

ABSTRACT

THE ADAPTATION AND MARKETING STRATEGIES OF THE JAPANESE MANUFACTURING FIRMS OPERATING IN THE UNITED STATES: AN ECOLOGICAL ANALYSIS AND AN INTRODUCTORY SURVEY

by Hirofumi Matsusaki

This study is concerned with the marketing practices of Japanese manufacturing firms as employed in Japan and America. The study involves personal interviews with executives responsible for the American operations. Those who were not reached in this manner were respondents to a mail questionnaire. In addition to the primary data thus generated, an extensive analysis was made of secondary information available.

Two hypotheses were tested:

- I. There are identifiable characteristics and patterns of adaptation in the behavior of the Japanese firms that operate in the United States.
- II. The successful adaptation on the part of the Japanese manufacturing firms is dependent on the selective use of marketing strategies.

Both of these hypotheses were found to be tenable.

The following were specific findings with regard to the structure of the Japanese business in the United States.

1. The product mix being imported is changing. Increased emphasis is on industrial goods and products which require complex and sophisticated marketing.
2. Japanese firms have made entry via large major metropolitan trading areas, New York ranking first, followed by Los Angeles, San Francisco, and Chicago. The recent trend, however, is a relative decline in New York, with a corresponding increase of trade in Chicago and Los Angeles.
3. Organizationally, about half of the firms are structured as corporations under American law, with the remainder as representative or liaison offices.
4. In aggregate there is a steady increase in U. S. imports from Japan.

Three key characteristics of Japanese business life influence the needed adaptation for doing business in America: (1) traditional features, (2) the lifetime employment system, and (3) the group decision-making system.

A four dimensional framework was used for interpreting the adaptation of Japanese firms in America: (1) natural resources, (2) competitive and economic forces, (3) governmental, legal and international forces, and (4) ethical, social and cultural forces.

Two counteracting concepts, the logic of industrialization and the family system, had major impact upon Japanese firms with respect to: (1) international competition, (2) structural changes in industrial organizations, (3) the lifetime employment system, (4) the decision-making system, (5) the traditional features of business, and (6) the social life in Japan.

Differences in the marketing approach used by these firms in their home market and in America included breadth of product line offered, frequency of new product introduction, the advertising appeals used, organization and management of the sales force, pricing, length of distribution channels, and the post-transactional services offered. Generally speaking, when their product lines were exported to America, fewer new products were introduced; advertising focused on selective demand cultivation; and the key sales management problem involved finding, attracting, and hiring men (contrasted with the lifetime employment system in Japan). Pricing was viewed as a much stronger competitive weapon for the American market than in the home market. Channels in America were longer and

more post-transactional services were offered in America than in Japan.

The respondents noted the following factors as of critical importance for marketing success in America: to promote its products as superior and better, to develop new products, to organize a sales force that will push their products, and to establish dealer-distributor networks.

Generally speaking, they viewed demand cultivation and distribution problems more important in America than in Japan.

THE ADAPTATION AND MARKETING STRATEGIES OF THE
JAPANESE MANUFACTURING FIRMS OPERATING
IN THE UNITED STATES: AN ECOLOGICAL
ANALYSIS AND AN INTRODUCTORY
SURVEY

By

Hirofumi Matsusaki

A THESIS

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

DOCTOR OF PHILOSOPHY

Department of Marketing and Transportation Administration

1966

343313
11/2/67

© Copyright by
HIROFUMI MATSUSAKI

1967

PREFACE

The underlying motivation for this work has arisen from my personal conviction that marketing, as a mature discipline, requires an extension toward international dimension, including its cross-cultural applications. However, the definite commitment to the content of this dissertation has come about from my educational and professional training in Japan, as well as my academic experiences at Michigan State University.

In conducting this research, it has been difficult to extricate myself from certain emotional attachments to the subject of this study because of my relatively intimate knowledge of Japanese industry. But care has been exercised to keep the magnitude of this study within a positive, scientific frame.

It is my personal conviction that the field of marketing can benefit substantially from the concepts and applications of ecology. Its contributions toward cross-cultural studies in international marketing seem quite significant.

Acknowledgment

This study reflects the contribution of many people, although the responsibility for its contents and appearance

rests solely with the author. It would have been impossible, for instance, to complete this task without the assistance of the Japanese executives who furnished the primary data.

It is difficult to single out specific contributions from my professors in the Department of Marketing and Transportation Administration, but I would like to acknowledge my personal indebtedness and gratitude to Dr. W. J. E. Crissy, Associate Dean, Graduate School of Business Administration, Michigan State University.

His academic guidance has spanned both my teaching and research interests. His contributions have ranged from the initial securing of the field investigation expenses to the critical review of the final manuscript. His assistance has immeasurably improved the style and readability of this dissertation.

My thanks also go to Dr. Donald A. Taylor, the dissertation chairman. His insight about international research--gleaned from his extensive professional experience in Brazil--has helped to limit the scope of this ambitious investigation.

As the self-appointed devil's advocate, Dr. Leo G. Erickson shouldered the burden of critically reviewing every process of this investigation. I also thank Dr. Thomas A. Staudt, the department chairman, whose initial

guidance contributed to my awareness of professionalism in an academic career.

Finally, I would like to acknowledge the contribution of Misses Mary Jane Jacobs and Cheryl N. Nader, who patiently undertook the task of preparing parts of the initial manuscript. My acknowledgment also goes to the courteous assistance of Mrs. Catherine Laffin, who proofread most of the completed manuscript.

