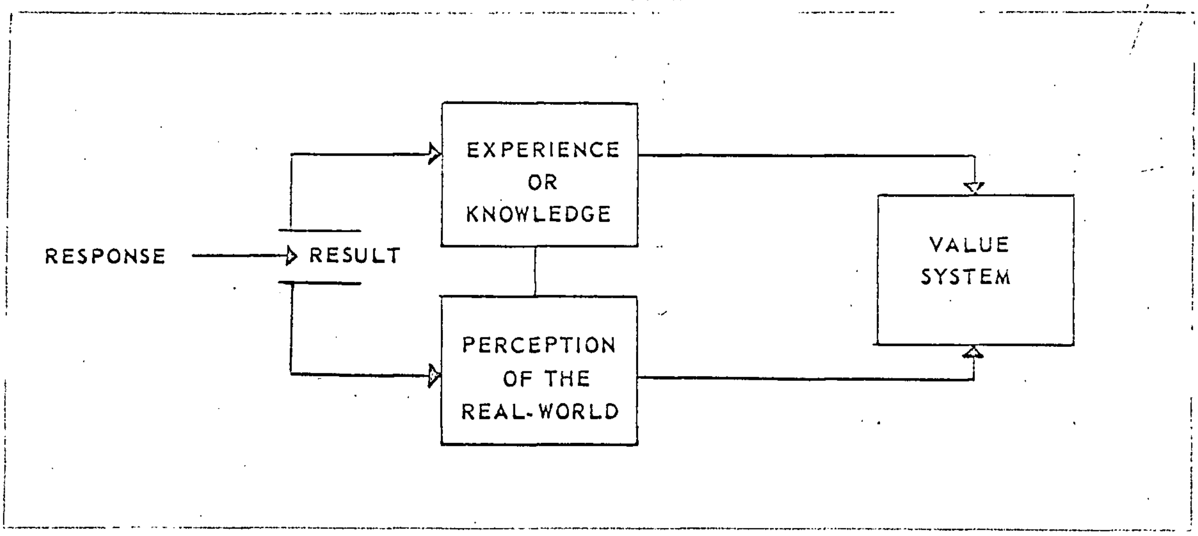


Diagram 1 shows the whole personality, which is composed of three factors: (1) Experience or knowledge is the accumulation of past happenings that the personality has encountered so far under a given cultural background, social-economic environment, and the inherited attributes and disposition. It takes the form of a multitude of simple models, and as such it functions as a storage in the whole personality. (2) Perception of the Real World has been formed primarily through cultural factors, social-economic environment, inherited attributes and disposition, and past experience. This concept is used in the same sense as the "cosmology" concept that Professor Douglas McGregor defined. As he argues in The Professional Manager, the "cosmology" is defined as "The theory of the universe as a whole and the laws governing it." The function of cosmology is to bring some semblance of order to experiences which otherwise would be so confusing that there would be no basis for action. The cosmology, or which is the same thing, Perception of the Real World is not reality. It is a human perception of reality, and as such it is an imperfect representation of reality.[1] (3) Value System follows from Experience of Knowledge and Perception of the Real World. It is the combination of a "need structure"[2] and a ladder of hierarchical values.[3]

In Diagram 2, the decision-making process is depicted. When a person faces a decision-making problem, several feasible courses of action come to his mind. Then, he is required to make a selection from those courses of action. In this selection stage, there are two factors which determine the would-be action: (1) One is Perception of reality in a particular decision-making situation which consists of Perception of the Real World and Chance Causes. One of the main examples of Chance Causes is the "aspiration level" which is associated with the nature of a decision-making problem and with a decision-maker's interest in it. Another example is a decision-maker's physical and mental conditions in the decision-making situation. (2) The other is Value System. Value System may be considered to be criteria for the selection

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[1]In this context, as with the forming of cosmology, Professor Douglas McGregor asserts as follows: "The individual never experiences a complete lack of order in reality, because he is endowed with a nervous system that enables him to perceive and remember selectively, to generalize, to relate, to discriminate, and to organize with respect to situations and events. Inevitably, he develops strong needs to find subjective order in what objectively is massive complexity. In fact, his needs frequently lead him to impose order on reality even when it is not objectively there. His possession of these characteristics, plus the fact that he lives in a culture in which there are already existing ordered views of reality, provides him with the basis for developing a cosmology". Douglas McGregor, The Professional Manager (New York: McGraw-Hill, 1967), p. 4.

[2]For further discussion on this point, see A. H. Maslow, Motivation and Personality (New York: Harper, 1954).

[3]It should be noted here that it is not feasible to separate need structure from a ladder of hierarchical values; since these are considered to be complexly interwoven with each other.

process. In the final analysis, the determining factor in a choice of the feasible courses of action and the action which ultimately results is the interplay between Perception of reality in the decision-making situation and his Value System. In other words, it is the interplay that gives "subjective probability"[4] to each feasible course of action in order to determine the action that he would select.

In most instances, the interplay can determine which course of action he should take, and consequently a concrete action results. However, there are some instances in which the interplay alone cannot tell which way to go. For example, Action A and Action B might be too similar to distinguish in terms of the subjective probability. In that case, what has to be done is a synthesizing of his Perception of reality with his Value System, and through this synthesis, he may arrive at a concrete decision. The very factor that makes this synthesis possible is Intuition in the sense that synthesis between perception and logic cannot be attained through logic.

Diagram 3 shows the feedback of a result from a course of action which was chosen through this mechanism. The feedback affects, in one way or the other, the three factors in the total personality.

Now that we have found the conceptual scheme for the decision-making process, let us next cite some first-class Japanese management's arguments about their decision-making, and try to explain their arguments through this conceptual framework.

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[4]The "subjective probability" here is defined as the "extent of favorableness" associated with each feasible line of action which would be accompanied by some outcomes. The outcomes are, in turn, ranked in importance through Value System, so that this subjective probability could determine which alternative course of action is to be selected.

Let us begin with the argument of Mr. Oya, president of Teijin Co. Mr. Oya approaches a decision as if he were a Zen monk. When he encounters a really difficult problem, on which he has to make a decision within a short period of time, he thinks of it over and over again for as long as three days and nights, and "sooner or later, my consciousness becomes dim and I feel as though I am about to vomit. While in such a situation, you may lose the intelligible power of analysis. Instead, however, you can see ahead with an eye of the mind or with something spiritual. This is the very timing of decision-making."[5]

We can see from his argument that he implies the function of Intuition at the very timing of decision-making. That is, he must have tried to determine which course of action he should take through the interplay between Perception of reality and Value System. The subjective probability was assigned to each feasible course of action. However, it was too difficult for him to decide the best course of action. He thought of the problem over and over again. Obviously, he must have encountered a dilemma. Now, then, how could he solve this dilemma? It is intuitively clear that he would not have transcended it as long as he had remained at this selection stage. In other words, the interplay has its own limitation in decision-making. In order to go beyond its limitation, a synthesis of Perception of reality with Value System is necessary. Again, the most significant factor determining this synthesis is Intuition. In the case of Japanese decision-making, Intuition falls into

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[5]Taizo Kusayanagi, "Waga Ketsudan", Bungei Shunjyu (February, 1968), p.97.

the category of Nothingness.[6] That is to say, the synthesis of Perception and Logic (Value System) through Intuition is the attainment of the identity of one with many through Nothingness. It can be said, therefore, that "an eye of the mind or with something spiritual" as referred to by Mr. Oya is Intuition in the category of Nothingness.

