

at universities receive subsidies for a period of 200 days. Employers participating in skills evaluation programs can receive subsidies under the "Promotion for Skills Evaluation Plan." In addition, "Financial Assistance for Middle-aged and Senior Workers" provides financial support to individuals aged 40 or over, who take courses authorized by the Minister of Labour, in order to obtain an occupational license or to acquire professional/technical knowledge.

Structural adjustment budgets are separate. Firms in specific industries retraining their employees for structural adjustments may receive government subsidies for keeping the redundant work force employed and retrained. The smaller the firms size, the more the subsidy. The government successfully keeps unemployment lower than it would be without the subsidies. It also is of the view that some training and education needs are better met by giving financial support to employers and individuals than by changing the curricula of public vocational schools.

#### Public Vocational Schools

Governments directly run vocational and training institutions; one is run by the central government (The Employment Promotion Agency), another by prefectural governments under the supervision of the Ministry of Labour. Here are the lists. The Employment Promotion Agency runs:(1.1) diploma courses (less than six months) for job holders to acquire advanced occupational skills and knowledge, and (1.2) junior colleges (for two years) for high school graduates to acquire basic occupational skills and the knowledge needed to enter labour markets. Local governments run:(2.1) certificate courses (less than six months) for job holders, unemployed persons, or job leavers to acquire occupational skills and knowledge, and (2.2) vocational schools (for one two years) for junior high school or high school graduates to acquire basic occupational skills and the knowledge needed to enter labour markets.

#### Vocational Schools for Handicapped persons, and Trainers

Training colleges are separately run under the supervision of the Ministry. New curricula include, among other things, nursing and care of senior citizens, computer programming, system engineering, and information processing.

The Bureau of Medium and Small Firms administers the colleges for medium and small firms. Located in local capitals, they offer training and education opportunities to owners, managers, engineers, and others working in a medium or small firm. Trainers and consultants in charge of this particular sector also take some courses here. (The Bureau spent 13 billion yen on these colleges in 1996.) Local governments regularly run workshops and seminars for medium or small firm managers, engineers, and others. The Bureau provide financial subsidies to local governments, too (amounting to 181 million yen in 1996).

#### Effectiveness?

To what extent do the public training and education programs facilitate job placements, improve job matching, shorten unemployment durations, bring a new labour force to labour markets, or advance promotion prospects within internal labour markets? It is not an easy task to single out the effects of training and education. The fact that knowledge-based pay systems and skill-based ones are widely used in Japan indicates that employers find it useful to have their employees constantly developing themselves on the job. Yet, exposed to global competition, employers find it necessary to find the right mix of in-house and external training opportunities. Needs for education and training would be more carefully studied in large firms, but in medium and small firms as well.

## 11 New Needs for Human Resource Development

About a half of the medium and small firms that diversified into new businesses credited their success to the expansion of business opportunities. Besides this business environmental factor, equally important were such internal strengths as securing new clients/customers (47.2%) and applying existing management know-how (43.0%). These were followed by the securing of technology (27.5%) and human resources (21.7%), and success in networking (15.6%), in human resource development (13.2%), and in fund raising (10.0%)<sup>20</sup>. Much of the above concern with human resources. Indeed, the major difficulties connected with venturing into new businesses

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<sup>20</sup> Annual Report on Medium and Small Firms-1996:339

included securing engineers and professionals (42.7%) and a lack of management know-how (36.6%)<sup>21</sup>.

## Entrepreneurship

The business environment is not limited to the local area where a firm is located, but it has expanded to a global context. Small business founders know their trade best, but this knowledge alone no longer suffices when it comes to developing the new businesses further. Novel, proprietary ideas may give founders some advantage for a while, but competitors are likely to come in from all over the world. Entrepreneurs have to develop themselves to know how to manage the business. Ordinary ideas with superior management could also serve as a source of competitiveness. Limitations inherent to small and medium firms may effectively be made up by networking with other entrepreneurs and resources. Facilitating networking among entrepreneurs is an objective of recent government policies.

Education, such as MBA courses in entrepreneurship, can be instrumental in transforming self-reliant business founders into professional entrepreneurs. Business courses in entrepreneurship did not exist in Japan in the 1980s. Many business programs are now starting courses in entrepreneurship, and scholars are busy studying various processes and stages of development in organizations. It is apparent that management strategies vary in keeping with a firm's development stages. Japanese universities may play a greater role as suppliers of entrepreneurs may when the Ministry of Education liberalizes curricula at higher education systems.