TABLE OF CONTENTS

	Page
PREFACE.	iii
LIST OF TABLES	viii
LIST OF APPENDICES	xiv
Chapter	
I. THE PURPOSE AND SCOPE OF THIS STUDY . . .	1
Introduction	1
Initial Research Concept.	2
Conclusions from the Initial Research .	4
Objectives	6
The Methods and Models Used.	8
Major Hypotheses	11
Limitations to the Study.	12
II. THE STRUCTURE OF JAPANESE BUSINESS IN THE UNITED STATES	14
Trade Relations.	14
U. S. Imports from Japan by Commodity Type	18
U. S. Imports from Japan by Major Customs Districts and Areas.	25
Japanese Firms and Their Offices in America	28
Trade and Marketing Activities by the Japanese in the New York Area	35
Summary and Conclusions	42
III. CHARACTERISTICS OF BUSINESS ORGANIZATIONS AND PRACTICES IN JAPAN	44
Introduction.	44
The Traditional Features of Japanese Business	47
The Lifetime Employment System. . . .	49
Group Decision-Making System	51

Chapter	Page
Conceptual Problems Involved in Such Descriptions	55
IV. AN ECOLOGICAL VIEW OF JAPANESE BUSINESS	60
Why Use the Perspective of Cultural Ecology?	60
The Ecological Setting of Japanese Business	65
Impact on Japanese Business	87
Interpretation of the Three Characteristics of Japanese Business	98
Summary of Japanese Business Practices and Customs from an Ecological Perspective	118
V. THE ISSUES, PATTERNS, AND PROBLEMS OF ADAPTATION.	124
The Environmental Dimensions of American Setting to Japanese Business.	124
The Major Issues and Organizational Forces Which Significantly Affect Japanese Business Operations in America.	135
The Mode and Pattern of Adaptation.	144
Major Problems of Adaptation.	170
The Selected Cases of Entrepreneurial Industrialists' Entry	179
VI. THE ADAPTIVE DIFFERENCES IN THE MARKETING STRATEGIES.	217
Introduction	217
Customer-Prospect Mix	225
Product-Service Mix.	237
Interaction With the Customer-Prospect and Product-Service Mix	244
Promotional or Marketing Mix.	257
Channel-Distribution Mix	266
Summary Review	273
VII. CONCLUDING REMARKS	279
Precis of Study	279
Limitations and Problems	281
BIBLIOGRAPHY	285
APPENDICES	300

LIST OF TABLES

Table		Page
2-1	U. S. Trade with Japan by Quarter, 1963-1964 (In Millions of Dollars)	15
2-2	The U. S. Share in Percentage of Japan's Trade (By Decades, 1873 to 1960)	17
2-3	Comparison of Japan's Total Exports and Exports to the United States, Percentage Share, 1954 to 1964 (In Millions of Dollars)	17
2-4	U. S. Total Imports and Imports from Japan, 1954 to 1964 (In Millions of Dollars).	18
2-5	U. S. Imports from Japan, 1960-1964, by Commodity (Value in Thousands of Dollars, f.o.b.)	20
2-6	U. S. Imports from Japan, 1963 and 1964, by Selected Commodity (Value in Thousands of Dollars, f.o.b.).	21
2-7	Percentage Contribution by Top Five Commodity Groups to the U. S. Total Imports from Japan, 1964-1954	23
2-8	Share of Heavy Industrial and Chemical Pro- ducts in U. S. Total Imports from Japan, 1959-1964	24
2-9	U. S. Imports and Percentage Distribution Total and from Japan by Regions, 1962, 1963, and 1964	26
2-10	U. S. Imports and Percentage Distribution, Total and from Japan and Value Change in U. S. Imports from Japan, by Top Ten Selected Customs Districts, 1962, 1963, and 1964	27

Table		Page
2-11	The Percentage Distribution and the Discrepancy in Percentage Between the U. S. Imports from Japan and the Number of Japanese Firms and Offices by Four Major Metropolitan Areas 1963 and 1964 . . .	30
2-12	Japanese Firms and Offices in Four Selected Metropolitan Areas, Their Numbers and Type of Establishment.	31
2-13	Japanese Firms and Offices in Four Selected Metropolitan Areas, Their Numbers and Type of Establishment, Revised, 1964 . .	33
2-14	Number and Type of Establishments and Employees and Amount of U. S.-Japan Trade Handled, Japanese Companies in the New York Area, 1960-1964.	37
2-15	Number of Establishments, Japanese Companies in the New York Area by Type and Kind, 1963 and 1964	38
2-16	Number of Japanese Employed by Various Establishments by Japanese Companies in the New York Area, 1963 and 1964 . .	40
2-17	Average Number of Japanese Staff Members Employed by Japanese Companies in the New York Area by Kind of Establishments, 1963 and 1964	41
4-1	The Amount of Paid-in Capital Held by the Top Ten Zaibatsu and Their Share in the Total Paid-in Capital of all Legal Corporations in Japan as of 1946 . . .	72
4-2	The Ecological Interaction of Organized Behavior Systems in Japan, Based on the Logic of Industrialization and the Family System	92
5-1	Yearly Rate of New Establishment Formulation by Form, 1952-1965	147
5-2	The Year in Which the Current U. S. Establishments were Formed by Type (Industry Characteristics) and by Form, Sample 121 Establishments	149

Table		Page
5-3	Comparison of the Time When a Firm's Products were First Sold and the Time of Formal Entry by Its Establishment for the 10-19 Years Group	154
5-4	The Year of Establishment Formulation by the Firms Categorized Under "Simultaneous" Product Entry, Sample 121 Establishments.	157
5-5	The Number of Years Elapsed Between the Introduction of Products and the Establishment of Offices in America by Type and Form of Establishment	158
5-6	Scale of Operations as Measured by the Number of Employees.	160
5-7	Rank Correlation Between the Year of Entry and the Year of Product Introduction for Establishments with 20 or More Employees	163
5-8	Rank Correlation Between the Year of Entry in Current Form and the Size of Establishment Measured by the Number of Employees	164
5-9	Size Distribution of the Establishments by Number of Employees by Type and Form (Combined Figures for Japanese and Local Employees).	166
5-10	Contents of the Future Organizational Changes Proposed by Kinds and Major Reasons Given.	168
5-11	Firms Planning Incorporation in the Near Future by Industry Characteristics.	169
5-12	The Relationship Between the Length of American Establishment and the Length of Operation of the Parent Company for a Japanese Firm in America, Sample 67 Firms	178
5-13	The Relationship Between the Size of American Operations and the Duration of Operation in Japan	180
5-14	The Average Number of Years in Business Experiences of the Japanese Head Executives Stationed in the New York Area	192