Mr. Idemitsu, president of Idemitsu Oil Company, explains his decision-making as follows: "If and only if you are capable of sacrificing yourself for the sake of the nation and the society can you be a real decision-maker."[7]

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[6]"Intuition" is the fundamental noetic principle whereby a synthetic apprehension of the whole becomes possible. It is an integrating principle and is ever seeking unity on the grandest possible scale. In the case of Prajna Intuition (Japanese Intuition), there is no definable object to be intuited. It is an intuition all by itself and cannot be classified with other forms of intuition as we ordinarily understand the term. Apparently, there is no dualism here. And this non-dualistic trait of Japanese Intuition should be understood in the context of "the tendency to take the phenomenal world as absolute". The Intuition is like a flash of lightning, or like a spark from two striking pieces of flint. It is quick. The "quickness" does not refer to progress of time; it means immediacy, absence of deliberation, no allowance for an intervening proposition, no passing from premises to conclusion. In other words, it is not a process in the ordinary application of the term.

"Nothingness", in this connection, is the "undifferentiated continuum". In the "continuum", there is no differentiation of subject and object, of the seer and the seen. It is a concrete, indivisible, undefinable whole. In it there is no differentiation of parts and whole. It is "an iron bar of ten thousand miles".

For further discussion on these points, see D. T. Suzuki, Studies in Zen (New York: Philosophical Library, 1955).

[7]Kusayanagi, op. cit., p. 98.

He emphasizes management's responsibility primarily because their decision has a crucial effect on the national economy as a whole. Furthermore, by putting emphasis on the national interest, he tries to go beyond the arena of Ego[8] and to prepare himself for the synthesis between Perception and Value System prior to making a hard and fast decision. Apparently, national interest occupies one of the highest positions in his Value System.[9] And, in his particular case, the consciousness of national interest would help Intuition to function in a vital decision-making situation.[10]

Mr. Kawai, president of Komatsu Seisankusho, argues his decision-making this way: "An entrepreneur's decision-making is like a feeling of love toward a woman. An entrepreneur wants to undertake an enterprise as if he wanted to woo a woman. Life is to direct such a desire without hesitation. Once you undertake it and engage yourself in it, you will have to face a series of decision, each decision being the product of the decision-making process. For this reason, the 'mental speed' is necessary in the decision-making process."[11]

Following his line of argument, the "mental speed" is the speed of reflex action when you encounter a decision-making problem; as soon as an attractive plan comes into your mind, you immediately grasp it; if it is not good, you reject it. The mental speed should be interpreted in such a way.

In other words, the mental speed implies the speed of the interplay between Perception and Value System. It is the speed of assigning subjective probability to each feasible course of action. The speed is significant because once you

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[8]Ego is considered to be the arena in which the interplay is performed.

[9]This is easily seen since the consciousness of national interest, i.e. "nationalism", is considered to be the ultimate form of "the tendency to emphasize a limited social nexus".

[10]Idemitsu, op. cit.

[11]Kusayanagi, op. cit., pp. 98-99.

undertake an enterprise and engage yourself in it, you will have to go through a series of decisions.

Mr. Kobayashi, president of Nippon Electric Company, asserts that "my decision-making lies in a feeling. In the advancement and development stages of an enterprise, there are several 'joints'. Even when the enterprise seems to advance favorably, there are several joints where some crucial decision-making problems are involved. If you are able to sustain a good feeling at each of these joints, you will be in proper form for making a good decision."[12]

The "good feeling" in his sense can be regarded as Intuition in our sense. When you encounter an extremely complicated and difficult decision-making problem, in the final analysis you have to appeal to your Intuition. In other words, you need to synthesize Perception and Value System through Nothingness. Nothingness, incidentally, requires clearance and hates vagueness. Everything must be clear in the face of Nothingness.[13]

In this connection, Mr. Ono, president of Morinaga Milk Company, argues as follows: "once an enterprise gets a favourable wind, everything tends to go well. ....In such a good situation the president is likely to listen to the opposite opinions in the executives' committee and to become not quite sure of his own position. Then, it follows that his decision will become dim and vague, and lose its sharpness. In general, policies emerging from this vagueness turn out to be wrong."[14]

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[12] Ibid., p. 99.

[13] For further discussion, see Suzuki (An Introduction to Zen Buddhism), op. cit.

[14] Kusayanagi, op. cit., p. 101.

We have so far viewed the decision-making process from an individual's point of view and tried to analyze it through our conceptual scheme. In so doing, for the purpose of our analysis, we have ignored the influence of other persons in a decision-making situation.

Reality is, however, that most decisions made in the business organization take the form of "group decision-making" in that the head of a committee takes into account, in some way or the other, the other members' views. For this reason, what we need is a conceptual scheme for group decision-making.

In this connection, the same mechanism that is found in the individual's decision-making process also applies to group decision-making. To put it another way, the mechanism functions in a similar manner here although some modifications are necessary in the conceptual framework. Upon analysis, there is only one person, who is presumably the head of a committee, that makes a final decision. Now, then, what is the conceptual scheme for group decision-making?

Before presenting this scheme, however, let us first cite one article from the Economist (London) for the purpose of our explanation.

A correspondent from the Economist who attended one board of directors meeting writes as follows: "....it seems to be a tradition in Japan that if any changes in any plans are to be made, they must be agreed to by everyone. Even at the boardroom level, decisions are not taken by majority vote but theoretically only by unanimous agreement. To prevent this tradition of unanimity from being eternally stultifying, many Japanese organizations seem to have a man whom the outside observer finds himself disrespectfully calling the Emperor-figure. Conversation with and even between different executive grades in Japanese industry can go forward most interestingly and pointedly until this Emperor-figure arrives; then, your correspondent found, everybody falls into a deep and respectful hush. As the Emperor-figure (who may belong to the family owning the firm) does not seem always to be the man best fitted to make big decisions, the system is puzzling at first; but in fact his function is probably often to work merely as a constitutional monarch. When there is a controversy about some line of action to be taken, he lays down what has already emerged as the majority opinion as his own decided view; everybody then agrees that he must be right and so the tradition of unanimity is maintained. The system does not make for speed in operation, but it has some achievements to its credit. After all, it was by this method, with the real Emperor, that Japan called off the War in 1945."[15]