Fortunately, not every person has to be an entrepreneur. Organizations need team members, too. Human resource development in internal labour markets advances employees' occupational skills and knowledge to make up deficiencies in external labour markets.

Employers tend to economize on training and education expenses during an economic downturn. Near-sighted responses to cyclical fluctuations in the economy would undermine any competitiveness the working of internal labour markets brings about. Governmental subsidies to employers' efforts at human resource development must be instrumental in maintaining the strength internal labour markets offer. Interactions between internal and external markets, closely monitored by labour market policy makers, would no doubt find an appropriate mix of private and public human resource development in the long run.

## 12 Concluding Remarks

Medium and small suppliers in the manufacturing industry face various pressures from their buyers. The strongest demand these days is to reduce costs to the extreme; the second is quicker deliveries; the third is to improve product quality and precision; the fourth is quality assurance; and the fifth is to supply a variety of products in small lots. Ten years ago the priority was to make delivery on time, followed by improving product quality and precision, mass production, a steady supply of raw materials and intermediate products, and quality assurance, in that order<sup>22</sup>. Firms that were good at catering for the needs of ten years ago may not always remain competitive today. Indeed, the uncertainties in current business come from quicker changes in market needs and from intensified competition with domestic and foreign firms<sup>23</sup>. Large firms also face the same uncertainties. Therefore, there always are great pressures on employers and employees to cope effectively with changes in the business environment and to strengthen their competitiveness. Participants in decision making at the firm level have to carefully identify the nature of changes, i.e., whether they are structural, or cyclical, changes, so that their choices of policies meet both long-term and short-term needs.

Rapid changes in the private sector make public policy making more difficult than before. Women in Japanese labour markets are likely to enjoy better treatment than they used to, but the changes appear to be introduced much more slowly than career-oriented women would like them to. The other weaker participants in labour markets, such as senior workers and handicapped persons, should also enjoy better job opportunities in the near future. The core labour force in internal labour markets might be able to handle the needs for changes by themselves or to mobilize the government to cater

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<sup>21</sup> Annual Report on Medium and Small Firms-1996:340

<sup>22</sup> Annual Report on Medium and Small Firms-1997:160

<sup>23</sup> Annual Report on Medium and Small Firms-1997:337

to their interests. In contrast, the majority of the peripheral labour force would need government intervention to further improve their quality of working life.

There must be a lot to learn from the Swedish experience in this regard, though it would not be an easy task for any countries to find the right mix of public and private initiatives. Strategic choices are always dependent upon the actors and the environment they find themselves in as well.

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# Chapter 9 Policy Measures to Counter Higher Unemployment in the European Union in Relation to the Japanese Experience and Economic Policy

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## Prologue

This paper is intended to share some observations on the means of lessening the unemployment problems caused by industrial growth. There is a big difference on the means of business conduct between major corporations in Sweden and Japanese major industries such as automobile and electronics. At the same time, we often come across a big gap between these two countries in the fields of industrial policy. In the light of my experience and studies on the supply side of the machine industry, explanation of industry and employment on the demand side such as Keynesian and neo-classical theory has lost its governability. When it comes to the unemployment problems and competitiveness of industry, the demand side has been superseded by the supply side economics and the so-called institutional economics. I would like to begin my comments by indicating my observations on the factors behind Japanese industrial development. In the conclusion, I would like to demonstrate the necessary steps to reduce the rate of unemployment in the European Union.

## 1. Factors behind Japanese Industrial Development: TLSG

It is of importance to shed light on the factors responsible for the development of Japanese industrial growth from a slightly different standpoint than the traditional point of view of neo-classical economics and bureaucratic economics.

### (1) Traditional Explanations for Development

The common traditional approach to Japanese industrial development tends to stress the importance of general factors such as the higher ratio of saving and investment in equipment, the introduction of advanced technology from foreign countries and the superior methods of administrative guidance, and thus make much of the bureaucratic control. In addition to the explanation above, Japanese scholars often point out the so-called Japanese management system; it can explain industrial development. However, these give no convincing explanation of the true picture of Japanese economic growth and industrial development. We are forced to deliberate on new types of explanations for economic development rather than the traditional common-sense demonstrated by bureaucratic economics. Using these factors to explain economic growth in Japan has become outdated in the light of new theories of society, such as institutional economics, Austrian economics and public choice. For instance, investment in equipment can not explain the factors behind industrial growth, since the former is essentially equivalent to the latter, and thus remains a otiose and redundant explanation. We also have to explain the reasons behind the continuous increase in investment, which had common functions in other countries. Neither can introduction of foreign technology explain the factors behind the success of the Toyota system, which initiated the specific production system known as JIT through the development of its own domestic technology. The success of the Japanese machine manufacturing industry has been based upon the development of domestic machinery.