Table		Page
5-15	The Position and the Form of Establishment of the Respondents Surveyed	193
5-16	Work Experience Outside of the Present Company, Type of Organization Previously Worked and the Number of Organizations Thus Associated	196
5-17	The Level of Education and the Major Field of Study of 67 Respondents to the Interview	198
5-18	The Average Length of Stay of the Japanese Staff Both Married and Single (In Number of Years).	200
5-19	The Foreign Travel Experience of the Japanese Executives Outside of the U.S. and Japan	201
5-20	The Preference and Felt Need for Special Training and Instructional Programs by Major Areas Chosen with Preference Ranking	204
5-21	The Degree of Control Perceived by the American Establishment of the Japanese Manufacturing Firms, Sample 67 Companies	211
5-22	Perceived Organizational Structure and the Relationship with the Parent Organization in Japan.	213
5-23	The Current and Contemplated Use of a Consultant or Professional Firm in Key Decision Areas	215
5-24	Comparative Use of a Consultant or Professional Firm to Other Companies in the Same Industry.	216
6-1	Comparison of Firms' Marketing Approach in Japan and in America	220
6-2	The Relative Competitiveness of American Market and the Degree of Progressiveness in Marketing Strategy Used in Japan and America.	222

Table		Page
6-3	The Future Prospects for the Japanese Manufacturing Firm's Main Products Both in Japan and America	224
6-4	The Relationship of the Type of Markets Served by the Firm in America and in Japan	226
6-5	The Relationship Between the Firm's Future Prospects for its Main Products in America and the Type of Market the Firm Served in Japan	227
6-6	The Product Image of the Firm in America and in Japan.	229
6-7	The Summary Matrix of the Major Product Appeals Both in America and in Japan as Perceived by the Firm.	232
6-8	The Market Segments Which the Firms Tried to Serve in America and Japan	238
6-9	Comparison of the Number of Different Models or Variations in the Major Product Line of the Firm, Both in America and in Japan.	240
6-10	The Degree of Diversification as Measured by the Number of Basic Lines of Products Offered, Both in America and in Japan	241
6-11	The Relationship Between the Number of Product Variations or Models and the Number of Basic Product Lines in America	243
6-12	The Comparison of the Number of Different Products Offered in the Total Product Lines of the Firm in America and in Japan	245
6-13	The Relationship Between the Choice of a Certain Market Segment and the Amount of Product Variation, the Number of Basic Line of Products, or the Number of Different Product Offerings	246

Table		Page
6-14	The Comparison of the Frequency of New Product Introduction Into Market, Both in America and in Japan	249
6-15	The Comparison of the Role of Product Design, the Degree of Adopting Recommendations from Marketing in Designing, and the Evaluation of Engineering in Generating Marketable Designs	251
6-16	Japan's Level of Productive Technology as Compared to the Western Industrialized Nations by Type of Products.	254
6-17	The Most Emphasized Advertising Appeals Used in America and in Japan	259
6-18	The Chief Problems with the Use of Sales Personnel, Sample 29 Firms	262
6-19	The Most Important and the Second Most Important Factors in Determining New Product Prices	265
6-20	The Basic Channel of Distribution Used Both in America and in Japan	268
6-21	The Ideal Channel of Distribution a Firm Could Use in Both Markets	271
6-22	The Extent of Customer Service, "After-Service," or Technical Services	272
6-23	The Chief Problems Encountered in the Channel of Distribution	274
6-24	The Most Important and the Second Most Important Ingredient for the Firm's Success in the Marketplace, Both in America and in Japan	276
6-25	The Two Most Important "Musts" to Win Over Competition, as Perceived by the Firm, Both in America and in Japan	277

LIST OF APPENDICES

Appendix	Page
I. Basic Data Sheet	301
II. Mail Survey.	305
III. Interview Guide (Main Questionnaire) .	312

CHAPTER I

THE PURPOSE AND SCOPE OF THIS STUDY

Introduction

Although relatively little known, the total trade between the United States and Japan has steadily increased over the last decade. In 1964, the volume of this two-way trade stood at a record \$3.65 billion (U. S. exports to Japan amounted to \$1.76 billion), exceeding the previous peak volume of trade in 1963 by 15 per cent. Today, Japan is the largest overseas customer for U. S. goods, and America stands as the largest single overseas customer for Japan's export goods.

As a result of such expansion of trade, the activities of Japanese manufacturing firms in America have become complex and diversified in recent years. Within the framework of a free enterprise system and democratic political institutions, Japan's industrial development has become an example to the rest of Asia and the entire world. This achievement has generated a myriad of economic relations based on the principle of free trade and reciprocity between the United States and Japan.

This study is concerned with the entry of Japanese business interests in America, and in particular, with the activities of manufacturers. In 1965, imports from Japan advanced from \$1.8 billion to \$2.4 billion, the largest percentage gain among the major suppliers to the U. S.¹ Japanese goods reach United States markets through a diversity of channels. However, the present study is restricted to U. S. based Japanese manufacturers. The American operations of these Japanese manufacturing firms are the main subject of this study.

Initial Research Concept

In spite of an accelerated research interest in the operations of American firms abroad, there has been less emphasis on the activities of foreign firms in the United States.² In particular, very little has been published concerning the activities of Japanese manufacturing firms in the United States. This is partly due to the language problems involved in a definitive survey and analysis. Moreover, the time and expense involved in such studies invariably limit the scope of actual field research to the

¹Council Report No. 14 (Washington: United States-Japan Trade Council, 1966), which was based on the U. S. Bureau of the Census, FT950-I.

²This point is introduced by Jean-Luc Rocour in "Management of European Corporate Subsidiaries in the United States" (unpublished Ph.D. dissertation, Cornell University, 1963).

As can be inferred from the title, this study deals with the problems of general areas of management concerning subsidiaries of European corporations excluding sales offices.

immediate problems or the specific subjects which seem to yield quick practical results.