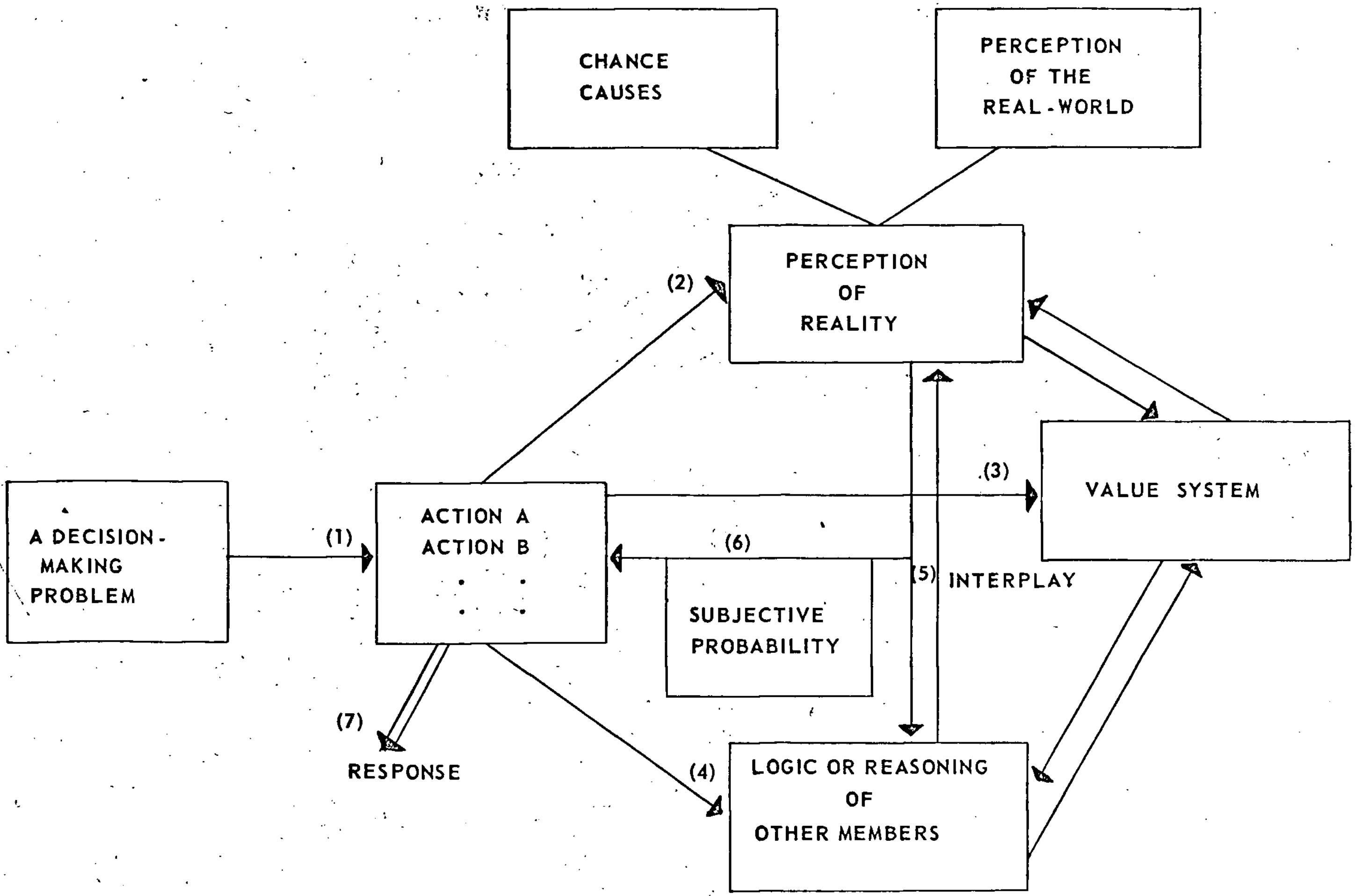
What a superficial and misleading article! Why does everybody agree that the Emperor-figure must be right? Why does the Emperor-figure lay down the majority opinion as his own decided view? What is the tradition of unanimity?

These vital questions are veiled in mystery and all of them are explained only by the term "tradition". What is needed here is a good conceptual scheme for analysis of the group decision making in the Japanese business organization. In fact, without such a framework, it would be very difficult for us to grasp the process of decision-making at boardroom level.

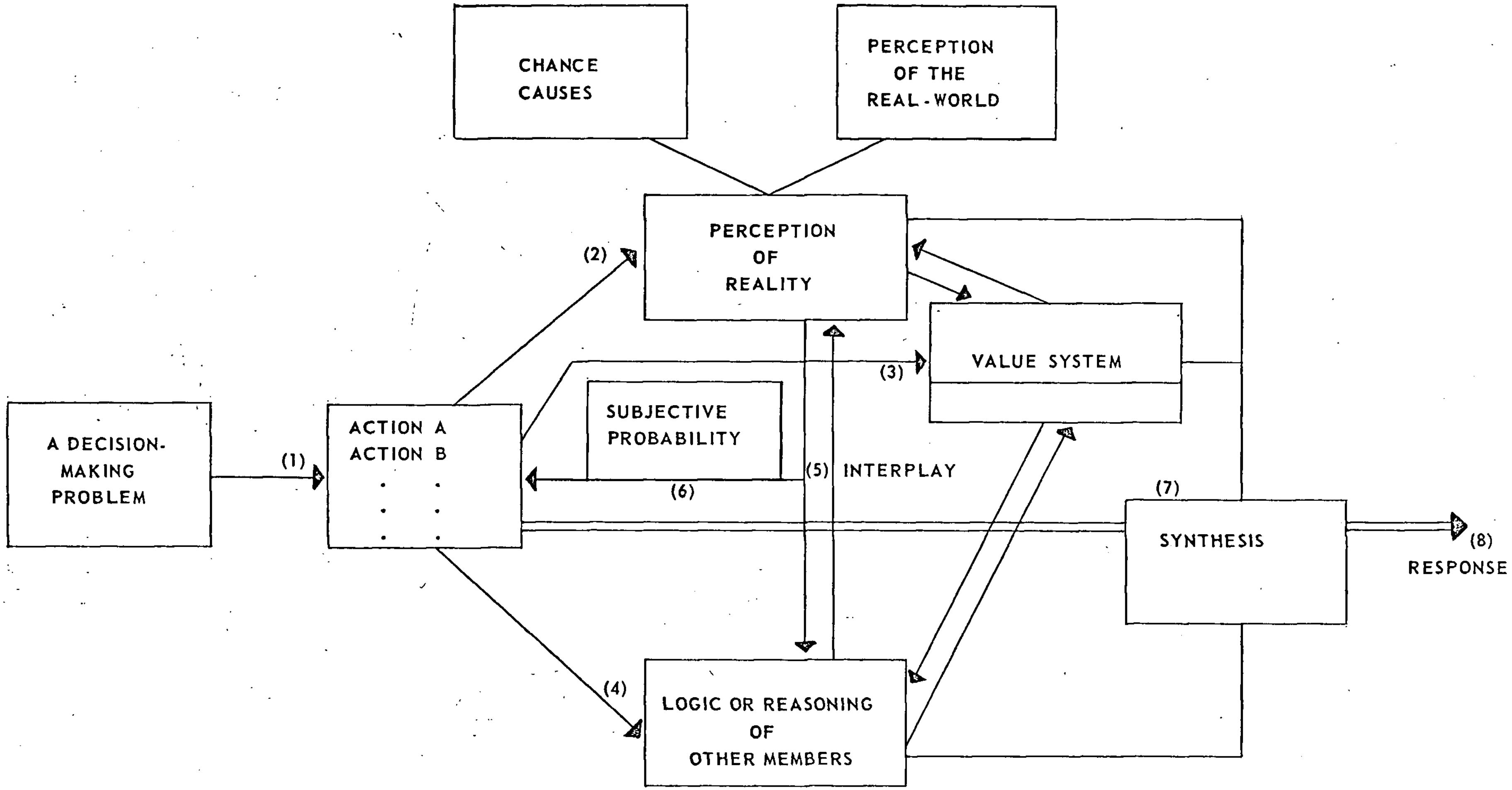
So, let us first present the conceptual framework, and then explain the article through this scheme.