It has been shown that macro explanations such as investment in equipment based upon the introduction of advanced foreign technology does not make any sense when we deliberate on the success of micro conditions in different firms. The idea of shedding light on the development of three domestic original technologies by a Toyota factory as a means to increase productivity has gained increasing momentum. We have to link the gaps between two facts. One is the effects of the introduction of foreign technology, and the other is the speed of development of Japanese manufacturing system methods, together with the original machines that were developed at the same time.

## (2) Micro Approaches towards Economic Growth

The time has come to elaborate on the true picture of Japanese economic development, such as the selection of target industries, and especially the machinery industry, which has persisted in the logistics of functional business activities of different sections of corporations. The joint functions and activities of different industries and firms contribute to business success. The three important sections for car sales, namely assembling, the purchasing of parts and materials, and new design development have functioned systematically within the corporate group. My observations regarding economic development in Japan have tended to make much of the following aspects: the policy effects of fostering target industries such as machine manufacturing, which is composed of the auto industry and the electronics industry. Several economies of industrial selection, are important: labour intensiveness, manufacturing price reductions with large scale manufacturing, and the incremental improvement of technology in these industries. In addition, I have to point out two following aspects: First, the joint approach among the functions of different sections of the same corporate group. Cooperative activities have been carried in such a way that many sectors have functioned in cooperation toward the same objectives under certain logistics.

## (3) Explanation from Toyota System: TLSG

Given the research analysis of the business conduct and performance system in the Toyota corporation, which has largely contributed to Japanese industrial development, micro factors should be given additional stress as main factors behind industrial development. The development of original technology by Toyota should be added to the factors behind Japanese industrial development. We have here demonstrated some important factors behind Japanese industrial development, namely the selection of target industries, the logistical functional business performance of many functionalized departments in a corporation for the success of product sales promotion, and the systematic cooperation among various firms in corporate groups. It can be said that TLSG (Target industries, Logistics, Systematic group activities) brought about the industrial development in Japan.

## 2. The Japanese Subcontracting System and Industrial Development

The Japanese system of transactions among firms can be characterised as being corporate-organized and is mainly composed of an organized system of corporate groups and sub-contracting practices. Business relations among corporations are dominated by activities within corporate groups. Subcontracting practices have been carried out according to the logistical aims of the corporate group head quarters.

### (1) Logistical Business Performance

Business performance has been dependent on business sectors of the many functionalized departments within single corporations, such as the development department, or the purchasing and production sections. The relationship and cooperation among these sectors have been carried out according to the logic of emphasizing customer satisfaction with cheaper prices, higher quality and strict delivery schedules. It can be said that business conduct has been carried out in line with the logistics of the different departments, and that all sections have worked so that sales activities and market development have yielded fruitful results. The main objective of business conduct has been to emphasize selling products at lower prices and higher quality, and providing good service. Other activities have been organized to be coherent with the corporate group's objectives. Product development, the purchasing of parts and materials, and the manufacturing process have been organized to contribute to more efficient sales activities. In terms of assembly activities, all firms have organized themselves so that the parts and component firms, materials manufacturing firms, and machine producing corporations work together to produce good, inexpensive cars on a strict delivery schedule.

### (2) Systematic Individual Activity

It can be said that the goal of the organization of the Japanese manufacturing method and its relevant activities is to manufacture excellent cars.

#### (A) Product Development

In order to meet consumer requirements, the following new measures have been developed for the

production process:

- a. The development of new products has been carried out with the systematic cooperation of all members of the corporate groups.
- b. There has been an exchange of guest engineers between assemblers and the suppliers of parts and materials, and other corporations.
- c. Engineers for different manufacturing processes have been dispatched to subsidiary companies from the parent corporation in accordance with customers' requests.

(B) The subcontracting system

The subcontracting system has been organized in terms of the procurement of parts and materials, and the systematic cooperation among different factories has functioned fully to allow procurement in a very effective way.

- a. The outsourcing ratio for parts and materials is about 70%, much higher than in the U.S and most European countries.
- b. Subcontractors have depended upon their markets in the larger parent corporations and their related firms.
- c. Major customers tend to order products under a unit order system.
- d. Japanese firms give the specifications for their orders on design sheets.

(C) The production process

Various measures have been taken in order to minimize the cost of production,

- a. A quick die change method has been developed for metal pressing.
- b. The just-in-time method of production has been cultivated in the assembly process, and has minimized inventories of parts & materials.
- c. A total quality control system has been organized to allow quality improvement.