The initial exploratory work for this project consisted chiefly of personal interviews with Japanese businessmen in the New York area. The purpose of these interviews was to identify (1) the marketing obstacles and problems which are unique to America and call for special adjustments on the part of Japanese business, (2) the background of the Japanese executives and their views of personnel practices and organizational problems associated with operating in the United States, and (3) the marketing strategies used in doing business in the United States.

In order to supplement the above exploratory findings and to obtain an overview of Japanese business activities, extensive personal interviews were conducted at the same time with officials of the Japanese Chamber of Commerce, General Consulate of Japan, and Japan Trade Center, all of New York, and U. S.-Japan Trade Council in Washington, D. C. The initial investigation was conducted in the New York area over a period of three weeks in the summer of 1964 followed by correspondence with the principals in these organizations.

Out of this field investigation, which also revealed the sources for additional information needed for analysis, an overview of the marketing management activities of Japanese firms in the United States emerged. There were about 120 Japanese manufacturing firms with permanent staff

members stationed in the New York City metropolitan area. Their mode of operations ranged from a representative or a liaison office to a subsidiary American corporation having sales offices and assembly plants. A representative office was typically staffed by a couple of Japanese executives, while a subsidiary sales organization employed as many as 190 local people under the direction of Japanese marketing executives. In total, about 1,600 Japanese business executives were stationed in the New York area, of which about 450 represented manufacturing firms and about 850 worked for Japanese trading firms.

Conclusions from the Initial Research

After analyzing the results of the initial research, some tentative conclusions were reached. First, any definitive study of operations, plans, and marketing activities of Japanese manufacturing firms operating in the United States must start from a compilation of descriptive case histories of selected firms. Although such case reports can be useful in providing foundation and direction for future research, their value is limited, because of the dynamic nature of company activities. The rate of change and transformation in their activities was judged large, as evidenced in the selected case histories of some industries and firms studied.

Second, an analysis of the quantitative data to aid in understanding the industrial structure, problems and

trends in Japanese business activities in America is necessary. There exist detailed quantitative data covering Japanese activities chiefly from the Customs Bureau, trade associations and industry surveys; however, there are serious limitations. The most serious limitation is the rapid change taking place in the industry structure itself. The increase in inter-industry competition and diversification in marketing activities make any case studies of selected industries operationally difficult and of limited value over time for comparative purposes. In addition, this approach inadequately reflects the role of entrepreneurship and the "people" factors involved in the problem.

Third, any meaningful analysis must, in addition to industrial descriptions of the functions and problems of marketing management activities on the part of Japanese manufacturing firms, include studies of the group decision making practices, the lifetime employment system, and other unique, traditional features of Japanese business, as well as other cultural differences and influences which confront Japanese executives in marketing planning and decision making. This is necessary to give depth and meaning to the analysis.

In conclusion, the most meaningful approach to studying the problem is a study of the adaptation of marketing strategies by Japanese manufacturing firms

operating in the U. S. This is the most productive approach for analysis because of the degree of universality involved in conceptualizing the problem itself. But this requires the formulation of proper objectives of study, and the creation of adequate methods of investigation.

Objectives

It is well recognized that there exists a marked cultural difference between Japan and the United States (East and West). The latent and broad objective of this study is to determine the relative interaction and impact of such diverse cultures in the business environment of the United States.³ Many writers have already explored the unique characteristics of Japanese managerial philosophy. Also, there are a number of comparative studies dealing with the Japanese managerial and marketing system. These all provide useful background material but do not necessarily deal with the interaction and impact of the different cultures. From patterns of adaptation to be observed among the establishments of the Japanese manufacturing firms, many ecological analyses and tentative conclusions may be drawn.

Pragmatically speaking, however, the marketing manager's main concern is the successful performance of

³As a descriptive concept, here culture denotes modes of historically derived modalities of behavior, explicit and implicit; as defined by Clyde Kluckholm (ed.) in Culture and Behavior (New York: The Free Press, 1962), p. 66.

his duties and tasks. A Japanese marketing executive in the United States faces essentially the same problems that he faces in Japan, with one added complication. There is a difference in the way in which he achieves success in the United States. He must adjust the firm's efforts to the business environment in the United States. Adaptive behavior is necessary if he is to manage his firm in a way that it survives, grows and generates profits. Through such a process of adjustment the interaction and impact of the different cultures may be inferred.

A useful approach to use is an ecological view⁴ reflecting interaction between the firm and the environment. This approach is necessarily interdisciplinary in nature. Inferentially, analysis of marketing strategies indicates the kind of adaptations made. The planning of marketing strategy and the decisions involved identify the process by which adaptation is made to another culture. Although decisions on total marketing strategy are broad, the decisions on each mix ingredient are more specific. Therefore, by contrasting the differences in the strategies

⁴As an approach, the application of ecology to certain aspects of human social and cultural life can be seen in Julian Steward, Theory of Cultural Change (Urbana, Ill.: University of Illinois Press, 1955), pp. 30-42.

Also in a general way, the ecological approach was used to analyze the processes of social and agricultural change, as well as the interpretations of economic history of Indonesia, by Clifford Gertz in Agricultural Involution; The Process of Ecological Change in Indonesia (Berkley and Los Angeles: University of California Press, 1963).

perceived and adopted by the Japanese marketing managers in the United States and Japan, a summary of adaptive behavior by Japanese marketing executives to the United States environment is obtained. Such an analysis points up problem areas of adaptation and thus provides a basis for predicting the consequences of marketing decisions made by Japanese executives in the United States. This is the key reason for the study.

In conclusion, marketing strategies of Japanese firms operating in the United States will be analyzed with a dual perspective. First, an analysis will be made of the systematic, ecological adaptation to the United States business environment. Second, analysis will be made of the reasons for making different marketing decisions other than those that would be made in Japan.

The Methods and Models Used

This study is based on primary data obtained through personal interviews and mail questionnaires from Japanese executives engaged in marketing activities in the United States.