[15] The Economist, op. cit., p. 93.

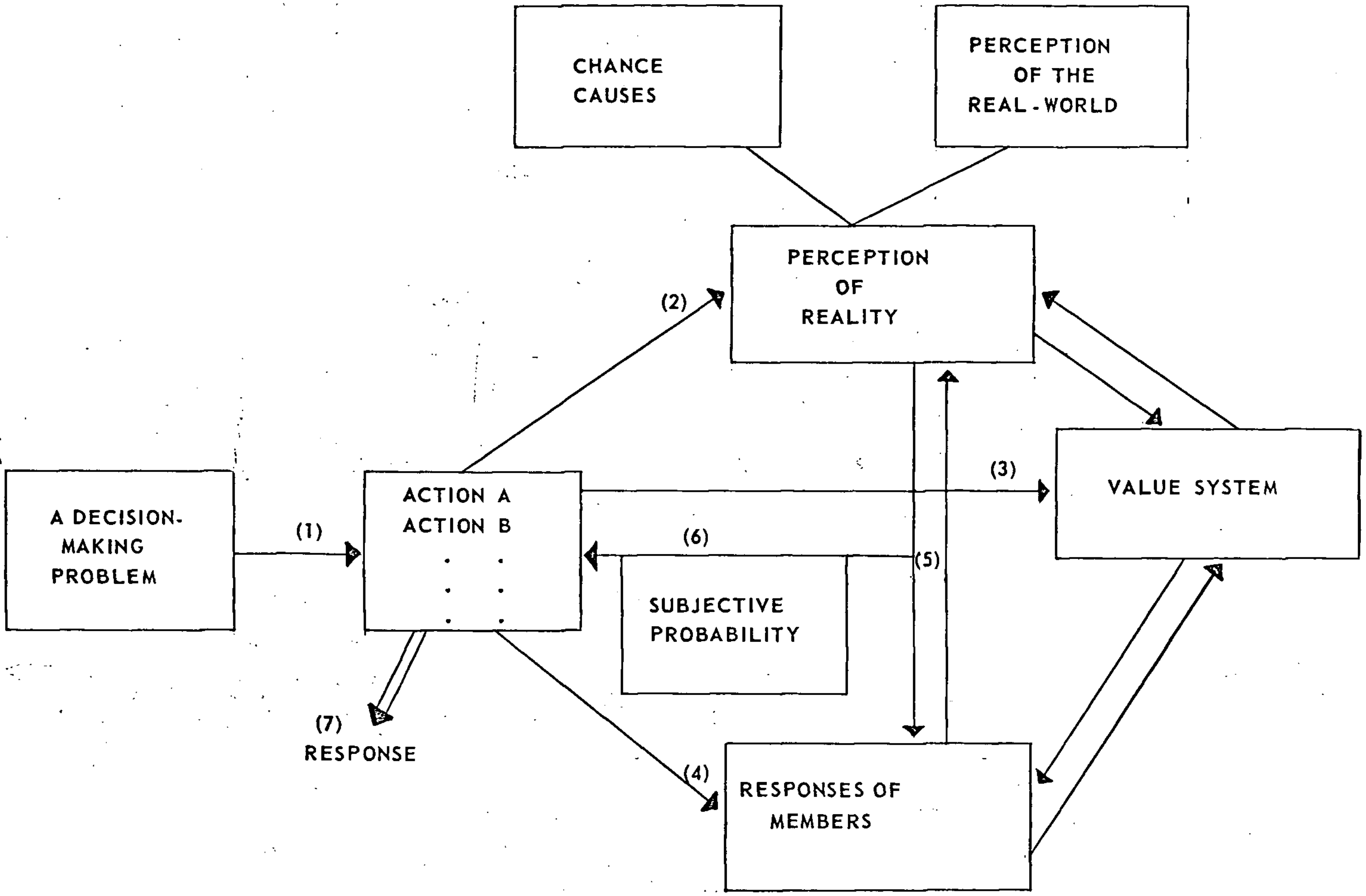
(Diagram 4) A MEMBER'S DECISION-MAKING (In most instances)



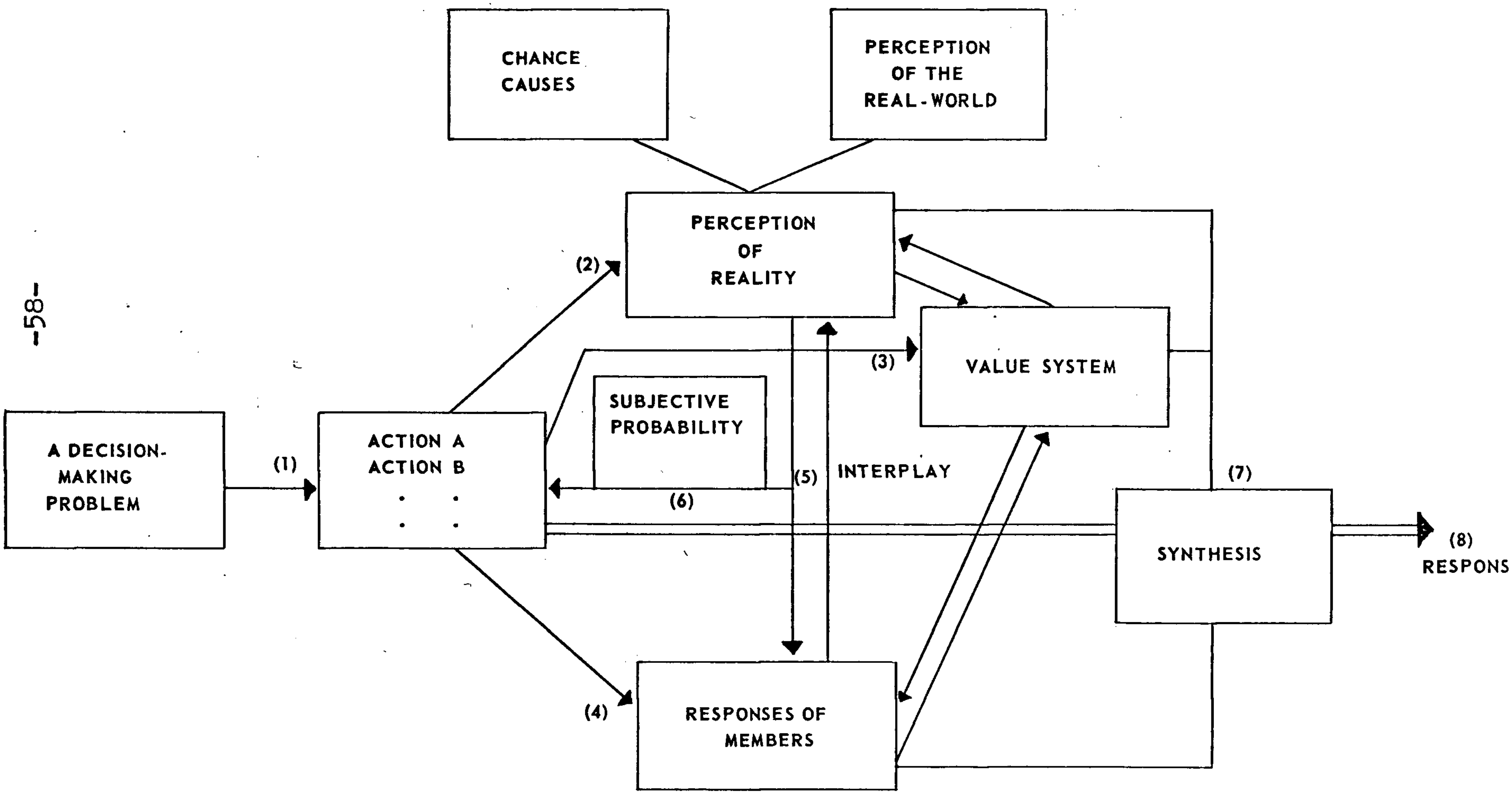
(Diagram 4) A MEMBER'S DECISION-MAKING (In a few instances)