### 3. The European Industrial Policy in Relations to the Japanese Industrial Policy

On the basis of above mentioned observations of the micro aspects of the Japanese economy, the specific nature of the Japanese economic development can be drawn as follows:

In Japanese economic policy, it can be said that the priority in policy performance has been placed solely on the policy aim, without observance of the rules of policy implementation. Employment increases and price stabilization have been pursued earnestly, without paying much attention to basic policy rules such as fairness, competition, efficiency, and giving business opportunities to partners in foreign countries.

#### (1) Target industries, logistic functions and systematic group activities:

TLSG business performances in Japan During the process of industrial development, "target industries" such as automobiles and electronics have been selected, and connections among business functions such as the purchasing section and the production factory have been quasi integrated functionally with certain logistics included to make efficient business conduct possible.

Business partners in many sectors of the same industry, such as assemblers, parts and components manufacturers and materials suppliers, have been systematically integrated. Japanese business performance has functioned so that the growth of target industries was made possible thanks to the logistical functions of various sectors within the same corporation and by the systematic cooperation of many firms in the same corporate group.

#### (2) European Industrial Policy

We do not find in the European Union's economic policy, the same type of industrial policy that exists in Japan. It is said that in terms of long-run policies, many countries of the European Union have formulated mixed policies between market-oriented ones and government-initiated measures. A certain type of policy measure should be taken as an indicator of policy success in ordinarily industrial policy.

#### (3) The Unfinished Industrial Revolution in Britain and the Significance of Thatcher's Policies

Against the background of the differences in political performance between Japan and the European Union, this article aims to introduce the specific characteristics of the industrial revolution and industrial development in Britain and in other European countries. My observation, which is that

the industrial revolution in western Europe has not yet fully developed, is slightly different from traditional commonsense.

The initial stage of the industrial revolution was carried out in Britain. However, the large-scale production system was not put into effect in Britain. In the late 19th and early 20th century, the industrial revolution was not fully developed in the European countries. As we have seen in Britain, a reasonable method of labour management for a large scale of production had not been invented. The so-called Taylorist system had also not been introduced or was not fully functioning in European countries at the beginning of 20th century. The completion of the industrial revolution had to wait until the establishment of the Ford production system in America at the beginning of the 20th century.

#### (4) The Industrial Revolution in the 20th century

In the 1980's, the Thatcher administration aimed at rebuilding the circumstances of the true industrial revolution. Her aims were to make industrial activities much more functional by introducing a full large-scale production system with the aid of Japanese firms and the Japanese production system. Despite the general opinion that the Thatcher government was anachronistic, her reforms aimed at a true industrial revolution and at restrengthening the infrastructure for the business performance of the tertiary sector. It can be estimated that the Thatcher revolution restrengthened industrial infrastructure, not only in the manufacturing industry but also for service related and information related industries. On the basis of this reform of business circumstances by the Thatcher government, the industrial activity of British industry has been revitalized since the end of the 1980s, and they have started to introduce the Japanese industrial system and begun to increase productivity.

### 4. Necessary Steps for Development of the European Economy

Now, it has become a quite urgent matter for the European countries to lessen the current high unemployment rate. In order counter the problem, it is indispensable to take into account a different approach from the traditional measures such as Keynesian demand increase policies. It is often said by many economists that the factors behind the higher unemployment in the European economy come mainly from the adverse effects of the misunderstanding of industrial selection and business conduct. The Japanese method of targeting industrial policies would be of benefit in formulating policy measures to cope with improving the unemployment situation in the European Union.

At any rate, Europe should make every effort in taking drastic steps for development of industrial activities, so that the economy will increase employment opportunity, even introducing the Japanese method of business conduct. It is important to take into account the following steps to lessen the unemployment rate.

\*Major Steps for increasing employment

#### (1) Privatization and establishment of a competitive environment.

Business strategy has largely contributed to improving business performance in economic development. Under the circumstances, privatization of business firms could improve business performance based upon their own governance and specific management strategy independent from government strategy.

#### (2) Establishment of technology-oriented small and medium-sized enterprises and the so called venture businesses

Small and medium-sized industry has increased the profit margin of enterprises in many countries. Public corporations should be replaced by privatizing many of them and strengthening the competitive systems of the market.

#### (3) Network system around the Europe in the business conduct.

The business conduct has performed functionally under cross collaboration with other corporations. The cross and coherent collaboration among various corporations has developed the excellent performance of business conduct in the business society.