Some reliance is based on secondary sources, such as magazines and journal articles in both English and Japanese. This is a productive approach in that it can provide additional facts and proper perspectives for interpreting the primary data.

The methods used are a combination of case analyses, behavioral analysis and industry studies. It is an exploratory investigation of a relatively new subject matter.

To add structure to the methods used, two models are employed as the basic frame of reference and analysis. First, the concept of organized behavior systems is used for analysis of the overall problems which Japanese manufacturing firms face in America. This model as developed by Alderson, explains the evolution, dynamics and operational adjustment of market organizations to their environment.⁵ In discussing and developing his functionalist approach to marketing theory, Alderson not only covers the subject of the market organization's ecological adjustment to its environment, but also provides a systematic and generalized picture of the marketing environment from an interdisciplinary perspective. Alderson has stated: ". . . studying marketing in an ecological framework opens the way for considering a variety of interactions, including the prevailing combination of competition and cooperation."⁶

⁵Wroe Alderson, Marketing Behavior and Executive Action (Homewood, Ill.: Richard D. Irwin, Inc., 1957). Also, see Chapter 13, "A Normative Theory of Marketing Systems," in Wroe Alderson, Dynamic Marketing Behavior (Homewood, Ill.: Richard D. Irwin, Inc., 1965), pp. 301-321, for further elaboration of this approach.

⁶Ibid., p. 370.

Second, the matrix model for marketing planning as developed by Crissy and Kaplan is used for analysis of marketing strategy.⁷ This model provides a comprehensive coverage of the ingredients which form the basis of marketing strategy. The ingredients are divided into four major groups or mixes, each composed of sub-mixes. These four major mixes are: (1) customer-prospect, (2) product-service, (3) marketing-promotion, and (4) channel-distribution. This division helps to reduce the multivariate marketing planning process to a series of four sequential, interactive steps. These writers center the analysis around four basic questions to be answered in sequence:⁸

1. Who are our customers? Whom do we wish to have as customers?
2. What needs and wants of theirs are we now satisfying? What needs and wants of theirs do we wish to satisfy?
3. What demand-creating forces are we now using? What demand-creating forces should we be using?
4. What methods or channels of distribution are we currently using? What methods or channels of distribution should we be using?

⁷William J. E. Crissy and R. M. Kaplan, "Matrix Models for Marketing Planning," Business Topics, XII (Summer, 1963), pp. 48-66.

⁸Ibid., p. 48.

Major Hypotheses

Two main hypotheses are used to limit the scope of the study and facilitate the analysis. They are primarily "identifying" type hypotheses derived a priori from the overall theoretical perspective upon which this study rests.

I. There are identifiable characteristics and patterns of adaptation in the behavior of the Japanese manufacturing firms that operate in the United States.

These premises underly Hypothesis I: (1) Human and organizational behavior is functional, although it may be subject to conflict or ambivalence. (2) Such behavior must be interpreted within context in which it occurs. (3) Such behavior tends toward a state of maximal integration or internal consistency (homeostasis).⁹

II. The successful adaptation on the part of the Japanese manufacturing firms is dependent on the selective use of marketing strategies.

The main concern in testing Hypothesis II is the extent of external adjustment as observed from identifiable pattern variation in the marketing strategies employed. Here we are mainly concerned with the specific modifications in marketing strategies in the U. S. market, contrasted with strategies employed in the Japanese market.

⁹Kluckholm, op. cit., p. 260. According to him, such theories are accepted by anthropology, psychiatry, psychology, and learning theory.

Limitations to the Study

The limitations of this study are of two types. First, certain assumptions have been made in structuring the entire study. Second, there are methodological limitations as well. Some of the assumptions made follow:

First, it is assumed that, if the Japanese executives in the United States could shed their cultural background, they would operate as their U. S. counterparts. Differences in behavior are inferentially caused by difference in cultural background. On the other hand, it may be argued that the differences in behavior are a result of size differences or stage of development in the U. S. business environment. Since most Japanese firms operating in the U. S. may be considered in the pioneering stage, it is impossible to determine the influence of stage of market life cycle. Likewise there is not a wide enough array of different size operations to test the size variable as a possible cause for behavior differences.

Second, it is assumed possible to apply models developed in the United States to other cultural settings. Although care must be exercised in the selection of models to insure their universality in depicting business behavior, the two models selected for this study are broadly enough conceived to have universal application.

Methodological limitations were present. First, the sample size for marketing strategy analysis (67 firms from

a total of approximately 150) was smaller than hoped for. There was such a variety of operational differences among the respondent firms that it was impossible to apply uniform statistical analyses to the data. Similar limitations existed for the mail questionnaire with returns from about 121 establishments of the population of 220.

Second, all personal interviews were with companies in the New York area. The Los Angeles area companies were contacted by mail questionnaire. Consequently, there was no way to insure comparability of the data. English language was used in the mail questionnaire and Japanese in the personal interviews.

Third, the need to clarify marketing strategies made it necessary to draw up a highly structured and detailed questionnaire, which could also be used for personal interviews. However, the actual modes of operations and marketing activities differed so much from one firm to another firm that their operational characteristics could not be so neatly condensed in a pre-coded and highly structured questionnaire. To supplement this lack of data, additional interviews, journal and magazine articles, and company publications, brochures and pamphlets were used as sources of information.

CHAPTER II

THE STRUCTURE OF JAPANESE BUSINESS
IN THE UNITED STATES

Trade Relations

Between the United States and Japan, a vast network of economic ties has grown up through trading over the years. Since the days of Commodore Perry's "black ships" and the ending of Japan's isolation by the treaty of Kanagawa on March 31, 1854, the trade has traditionally played a key role in the history of U. S.-Japan relations.¹

In terms of merchandise flow, U. S. trade with Japan during 1964 reached a record-breaking amount.² In 1964, U. S. exports to Japan amounted to \$1,893 million and imports from Japan totaled \$1,763 million. This amount of the total imports in 1964 of Japanese goods to this country actually represented as much as 28 per cent of

¹For a detailed and comprehensive analysis of the U. S.-Japan trade, the best source is Warren S. Hunsberger, Japan and the United States in World Trade, Council on Foreign Relations (New York: Harper & Row, 1964).