(Diagram 5) PRESIDENT'S OR EMPEROR - FIGURE'S DECISION - MAKING (In most instances)



(Diagram 5) PRESIDENT'S OR EMPEROR - FIGURE'S DECISION-MAKING (In a few instances)



First of all, various opinions are exchanged among the members at a board of directors meeting. In this stage, each member is not yet quite sure of his position as to the decision-making problem. Through the exchange of ideas, however, he sooner or later, arrives at his own view of the problem in point. The process through which his view is formed is almost the same as in Diagram 2, except for the Logic or Reasoning of other members. In other words, as Diagram 4 indicates, it is the interplay among Perception of reality, Value System and the other members' logic or reasoning that results in the subjective probability of each feasible line of action. If the probability is clear enough, a response occurs quite automatically. If it is not, there is an effort of synthesizing these three elements through which, in one way or the other, a response will result.

The responses of all of the members thus recorded enter into the whole personality of the President or Emperor-figure. The President or Emperor-figure listens to the responses of the other members, and then the interplay of their responses, his own Value System and his Perception of reality begins to function in his whole personality. Sooner or later, each feasible line of action will be assigned some subjective probability. If, in this stage, the course of action to be taken is clearly distinguishable, then he would be in a good position for decision-making. If it is not, however, a synthesizing of these three elements is necessary within his total personality. Over and over again, Intuition functions here as a tie among the elements.

Apparently, it is this stage that is referred to in the above article by the London correspondent. All of the views had already been exchanged and discussed among the members. And yet, there was still a controversy about the line of action to be taken. It is the Emperor-figure that had to bring the controversy to an end. He must have, at first, tried to determine it through the interplay in his total personality. But, he in fact, was unsuccessful. Obviously, an effort was made to synthesize the three determinants, i.e., Responses of the members, Perception of reality, and Value System. Intuition must have played a decisive and vital role here. Then, after a long period of mental struggle, he came to a certain conclusion.

The conclusion having emerged from these efforts must have been accepted by all of the members. It is the conclusion which was gained through an effort of the identity of one with many through Nothingness. In other words, the method through which the Emperor-figure arrived at his conclusion manifested itself as Japanese business spirit. He performed what we call "haragei". The "haragei", incidentally, comes out in an effort to transcend a dilemma. As such, to perform "haragei" is thought of as to arise beyond Ego, since Ego is the arena of the interplay among the determinants for decision-making. In other words, the "haragei" appears only in the synthesis stage of the decision-making process. Thus, the Emperor-figure must have been regarded as the person who transcended Ego. His decision was considered to be beyond self-interest. It is no wonder that this very fact was persuasive and convincing in having the decision accepted by the other members.

As was mentioned in Part II, because of "the tendency to emphasize a limited social nexus" in Japanese mind, consciousness of the individual as an entity appears always in the wider sphere of consciousness of social relationships. Most Japanese tend to look upon man as a being subordinated to a specific and limited human nexus. And if a specific individual is regarded as a concrete symbol of Japanese social values, the Japanese are apt to follow the individual as a living representative of that nexus. Apparently, the Emperor-figure in the above article must have been regarded as one of such representatives.

Furthermore, "the tendency to recognize absolute significance in everything phenomenal" in Japanese mentality leads to the acceptance of the justification of any view held in the mundane world, and results in the adaptability of any view with the spirit of tolerance and conciliation. In fact, owing to the tolerant and more open side of their nature, the Japanese assimilated the heterogeneous elements of foreign countries without much repercussion. Recall the title "Men of Japanese spirit with Western knowledge" that we gave to the entrepreneurs both in Meiji and in post-war Japan. They tried to recognize the value of each of those different cultural elements, and at the same time they endeavored to preserve the values inherited from their own past. They seeked national unity, while having permitted the co-existence of heterogeneous elements.

In short, the decision that the Emperor-figure arrived at must have been agreed to by every member since the mentality of the members is consistent with that decision. All of the members understood what the Emperor-figure had done in order to synthesize the three factors in his total personality. The decision was, therefore, accepted as an effort of the identity of one with many through Nothingness.

For this reason, whether the decision rests on a majority opinion or not is not important. In other words, the unanimous agreement is not based on a majority opinion. Or, at least, the majority opinion is not soccrucial a factor as Japanese mentality. The very factor that leads to the unanimous agreement is an effort of the identity of one with many through Nothingness. On this point, therefore, the article is misleading. In addition, the unanimous agreement is not a tradition, since, as was mentioned above, the article refers only to a particular stage in the decision-making process. In other words, the article refers to a special case, and cannot be applied to decision-making in general since daily decisions are carried out quite smoothly without any such unanimous agreement.

Weighing all of the factors, we see that the article is a superficial analysis and is very misleading, largely because of the complete ignorance of the YAMATO SPIRIT.

Sec. 3 Interdependence among Firms, Banks, and the Government

Now, let us refer to another important aspect of YAMATO SPIRIT in the business scene, i.e., the interdependence among firms, banks, and the Government.

The power of banks in today's Japanese business is well known. In fact, "Japanese companies are heavily financed by their bankers. The liabilities of the average major Japanese firm during the first half of 1962 broke down as follows: net worth 30% (divided equally between paid-in capital and surplus), current liabilities 50% (in great part due to banks), and long-term debt 20%. In other words, the total debt-equity ratio is about 2:1, something like the reverse of the average U.S. firm's. And much of the equity in Japanese companies is owned by the banks as well."[1] "As might be expected from such a reliance on bank loans, Japanese manufacturing firms are very much under the control of their bankers. Frequently, the bank puts one of its own men into a key position in a company to which it has loaned large sums of money. Moreover, banks tend to act as though they know more about a manufacturing company's business than does its own management. For example, when a manufacturing company seeking a line of credit tells a bank what its peak money needs are, the bank may well make its own evaluation and reply with another figure."[2] "Another example of the power of the bank is the experience of a would-be U.S. investor in negotiating with Japanese manufacturers for a partnership. Almost every Japanese company president with whom the American dealt had a 'friend' sit in with him. When the negotiations got down to brass tacks,

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[1]Business International, Financing Foreign Operations (New York: Business International, 1964), p. 167.