#### (4) Taylorism in the manufacturing factory and its improvement in manufacturing processes.

It is said that the labour management in the European countries has long remained quite primitive stage. The introduction of Taylorism It has long been postponed at major factories in European

countries.

Among the factors behind lower productivity has been the vague directions to workers by major managers.

(5) Standardization of products and manufacturing processes

Industrial development has long been based upon the economies of scale. Standardization of products and process has proceeded in a system of large-scale production.

(6) Increase in sympathy for the activities of the industry and industrialists.

It is said that the development of the economic activity is based on the growth of the middle class. This class is quite sympathetic to economic and industrial activities based upon their higher standard of education. The development of the middle class has provided the basic ground for the economic development in society.

(7) Restructuring of Machinery

It is quite interesting to see what sort of strategies are being implemented for the revitalization of economic activities in the private sector. It might be invaluable to shed lights on the restructuring process of specific industries such as Electronics and automobile, which spearhead the revitalization of the European economy.

(a) The Electronics Industry's Pursuit of Growth through the Introduction of Foreign Direct Investment and Technologies.

In trying to nurture their less developed electronics industries, European countries are planning to improve R&D activities and to improve the manufacturing process to counter leading American and Japanese firms. Enticing major foreign firms to make foreign direct investments is considered an important means of accelerating the development of indigenous electronics and automobile industries.

(b) Efforts at emulating Japanese methods of the Automobile Industry

The European automobile industry is also working to make operations more efficient by emulating Japanese production methods. However, this effort has run into snags since labour unions are not receptive to Japanese methods, and individual workers are not eager to change their attitudes. Productivity gains attained by automakers and parts manufacturers in Britain have not been reproduced anywhere else in Europe. It might be much better for other Europe countries to introduce foreign capital and emulate Japanese technologies from foreign firms.



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# Chapter 10 Future of the Career Development Practice in Japanese Large Companies

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## Introduction

The purpose of this paper is to consider the future trend of the career development practice in Japanese large companies. It will also pay attention to its current situation and historical background. At first, I will briefly explain the standpoint of my research.

Firstly, this paper analyzes the Japanese career development practice mainly from the viewpoint of corporate strategy. In the prevailing theory of career development in Western nations, the concept of career is discussed not only from the viewpoint of corporate strategy but also from that of individual workers' strategy or choice. In the industrialized democratic nations other than Japan, the career of individual workers is thought to be something, which should not be determined only by their organizations. The career dynamics should be determined by the mutual choice of organizations and individuals.<sup>1</sup> In Japan, however, the situation surrounding the career seems fundamentally different. Workers seem to be much more passive on the decision of their own career development than in the Western nations. Corporations seem to be playing unilaterally decisive role on the decision of the career development of individuals. In this reason the focus of my paper is mainly on the role of the corporate strategy. Of course this does not mean that I am neglecting attitudes and aspirations of individual workers.

Secondly, the discussion in this paper will be restricted to the analysis of large companies. The significance of this restriction would be realized when we would consider the dual structure of Japanese labour market, where large companies are taking overwhelmingly superior positions. In this structure only large companies can invent its characteristic career development systems by enclosing the superior work force in their internal labour market. In SMEs, we can find little evidences of the systematic approach.

Thirdly, this paper stresses the importance of historical perspective in the study of the career development practice in Japan. The practice of Japanese career development will not be explained from its cultural background. On the other hand, it was not the product of the transfer of the universally applicable systems of some other country. Rather, it was the product of strategic choice of particular companies, which confronted with historically specific circumstances. We can find the historical origin of current career development practices in the era of rapid growth of mass production systems, particularly in the decade of 1960's. When we study the process of the evolution in CD carefully in the light of the peculiar historical circumstances, it is apparent that there would be no guaranty for the current CD practices to be successfully applicable in the future environmental context.

In the next section, I present the three leading principles which are essential to the current Japanese CD practices. Then we consider their historical backgrounds mainly from the viewpoint of the corporate strategy taken in 1960's. In the third section we will consider the dysfunctional aspects of current CD practices in face of changing environments, particularly after the collapse of bubble economy in early 1990's. In the last section, I will discuss on the new direction of the CD practices focusing on the impact of the globalization.

## 1 Japanese Career Development Practices

For the purpose of making clear the most unique features in the CD practices which is peculiar to Japan, I would like to point out three most important principles retained by Japanese large companies. These seem to be contrary to the ordinary principles in Western companies. Though it might lead to some over-simplification of the situation in both Japan and Western nations, I believe

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<sup>1</sup> Schein, 1978

the realization of the ideal types would contribute to contrast the essential differences, whereby we would be able to start the comparative study.