²See Table 2-1 on page 15.

TABLE 2-1.--U. S. trade with Japan by quarter, 1963-1964^a (in millions of dollars).

Quarter	Exports (f.o.b.) (A)			Imports (f.o.b.) (B)			Balance (A-B)	
	1963	1964	Change	1963	1964	Change	1963	1964
1	401.7	521.8	+30%	337.8	363.9	+ 8%	+ 63.9	+157.9
2	374.6	423.5	+13%	350.9	417.7	+19%	+ 23.7	+ 5.8
3	425.1	417.6	- 2%	413.7	495.3	+20%	+ 11.4	- 77.7
4	492.0	530.2	+ 8%	391.0	488.4	+25%	+101.0	+ 41.8
Total	1.689.9	1.893.0	+12%	1.494.4	1.763.4	+18%	+192.5	+129.6

^aAdapted from the Trade Analysis Reports by U. S.-Japan Trade Council, which are based on U. S. Bureau of the Census foreign trade statistics.

^bQuarterly figures are the sums of revised monthly data and may not add to annual figures because of revision and rounding.

Japan's total trade exports for that year.³ Moreover, the amount of imports from Japan nearly doubled in the five-year period 1959-1964.⁴

This close trade relation has existed most of the time since the Meiji era, when Japan's modernization started. The Japanese began keeping trade statistics in 1873, and the United States' share of Japanese exports and imports by decades has been as set forth in Table 2-2.

Concerning the more recent trade relationship, Japan's exports to the United States steadily increased during the past decade of 1954-1964. In this ten-year period, Japan's exports to the United States jumped to \$1,842 million from \$283 million in 1954. During the three-year period of 1962-1964, the U. S. share of Japanese exports stayed around 28 per cent, while Japan's total imports increased significantly each year. For details, see Table 2-3.

As seen in Table 2-3, America bought more than a quarter of Japan's exports each year during the 1954-1964 period. Hence the importance of U. S. trade as seen by the Japanese needs no further documentation.

At the same time, the share of U. S. imports of Japanese goods in the total U. S. imports also increased remarkably in recent years. It was 8.3 per cent in 1962,

³See Table 2-3 on page 17.

⁴See Table 2-2 on page 17.

TABLE 2-2.--The U. S. share in percentage of Japan's trade^a (by decades, 1873 to 1960).

Decade	The U. S. Share Of Total Japanese Exports	The U. S. Share Of Total Japanese Imports
1873-1880	30.2	6.6
1881-1890	37.6	8.8
1891-1900	31.5	13.5
1901-1910	29.2	15.5
1911-1920	28.0	26.8
1921-1930	35.0	23.7
1931-1940	15.2	25.0
1945-1950	22.6	65.5
1951-1960	22.8	34.2

^aWarren S. Hunsberger, Japan and the United States in World Trade (New York: Harper & Row, 1964), p. 241.

TABLE 2-3.--Comparison of Japan's total exports and exports to the United States, percentage share, 1954 to 1964^a (in millions of dollars).

Year	Japan's Total Exports (A)	Exports to the U. S. (B)	Percentage Share (B/A x 100)
	Million	Million	Per Cent
1954	\$1,629	\$283	17.4
1955	2,011	456	22.7
1956	2,501	550	22.0
1957	2,858	604	21.1
1958	2,877	690	23.9
1959	3,456	1,047	30.3
1960	4,055	1,102	37.2
1961	4,236	1,067	25.2
1962	4,916	1,400	28.5
1963	5,452	1,507	27.6
1964	6,673	1,842	27.6

^aEconomic Section, General Consulate of Japan, New York. Japanese Ministry of Finance, Customs Clearance Basis.

increased to 8.7 per cent in 1963, and again jumped to 9.5 per cent in 1964, while total U. S. imports also significantly increased. This again signifies the importance to the United States of trade with Japan. For more details, see the following Table 2-4.

TABLE 2-4.--U. S. total imports and imports from Japan, 1954 to 1964^a (in millions of dollars).

Year	Total U. S. Imports (A)	Imports From Japan (B)	Percentage Share of Imports From Japan (B/A x 100)
	Million	Million	Per Cent
1954	\$10,292	\$279	2.7
1955	11,491	432	3.8
1956	12,774	558	4.4
1957	13,255	601	4.5
1958	13,255	671	5.1
1959	15,628	1,029	6.6
1960	15,017	1,149	7.7
1961	14,713	1,055	7.2
1962	16,396	1,358	8.3
1963	17,161	1,497	8.7
1964	18,685	1,769	9.5

^aEconomic Section, General Consulate of Japan, New York. Based on U. S. Department of Commerce Data, on Customs Clearance Basis.

U. S. Imports from Japan
by Commodity Type⁵

The United States buys a great variety of commodities from Japan. Through 1963 and 1964, two salient developments

⁵Explanations in this section are based on the source material of Table 2-5.

characterized the commodity pattern of U. S. imports from Japan. First, the traditional Japanese merchandise such as textiles, clothing, footwear, and frozen fish declined from previous years. Second, a new variety of products of rising industries registered conspicuous increases since 1962, as observed in such products as iron and steel, metal products, television sets, automobiles, motorcycles, tape recorders and chemicals. For details, see Tables 2-5 and 2-6 in the following pages.

To illustrate, iron and steel products rose from \$123 million in 1962 to \$204 million in 1963, an increase of 66 per cent. Moreover, iron and steel imports again rose to \$274 in 1964, a further increase of 34 per cent over 1963 figures. Compared to these figures, textiles and apparel (raw silk excluded) fell from \$276 million in 1962 to \$236 million in 1963, a decrease of 5 per cent.

This shift in the mix of Japanese products imported is also illustrated by the machinery and transport equipment imports of \$357 million in 1964, which represented 20 per cent of the year's total U. S. imports from Japan. Also in 1964, non-electrical machinery, which included antifriction bearings, sewing machines, and typewriters registered greater relative gains than the electrical machinery category.