[2]Ibid.

the 'friend' suddenly became active, revealed himself to be a banker, and proceeded to carry on the negotiations as though he were the real head of the company --- referring to the president almost as to a mere technician."[3]

In this context, there have been some arguments about the capital structure of Japanese firms, and most of the scholars have argued that the capital structure had deteriorated because of the high speed of the economic growth. As a matter of fact, there has been a great shift in the capital structure in comparison with that of pre-war Japan as well as that of representative Western countries.

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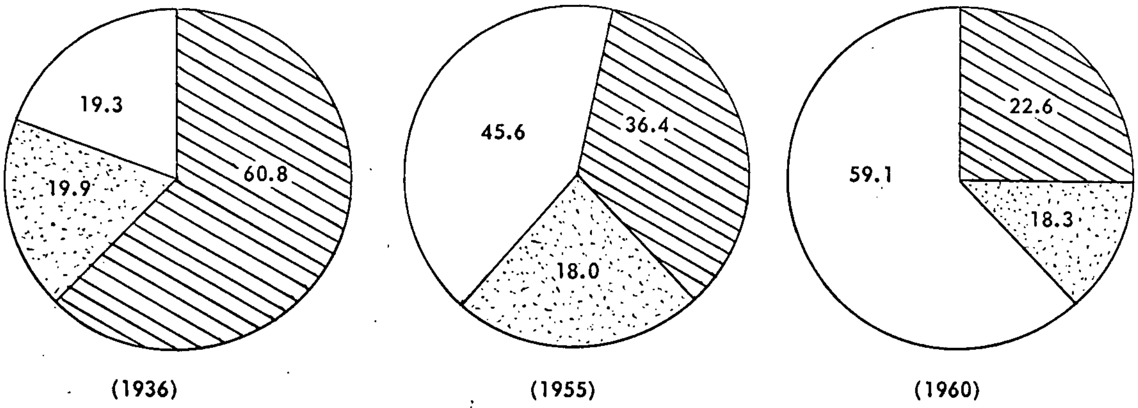
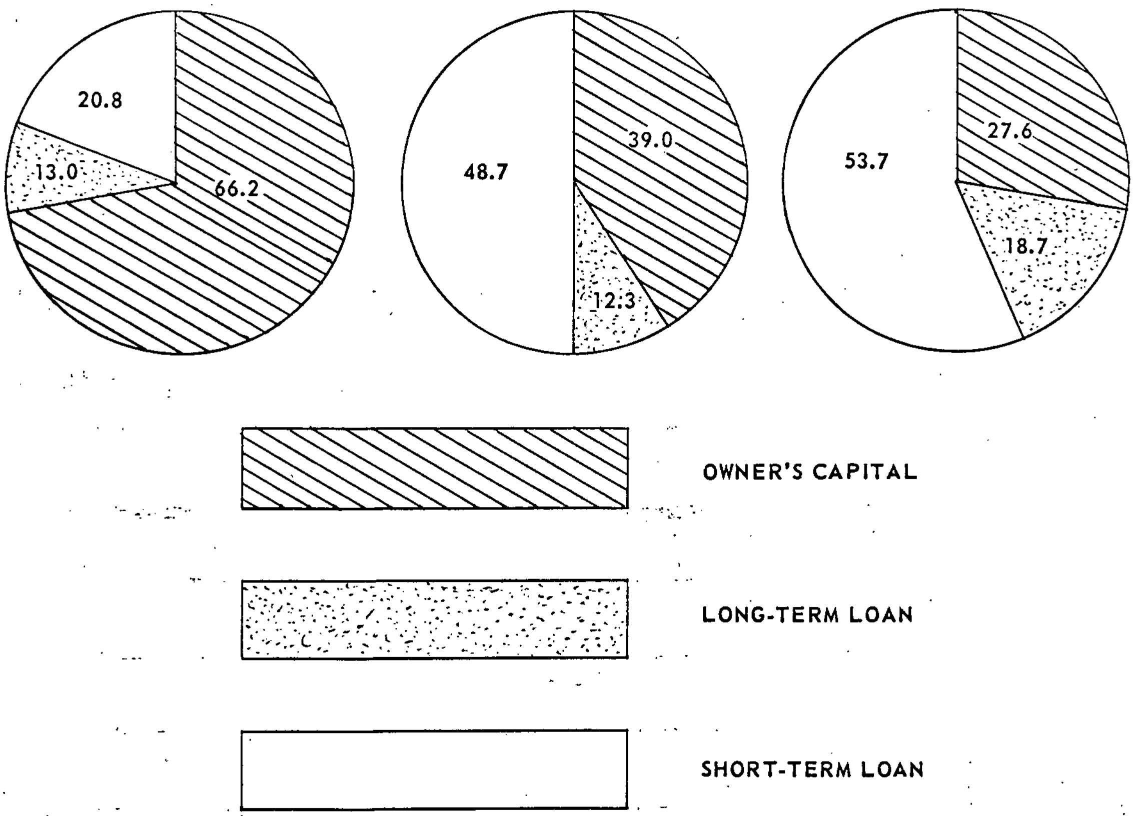
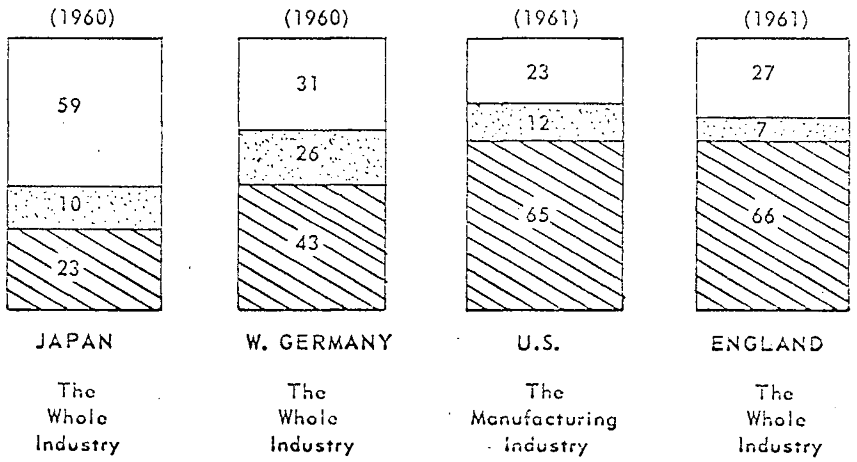
[3] Ibid.

THE WHOLE INDUSTRY



THE MANUFACTURING INDUSTRY





Source: Hyoe Ouchi _et al_, _Nihon Keizai Zusetsu_ (3rd ed. rev; Tokyo: Iwanami, 1964), p. 91.