### (1) Internalism

One of the fundamental principles of the CD practices in Japanese large companies is related to the system of internal labour market and enterprise-specific skill formation. The system of career development in Japanese large companies are designed on this basis. Each company has developed company specific career ladder systems, which is largely separated from the external labour market. In addition, the social systems which should support the CD of individuals are very poor in Japan. There are very little vocational training opportunities for workers in the society outside the companies. Vocational qualification systems remain in its very premature stage for both blue- and white-collar workers. When we look at European nations the concept of career is acknowledged in relation to the social standard and the vocational qualification systems are playing much more important role in the society.

In terms of the corporate human resource strategy, this internal and introverted character of Japanese CD practice is established by 1) its unique way of recruitment, 2) the in-house status system and 3) the in-house education and training system.

#### 1) Recruitment

The source of recruitment in Japanese large companies is very narrowly restricted. The youth straight after schooling is the most preferred source of the recruitment. The mid career recruitment is quite exceptional. This leads to the closed system of the career development which is sealed from the influence of external labour market.

#### 2) In-house status system as a gauge for the career development

Almost every Japanese large companies have their own company specific status systems which is valid only in the company. It is said that over eighty percents of Japanese large companies have been introducing *Shokunou Shikaku Seido* which is peculiar to the company. The status system is applied to all kinds of regularly employed staff regardless of their educational background and regardless of their occupational specialty. It is also used as a gauge to evaluate their progress in the career development.

#### 3) In-house education and training system

As to the education and training of the employees, Japanese large companies are very enthusiastic to establish various kinds of in-house education systems by their own. The in-house trainings begin with the group training course for the newly recruited youth (*Shin-nyuu shain shuugou kyouiku*), followed by various kinds of group training programs prepared for the same-age cohort groups (*kaisou-betsu kenshuu*).

### (2) Long termism

The second essential principle of the CD practices which distinguishes Japanese companies from Western companies is its long term consideration on the development and the evaluation of employee's vocational ability. The company encourages long term competition and selection among the same age cohort groups. The early selection system by the special fast track, which is commonly observable among Western companies, is quite exceptional among Japanese companies.<sup>2</sup>

This long termism in CD is applied to a very wide range of the regularly employed staff (*Sei Shain*) in Japanese large companies. Even in case of some professions such as software engineers and financial specialists, in which individual performance difference is clearly observable from their managers, Japanese companies are not likely to reward in accordance with the short term performance appraisal. It is not unusual that the employees with outstanding performance in some of the special jobs are forced to be transferred periodically to the different kinds of jobs for the purpose of his *long term career development*.

In almost every large companies in Japan, the chief executive officers are chosen from their employees. It is the final goal of the long term competition among Japanese salaryman. As a result, the average executive officers in Japanese large companies are promoted to his position in his late 50's

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<sup>2</sup> Ito, 1994

### (3) Amateurism

The third essential principle of CD practices is its emphasis upon the importance of general ability which would be applicable to various kinds of jobs in the company. Such kind of amateurism is contrary to the professionalism, which seems to be the leading principle of the career development in Western world.

In Japanese large companies, the ultimate goal for the CD is to provide 'generalist company men' as many as possible, whose value is measured

by their utility in the various sections of the company, not by the professional ability in particular. This principle seemed to have been applied to all the type of the employees. It is not unusual for the Japanese R & D engineers with masters degree working for the large companies to be forced to change their specialty in the course of their careers.

## 2. Corporate Strategic Choice as a Historical Background of CD Practices

The above-mentioned practice of the career development in Japanese large companies are the product of corporate strategic choice which they had made in the process of Japanese rapid industrialization after the last world war. In particular, the following three strategic choice around 1960's seem to have promoted the introduction of the career development practice which I have mentioned.

### (1) Choice of industrial relations

Before the end of 1950's, many of the Japanese companies had experienced very severe labour disputes. In this process many of them chose the ideology of labour-management cooperation as a means of integrating employees into corporate goal. Employees also began to share the feeling of corporate community, in which they felt that the bigger the company grew, the bigger the chance of their own career development would be. The internalistic structure of CD was chosen as the best practice suitable for the labour management cooperation ideology in industrial relations.

### (2) Choice of technology

In the process of post-war industrialization, Japanese large companies had selected the paradigm of the mass production. In order to sustain the operation of the mass production plant, companies began to develop a large scale hierarchy organization which is composed of homogeneous workers trained by the in-house education system and rank-ordered by the in-house status system. The mass production technology did not need so much highly specialized professionals as generalist company men.