In the transport equipment field, motorcycles gained a sharp 75 per cent after an increase of 100 per cent the

TABLE 2-5.--U. S. imports from Japan, 1960-1964, by commodity^a (value in thousands of dollars, f.o.b.).^b

Section Number and Commodity Type ^c	1960	1961	1962	1963	1965
0. Food & Live Animals	81,794	82,856	96,751	87,497	95,955
1. Beverages & Tobacco	481	631	681	704	929
2. Crude Materials, Inedible, Except Fuels	44,296	41,407	43,038	40,172	34,813
3. Mineral Fuels, Lubricants and Related Materials	5,536	6,308	3,606	2,044	2,049
4. Animal & Vegetable Oils & Fats	2,854	4,427	6,757	4,373	4,462
5. Chemicals	16,448	18,816	23,744	32,648	38,141
6. Manufactured Goods Classified Chiefly By Materials	486,252	437,964	583,277	665,171	755,128
7. Machinery & Transport Equipment	145,734	166,384	223,639	260,050	357,075
8. Miscellaneous Manufac- tured Articles	327,593	297,032	354,164	369,294	449,337
9. Miscellaneous	15,541	20,111	17,533	32,432	25,527
Grand Total	1,126,529	1,075,936	1,353,190	1,494,387	1,763,416

^aAdapted from the Trade Analysis Reports by U. S.-Japan Trade Council, which are based on U. S. Bureau of the Census data, chiefly reports FT110 and 120 for 1963 and FT 125 (including unpublished tabulation for December) for 1964.

^bData represent imports for consumption.

^cAccording to the Census data classification.

^d1964 figures are preliminary cumulative totals and subject to revision.

TABLE 2-6.--U. S. imports from Japan, 1963 and 1964, by selected commodity
(value in thousands of dollars, f.o.b.)

Selected Commodity Type by Section and Selected Commodity	Annual 1963	Annual 1964	Value Change	Percent Change
0. <u>Food & Live Animals</u>	<u>87,497</u>	<u>95,955</u>	<u>+ 8,458</u>	<u>+ 9.7</u>
Tuna, Fresh & Simply Preserved	17,717	25,624	+ 7,911	+ 44.7
Tuna, Canned	21,094	20,193	- 901	- 4.3
Mandarin Oranges, Canned	9,387	10,798	+ 1,511	+ 16.2
1. <u>Beverages & Tobacco</u>	<u>704</u>	<u>929</u>	<u>+ 225</u>	<u>+ 32.0</u>
5. <u>Chemicals</u>	<u>32,694</u>	<u>38,141</u>	<u>+ 5,403</u>	<u>+ 16.8</u>
Organic Chemicals	8,363	12,239	+ 3,376	+ 38.1
Inorganic Chemicals	12,350	14,201	+ 1,851	+ 15.0
Plastic Materials	2,696	7,658	+ 4,362	+161.8
6. <u>Manufactured Goods Classified Chiefly By Materials</u>	<u>665,171</u>	<u>755,122</u>	<u>+89,957</u>	<u>+ 13.5</u>
Wood and Cork Products (except furniture)	74,268	66,893	- 7,375	- 9.9
Textile Goods (except apparel)	160,740	174,490	+13,750	+ 8.6
Non-Metallic Mineral Manufactures	86,670	97,872	+11,208	+ 12.9
Iron and Steel	204,294	273,928	+69,634	+ 34.1
Non-Ferrous Metals	15,950	22,249	+ 6,169	+ 38.3
Metal Manufactures, n.e.s.	95,244	105,504	+10,150	+ 10.6
7. <u>Machinery & Transport Equipment</u>	<u>260,250</u>	<u>357,075</u>	<u>+97,025</u>	<u>+ 37.3</u>
Machinery, Non-Electrical	45,132	68,279	+23,747	+ 52.6
Electrical Machinery, Apparatus & Appliances	175,116	214,136	+39,020	+ 22.3
Transport Equipment	39,862	74,660	+34,258	+ 86.1
8. <u>Miscellaneous Manufactured Articles</u>	<u>369,294</u>	<u>440,327</u>	<u>+80,043</u>	<u>+ 21.7</u>
Clothing (except fur)	106,971 ^b	113,413	+ 6,442	+ 6.0
Footwear	48,170	50,365	+ 2,195	+ 4.6
Scientific, Medical, Optical Measuring Instruments and Apparatus	44,485	58,158	+13,673	+ 30.7
Musical Instruments, Sound Recorders, and Reproducers	37,524	56,844	+19,320	+ 51.5
Toys, Games, and Sporting Goods	63,148 ^b	66,716 ^b	+ 3,562	+ 5.6

^aSame source as Table 2-5.

^bRevised to reflect reclassification of "baseball gloves and mitts" from "toys, games, and sporting goods" (SITC Group 894) to "Clothing" (SITC Group 841) effective with 1964 data.

previous year. Automobiles registered \$15 million in 1964, indicating an increase of 125 per cent over 1963.

One way to explain this shift in product mix toward heavy industrial goods is to analyze the percentage contribution by the top five commodity groups to the total U. S. imports from Japan. By finding the share of the top five commodity groups and then studying which commodity groups are included in the list, an overall pattern of such a shift becomes manifest.

In the most recent two-year period, 1962-1964, as much as 37 per cent of all U. S. imports from Japan was classified as steel mill products, an increase of 11.7 per cent over the previous two-year period figure of 24.3 per cent during 1960-1962. Next on the list was road motor vehicles with 10 per cent share, but this group did not even appear on the list in the previous period. Electrical machinery and apparatus was the top commodity with a 31.5 per cent share during 1960-1962 period, but declined to 8.4 per cent in the following two-year period.

Wood, wool, or cotton manufacturers, which occupied important shares from 1954 to 1962, did not appear on the 1962-1964 period list. Instead, there appeared in the fifth place, with a share of 3.9 per cent, scientific, medical, optical, measuring and controlling equipment and apparatus. This is but one example of the shift in product mix. For details, see Table 2-7.