As is shown above, the capital structure of Japanese firms has been shifted greatly. In other words, "The average Japanese company has been getting deeper and deeper into debt. It is making little effort to re-invest earnings for expansion or to sell more equity to provide a cushion against recessions"[4]

Now then, why has the Japanese company been able to finance itself in such an unorthodox manner? This may be partly explained by the fact that the economy has flourished in the past decade, with rising income providing ample funds to pay interest. But, this has been possible primarily because of the interdependence between the firm and the bank.

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[4] _Ibid_.

As a matter of fact, even before the war, where the capital structure is considered to be quite normal, there was the interdependence between the firm and the bank. Take a Zaibatsu for instance. This was (and is) "one of several groups of companies that control large portions of the country's industry and trade, including most of the banks and insurance companies through interlocking management and ownership."[5] In other words, although the central position of power has shifted from non-banking firm to bank,[6] the interdependence between them has been always present in Japanese business. The interdependence, in turn, has its own root in the "collectivity orientation" of Japanese people. In fact, "the collectivity orientation, focused on a human nexus, serves the function of providing social security and mutual assistance within a society beset by many difficulties;"[7] although it can at the same time become stagnant as was seen in the Zaibatsu domination of pre-war Japan in Part I. Hence, in spite of the different phenomena in the capital structure, we can conclude that the interdependence between them is the real essence, which in turn can be regarded as a manifestation of Japanese business spirit.

As has been mentioned, Japanese companies are heavily financed by their bankers. To put it another way, "as of December 31, 1962, Japanese commercial banks had lent almost as much to business as their total deposits. Of total

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[5] Ibid., p. 166.

[6] For further discussion on this point, see G. C. Allen, A Short Economic History of Modern Japan (London: Allen & Unwin, 1961).

[8] Business International, op.cit., p. 167.
[7] Nakamura, op. cit., p. 426.

assets of all banks, loan to business made up 61%. To obtain funds, banks must often borrow from the Bank of Japan. These borrowings at that time were 6.4% of their total deposits."[8] We can clearly see the extent of the intervention of the Bank of Japan, or more broadly, of the Government into the business field. This may be partly explained by the excessive growth of the economy after the war, but again, can primarily be explained by the interdependence between firms and the Government. In fact, "in Japan there is far more collaboration between big business and government than exists in the U.S., the more so because industry tends to recruit its top management from former government employees. During and after office hours men from private corporations are meeting and comparing notes with the bureaucrats in a kind of prolonged committee meeting. The result is a continuous dialogue as to what should and should not be done."[9]

Thus, only with reference to such an interdependence can most of the Government polices be explained. For instance, "Japan's Export-Import Bank was established by the Government in 1950 to extend long-term loans for promoting export of capital goods, such as ships, rolling stock, and heavy machinery..... Practically every type of risk is covered, including losses suffered by exporters when they ship goods on consignment and sales prove disappointing, and losses on promotion and advertising abroad if sales do not reach the expected level. Insurance is also provided to banks for non-payment of discounted export bills."[10]

[9] _Fortune_ (September, 1968), pp. 95, 128.

[10] Business International, _op. cit._, pp. 171-172.

[11] _Ibid._, p. 169.

Taking another example, "in 1963, the Government announced via the Bank that it would institute an 'industrial structure' financing system, with favorable loans going to enterprises establishing good order in Japn's industrial structure through coordination, tie-up, and merger within the same industries, and adjustment of products and sales operations."[11]

Furthermore, "in October, 1963, the Bank announced the preferential loan treatment; loans for up to 50% of project cost and extending up to 15 years (including three years of grace) would be granted to: projects involving new techniques, including those with foreign participation; new industrial projects, especially in nuclear power generation, new metals, petrochemicals, and synthetic resins; and export industries, especially those concentrating on Europe. Under this program, the camera, watch and clock, and transistor-radio industries have received top credit priority."[12]

You can easily argue that the conglutination of business firms with the Government is, more or less, present everywhere in the world. In the sense used by J. K. Galbraith, many countries are directed toward the Industrial State.[13] For this very reaon, the conglutination may not be a unique phenomenon in Japan. However, to say that the phenomena are the same is not to say that the essence is the same. In addition, Galbraith's model may be too broad to account for the Japanese particular. We should rather explain it through Japanese mentality. As a matter of fact, the Government intervention has met much less resistance from the business field in Japan than in the United States.

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[12] *Ibid*., p. 169.

[13] Galbraith, *op. cit*.

It can be said, therefore, that Japanese are in better position for government intervention because of the existing mentality. Self-interest has to be synthesized with the national interest through Nothingness.

For this very reason, we must again conclude that the interdependence between firms and the Government is a manifestation of Japanese business spirit, as is that between firm and bank.

Sec. 4 The "Betriebswirtshaft" and Japanese Mentality

Since the Meiji Revolution, Japan has imported various ideas and thoughts from abroad. In this respect, we have learned many things from Germany. As an example, we can recall that Dr. Nishida's philosophy is quite similar to Hegel's in terms of methodology. As another example, we shall be able to mention the scholarly field of business in Japan. Here, the "Betriebswirtshaft" is, in one way or the other, very significant and influences many students in the field.

Now then, why has the German methodology been accepted without any friction? As might be expected, this is largely due to the Japanese tendency to recognize absolute significance in everything phenomenal, as was mentioned in Part II.

More specifically, however, we can easily find a correlation between Japanese mentality and the German methodology. That is, Japanese mentality is consistent with the German methodology, since one is the essence and many is the multiplicity of phenomena in the German methodology. Moreover, we can mention that Hegel and Marx made use of the "paradoxical logic", which assumes A and non-A do not exclude each other as predicates of X, under the name of dialectics. This does not mean, however, that the "paradoxical logic" in the East is the same as that in the West. In fact, as Erich Fromm argues in the Art of Loving, in the East "the ultimate reality, the ultimate One cannot be caught in words or in thoughts".[1] "The teachers of paradoxical logic say that

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[1]Erich Fromm, The Art of Loving (London: Allen & Unwin, 1961), P. 75.

man can perceive reality only in contradictions, and can never perceive in thought the ultimate reality-unity, the One itself. This led to the consequence that one did not seek as the ultimate aim to find the answer in thought. Thought can only lead us to the knowledge that it cannot give us the ultimate answer. The world of thought remains caught in the paradox. The only way in which the world can be grasped ultimately lies, not in thought, but in the act, in the experience of oneness."[2] In terms of Japanese mentality, practicality is prior to any theory.[3] How to achieve the identity of one with many through Nothingness is significant. The "through Nothingness" is a decisive factor in Japanese mentality, whereas the Western paradoxical logic presupposes something creative in nature.[4]

In spite of this great difference, however, it can be said that Japanese mentality is consistent with the German methodology as long as we can make use of it within the bounds of science. This is why the "Betriebswirtshaft" is, in one way or the other, of consequence in the scholarly field of business in Japan.

We can cite many examples of the importance of the "Betriebswirtshaft" in this field. We shall mention only one of those examples. This will be given in

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[2]Ibid., pp. 77-78.