### (3) Choice of work organization

In the initial stage of the introduction of mass production paradigm, the Japanese companies adopted the team or work group system as a way of the work organization, which seems to them better than American 'one man one job' system. It is apparent in such a type of work organization that the 'generalist company man' is more useful than professional or specialist, because the former can cope with the ever changing company specific skill demands much better than the latter.

## 3. Dysfunctional Aspects of the Career Development Practice in Face of the Changing Environments

Since the collapse of the bubble economy in early 1990's, Japanese large companies have been experiencing fundamental difficulties concerning employment systems and human resource management of their employees. The decline in the paradigm of mass production economy has caused the large scale employment adjustment (Koyou Chousei) of the redundant employees. The impact of the employment adjustment in 1990's was particularly important for our discussion on the future direction of the career development practice. Especially, it should be notified that the main target of the employment adjustment was aimed at the middle-aged, male, managerial-positioned white collar employees. In other words, it was the most successful core group of the companies in the traditional CD system that was sacrificed most severely in the process of the employment

adjustment in 1990's. The employees themselves, even if they could survive the redundancy, became doubtful on the reliability of the traditional CD systems in the changing environments surrounding Japanese companies.

The three principles on CD practices mentioned in this paper would still remain in the sectors of the industries where the market demand for the mass production goods would remain growing or stable. In this sense it is interesting to see that large companies in the export-led manufacturing industries with competitive strength such as automobile, electric and electronics are still keeping the principle of internal labour market regarding the human resource development. For them, the growth of the market share and the growth of the organization are still the ultimate goal of the corporate strategy. Career development of the individual employees is still restricted in the internal labour market. Companies did not make any fundamental change on their design of career development.

Apart from these successful companies, however, many Japanese large companies began to realize that they are unable to maintain the traditional principles on human resource management and career development. Some of the companies in the former leading industries have been forced to reduce its staff by early retirement program in such a large scale that they must give up the principle of long term CD in internal labour market. Employees could no longer expect life-long career development in the same company when they saw large numbers of the core employees are leaving the company in their 40's.

At the same time, in the process of the enduring recession in 1990's it became quite apparent that companies were no longer able to cope with the changing demand of human resource by the principle of amateurism. In particular the rapid globalization and the shift to the knowledge-intensive industry have expanded the demand for the highly specialized professionals, which was not provided by the traditional CD practices designed for the development of the generalist company men.

Furthermore, many companies began to revise the practice of excessive long termism on CD. So far the efforts to introduce the fast track system by some of the Japanese companies do not seem to be very successful, because such a kind of pluralism in the CD is inevitably causing basic conflicts with the existing in-house status system which covers every employee by the seniority order principle. However, they have realized that the professional ability of the talented people should be fully developed by assigning them to big jobs in the earlier stage of their career.

#### 4. New Direction of Career Development

We can find many signs of new direction of corporate effort to overcome the dysfunctions of the traditional CD practices. We may be able to show some evidences of evolution in each of the three principles which we described in section 1 of this paper. In the last section of this paper, however, I shall focus on describing one aspect of the evolution which is being accelerated by the globalization of the management. Some of the Japanese companies which have the leading position in multinational business are also pioneering in the field of career developing systems, because they need to develop highly talented people vital to their global business. Furthermore these kinds of newly emerging practices often include fundamental innovations influencing on the whole employees in the company.

##### (1) Globalization and the dysfunction of Japanese CD practices

Why does the globalization of business promote the innovation in CD? The more deeply involved the company in the transnational business, the more seriously they began to perceive the deficiency of the Japanese CD practices for many reasons. Particularly in 1990's many of the Japanese pioneering global companies began to face fundamental difficulty in human resource development.

Firstly, it is generally believed that many of the Japanese staff transferred from the domestic organization to the foreign subsidiary had failed to accomplish their job satisfactorily. As was shown in the previous sections, the Japanese traditional CD system is based on the amateurism. As a result, the expatriate staff is not fully expertised to the overseas business when they are assigned to their job in the foreign subsidiary. It is also difficult for them to get expertised in a short period. The company often lacks special consideration to help them prepare for the new job which needs special training and skill. Furthermore, job rotation principle of the Japanese large companies causes another problem. Expatriate Japanese staff is usually forced to return to his domestic job after 4 or 5 years service in the foreign subsidiary. In many cases they must leave their job shortly after they just

became *fully fledged*. One of the British staff working in a Japanese subsidiary had told me in an interview that Japanese staffs as a whole seem to be *eternal freshmen*. It is natural that the freshmen could not control locally employed highly talented specialists. The scandalous story of Daiwa Bank in the USA which could not check the unusually persisting haphazard trade by a locally employed specialist could be explained from the viewpoint of the disfunction of the Japanese CD practices in the context of global business.<sup>3</sup>

Secondly, traditional Japanese way of the CD is disturbing the wholesome HRM within the foreign business units. As they can not present clear career route to their employees, highly talented people tend to resign being disappointed by the lack of future promise in the organization. They are also disappointed by the lack of the fast track. Furthermore, the Japanese bosses assigned to the managerial position without any idea of career development in Western context often fail to adequately accomplish the job interview with the applicants and the career interview with their subordinates.

## (2) Emerging New Direction

So far even the pioneering companies are not very successful to develop an innovative practices in CD suitable for the global management. At best they are learning from their own failures. However, over ten years have already passed since Japanese companies began to accelerate its foreign direct investment. In some of the companies more than 20 percent male non-manual employees have the experience of working in their foreign business branches. It is interesting to see that some new directions are emerging in such pioneering companies which has profound impact on the CD practices of the whole company including domestic organizations.

### 1) Separation of global talent from the domestic jobs

One of the new direction is to detach the career route of the global talents from the other jobs and establish an independent special career course for the global talent. Though there is no company which has completed the full separation of career development of the global talent so far, many companies is trying to establish an independent career course in some way. When we look at individual cases, it is not unusual to see the employees who have been abroad for over twenty years. In such a case his career is completely established as an independent global talent, even though he is given some rank order defined by an integral corporate status system (Shokunou Shikaku Seido). However, if such a way of the separation of career of the global talent would be established gradually as a reliable career course in the HRM system as a whole, it would lead to the disband of the principle of the long termism and the amateurism which is aimed at the development of generalist company man as the ultimate goal of the CD. On the other hand the establishment of special career route for the global talent would inevitably lead to the decline of the internalism, because such a course would open the way to develop the external labour market for them.

### 2) Introduction of the Western CD practices

The development of the global business has had many impacts to their domestic business practices in Japan. Traditionally Japanese companies do not hesitate to import just a particular part of foreign practices even if it did not fit to the Japanese practices as a whole.<sup>4</sup> As to the CD, Japanese companies engaged in the active globalization have introduced Western practices such as management by objectives, career consultation system, in-house job posting system, self-assessment scheme, and so on. Though some of them may disappear before long, persistent importation of these systems would have a potential for changing the traditional CD practices in Japan.

### 3) Employment of Foreign National Staff in Domestic Organizations

Since late 1980's Japanese large companies began to employ foreign national staff in their corporate head office and R&D organizations.<sup>5</sup> The immediate incentive for the employment was to fill the newly emerging jobs accompanied by the expansion in their foreign business. However there was another potential expectation in recruiting them. The companies had expected some positive impact on the HRM and CD of Japanese staff. *Internationalization of human resource management* was the preferred slogan of such companies. When we consider and evaluate the innovative impact of their employment on the CD practices in Japanese companies, it seems necessary to distinguish

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<sup>3</sup> Iguchi, 1997

<sup>4</sup> Tsuda, 1994

<sup>5</sup> Kurata, 1990

two types of foreign staff.

- (a) High professionals employed in special terms and conditions completely separated from other Japanese staff (Shokutaku Shain) and
- (b) Ordinary staff employed in regular basis in the same terms and conditions as that of Japanese staff (Sei Shain)

High professionals such as attorneys, scientists, and designers are usually employed as type (a). In case of type (a) there is little impact on the way of CD as a whole because they are utilized very independently from the rest of the organization. On the contrary, when Japanese companies employed foreign national staff as Sei Shain on the same basis as Japanese staff, they experienced very severe criticism by them. And it is very interesting to see that these criticisms are closely related to the basic principles of the Japanese CD system I have mentioned in this paper and that their grievance could be removed only if the Japanese companies would give up to stick to these principles. The grievance of the foreign staff can be summarized in the following way.

Firstly, many foreign national staff could not put up with the ambiguity in career perspectives prepared for them and claimed to show much more explicit career path in the future.

Secondly, the employment of foreign staff as Sei Shain, combined with the impact of growing middle mid-career recruitment after 1985, has the potential effect to scrap the principle of seniority order of CD based on the cohort group management. The most serious desire of the foreign national staff concerning their CD was the promotion to a responsible position as early as possible because they are not expecting life long employment in Japanese company. It is very interesting to point out that completely the same claim is being proposed by female Japanese workers recently.

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