[3]In this connection, the concept of reality as "becoming" or as "in a constant state of flux", i.e. the tendency to take the phenomenal world as absolute, is compatible with the Japanese tendency to be anchored to a particular human nexus. These two factors are combined to bring about an emphasis on practicality within a concrete social nexus. For further discussion on this point, See Nakamura, op. cit., Part IV.

[4]In other words, the Western paradoxical logic is not beyond dualism. For example, Hegel argues this way: "the universal is neither seen nor heard, its existence is the secret known only to the mind. Religion leads us to a universal, which embraces all else within itself, to an Absolute by which all else is brought into being: and this Absolute is an object not of the senses but of the mind and of thought". ("The Logic of Hegel", The Encyclopaedia of the Philosophical Sciences, trans. William Wallace (Oxford Eng.: The Clarendon Press, 1874), pp. 25-38.

a discussion of one of the works in the field, i.e., the Introduction to Finacial Management by Takashi Hosoi, 1968.

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The author devotes the first half of the book to the argument of the essence of financial management, while in the last half, he refers to the various functions of financial management based on the essential argument of the first half. Since the last half may be considered to be merely a deductive extension of the first essential argument, although he introduces there a variety of models which were developed in the United States in analyzing financial phenomena, our concern will be only with the first half, i.e., the argument of the essence of financial management.

The argument, in effect, starts with Dr. Eiichi Furukawa's definition of financial management and develops into further discussion, finally resulting in a new concept "Top in charge of capital" which is the author's original conception. So, let us first mention Dr. Furukawa's argument through the author.

According to the author, it is Dr. Furukawa, one of the authorities in the scholarly field of business in Japan, that grasped the essence of financial management and set up its pivotal conception. In fact, financial activity should be broken down into two aspects on the basis of its characteristics, as Dr. Furukawa asserts. That is, financial activity, as the whole circular process of capital, is closely associated with other managerial activities, while on the other hand, it is a particular functional activity. The former is concerned with financial control over the whole enterprise, while the latter is concerned with executive financial operations.

Since the former is of prime importance, it is necessary to survey the interdependent relationship between financial activity and other managerial activities in accordance with the circular process of capital in the enterprise. In here, Dr. Furukawa introduces M. R. Lehmann's two types of "Umsatz" concept, i.e., "Finanz-Umsatz" and "Produktions-Umsatz".

The "Finanz-Umsatz" implies the inflow and outflow of money as a manifestation of the circular process of capital, while maintaining a homogeneous nature throughout this process. On the other hand, the "Producktions-Umsatz" starts with the acquirement of inputs which are brought into the enterprise by expenditure of money or some credit relationship. Then, it converts them into products for sale through the use of productive consumption of the inputs and ends up with the sale of these products. Each of these "Produktions-Umsatz" forms an element of the circular process. Since the "Produktions-Umsatz" is an indispensable "Umsatz" in the pursuit of an enterprise goal, it is also called "Zweck-Umsatz".

In short, we should regard the whole capital-circular process as the relationship of "Produktions-Umsatz" against "Finanz-Umsatz". That is, these heterogeneous "Produktions-Umsatz" are carried out along with the homogeneous "Finanz-Umsatz", and thus these "Productions-Umsatz" are woven into the whole capital-circular process as the unity of an enterprise.

This very fact not only implies the characteristic of "Finanz-Umsatz" as against "Produktions-Umsatz", but also the close interdependence of financial activity with other managerial activities in the whole circular process of capital. To put it another way, financial activity in itself is a different functional activity from other managerial activities associated with the "Zweck-Umsatz", but at the same time it has some connection with those other managerial activities. That is, it has a unique function of homogenizing those heterogeneous elements in the other managerial activities; and this function is of prime significance in financial management. In concrete terms, financial management sets up financial planning and performs financial control in order to make the other managerial activities effective from the standpoint of the optimization of the whole entity.

Now that Professor Hosoi has arrived at the essence of financial management, based on Dr. Furukawa's argument, he next goes back to reality and cites many examples of the expansion of the responsibility scope of financial management. Then, he refers to a research study "Company Organization of the Finance Function" which was published by American Management Association in 1962. And finally he comes to a conclusion as follows: "In short, it is quite clear that today's business demands some financial functions which are beyond those of treasurer, controller, and those of financial vice-president that is only a mediator between them. Even the third 'Top in charge of Finance' in huge companies in the United States does not perform the new comprehensive functions. Its prime responsibility is thought of as only a mediator between treasurer and controller, or a coordinator between president and treasurer and controller. This 'Top in charge of Finance', I think, should go beyond the role of merely a mediator or a coordinator, and perform the comprehensive financial functions which today's enterprise so desperately requires. I would call the 'Top" in this sense 'Top in charge of Capital'. ....The tasks of this 'Top' will be creative, rather than routine and its practice implies the destruction of habitual procedures."[5]

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[5]Takashi Hosoi, Introduction to Financial Management (Tokyo: Yuhikaku, 1968), pp. 110-115.

The quotation above concludes the first half of the book, i.e., the argument of the essence of financial management.

As might have been expected, the author is greatly influenced by the "Betriebswirtshaft", and his argument is very German. This is why the book is considered to be one of the examples of the influence of the "Betriebswirtshaft" in the field. The "Betriebswirtshaft" is, in turn, consistent with Japanese mentality. In other words, the author must have been capable of grasping this concept, and further for developing it into his own conceptual framework. Thus, the "Top in charge of Capital" would be meaningful to Professor Hosoi, given the understanding of "Betriebswirtshaft" which he demonstrates.

Upon analysis, his work may be said to be very "Japanese".

CONCLUSION

Our main contention in this paper is that YAMATO SPIRIT manifests itself in the business field as well as in other aspects of Japanese life. It is manifest, in the first place, in the maxim "do your bit for your country" on the management side. As was explained in Sec. 1, Part III, the maxim is considered to be mainly a reflection of the Japanese tendency to emphasize a specific limited human nexus which is one of the distinguishing traits of Japanese mentality. Japanese mentality takes further the forms of Nenko and Shushin Koyo on the labor side. That is, Nenko and Shushin Koyo are regarded as another and modified forms of the family system which is again a typical manifestation of the Japanese tendency to emphasize a limited social nexus. The same can be said, in this connection, of the interdependence among firms, banks and the Government; since the interdependence has its own root in the Japanese collectivity orientation focused on a human nexus.

YAMATO SPIRIT, on the other hand, has the other characteristic attribute; i.e., the tendency to take the phenomenal world as absolute. This non-dualistic tendency is particularly manifest in the synthesis stage of the business decision-making. As was seen in Sec. 2, Part III, Prajna-Intuition (Japanese Intuition), as a synthesizing element, has no definable object to be intuited. It is an integrating principle and is ever seeking unity on the grandest possible scale. In other words, it abides in Nothingness which is defined as the "undifferentiated continuum." As such, the Intuition is regarded as the core of Japanese mentality.

Finally, we have seen that apart from the business organization, Japanese mentality manifests itself with the existence and importance of the "Betriebswirtshaft" in the scholarly field of business in Japan.

Taken together, this paper is an attempt to explain these above-mentioned characteristic attributes of Japanese business organization through Japanese mentality.

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