TABLE 2-7.--Percentage contribution by top five commodity groups to the U. S. total imports from Japan, 1964-1954.^a

Period	Commodity Group	Percentage Share in Imports From Japan	
1964-1962	Total of All U. S. Imports from Japan	100	
	Subtotal of Top Five Commodity Groups	68.8	
	(1) Steel Mill Products		37.0
	(2) Road Motor Vehicles		10.4
	(3) Musical Instruments, Sound Recorders & Reproducers		8.9
	(4) TV Apparatus & Parts (Excl. Tubes)		8.4
1962-1960	(5) Scientific, Medical, Optical, Measuring & Controlling Instruments & Apparatus		3.9
	Total of All U. S. Imports from Japan	100	
	Subtotal of Top Five Commodity Groups	81.1	
	(1) Electrical Machinery & Apparatus		31.5
	(2) Steel Mill Products		24.3
	(3) Cotton Manufacturers		11.9
1960-1958	(4) Leather, Rawhide & Fur and Fur Manufacture		7.3
	(5) Dolls, Toys, Athletic & Sporting Goods		6.1
	Total of All U. S. Imports from Japan	100	
	Subtotal of Top Five Commodity Groups	58.5	
	(1) Rubber & Allied Gums & Manufacturers		17.9
	(2) Electrical Machinery & Apparatus		16.3
1958-1956	(3) Steel Mill Products		13.3
	(4) Wool Manufacturers		5.8
	(5) Iron and Steel Manufacturers		5.2
	Total of All U. S. Imports from Japan	100	
	Subtotal of Top Five Commodity Groups	53.8	
	(1) Steel Mill Products		16.3
1956-1954	(2) Wood Manufacturers		12.2
	(3) Rubber & Allied Gums & Manufacturers		8.7
	(4) Wool Manufacturers		8.7
	(5) Textile & Sewing Machinery		7.9
	Total of All U. S. Imports from Japan	100	
	Subtotal of Top Five Commodity Groups	50.0	
	(1) Cotton Manufacturers		22.4
	(2) Wool Manufacturers		8.5
	(3) Wood Manufacturers		8.4
	(4) Ferro-Alloys, Ores & Metals		5.8
	(5) Dolls & Toys, Sporting Goods		4.9

^a Adapted from the compilation by Japan Trade Center, New York, which is based on U. S. Bureau of the Census data, Reports FT 120.

Another way to clarify the greater sophistication of Japanese manufactured goods imported by the United States is by the analysis of heavy industrial and chemical goods in the total imports. Since the trade volume had expanded consistently in recent years, the increasing share of heavy industrial and chemical goods definitely reflected the heavy industrialization of Japanese industry and the degree of competitiveness in such goods. In 1964 almost 50 per cent of U. S. imports from Japan were under this category, while in 1961 it was about 35 per cent. This share had been continuously going up, as seen in Table 2-8, while the heavy industrial and chemical products in U. S. total imports stayed constant, at about 27 per cent.

TABLE 2-8.--Share of heavy industrial and chemical products^a in U. S. total imports from Japan, 1959-1964.^b

Year	Share of Heavy Industrial & Chemical Products In U. S. Total Imports	Share of Heavy Industrial & Chemical Products In Imports from Japan
1959	27.5%	30.6%
1960	24.8	32.0
1961	26.2	34.5
1962	26.2	38.1
1963	26.6	43.9
1964	--	48.7

^aHeavy Industrial and Chemical Products category here includes the following: Chemicals, Iron & Steel Mill Products, Nonferrous Base Metals, Pig Iron & Other Metals, Machinery & Transport Equipment, Scientific & Photographic Apparatus, and Watch & Clock.

^bCompiled from Overseas Business Reports and from U. S.-Japan Trade Council Reports by the research division of Japan Trade Center, New York.

U. S. Imports from Japan by Major Customs
Districts and Areas⁶

Japanese goods come to the United States through different ports of entry. According to an analysis by U. S.-Japan Trade Council in Washington, D. C. (Trade Analysis Report, Council Report No. 29, April 19, 1965), the ports on the West Coast, the Great Lakes, and the Gulf of Mexico were handling an increasing share of the U. S. import trade, both in total and from Japan, while the relative role of New York was slightly diminishing.

Imports through New York, the largest port for handling American imports from the world and from Japan, had not grown in pace with the total import growth. Its share in the total imports slipped from 32.6 per cent in 1962 to 31.6 per cent in 1964.

Through the three-year period of 1962 through 1964, Japan consistently accounted for about 11 per cent of the total U. S. imports through New York, but New York's importance to imports from Japan receded from 44.1 per cent to 37 per cent during the three-year period. West Coast ports, especially Los Angeles, became more important. Their share in imports from Japan rose from 31.9 per cent in 1962 to 33.2 per cent in 1964, accounting for one-fourth of total U. S. imports from Japan.

During the same period, the Great Lakes ports, principally Chicago, increased their share in total imports

⁶For details see Tables 2-9 and 10 on the next pages.

TABLE 2-9.--U. S. imports and percentage distribution total and from Japan by regions, 1962, 1963, and 1964.^a

Regions ^b	Year	Imports from All Countries (A)		Imports from Japan (B)		Japan's Share (B/A x 100) %
		\$ Million	%	\$ Million	%	
North Atlantic	1962	7,847.5	48.3	699.3	51.7	8
	1963	7,991.6	47.0	717.9	48.0	9
	1964	8,610.2	46.3	799.0	45.3	9
South Atlantic	1962	948.1	5.8	46.7	3.5	5
	1963	1,071.9	6.3	52.4	3.5	5
	1964	1,211.3	6.5	71.0	4.0	6
Gulf Coast	1962	1,268.6	7.8	60.0	4.4	5
	1963	1,347.9	7.9	79.0	5.3	6
	1964	1,491.1	8.0	102.3	5.8	7
West Coast	1962	1,971.4	12.1	431.2	31.9	22
	1963	2,076.7	12.2	489.4	32.8	24
	1964	2,364.0	12.7	585.0	33.2	25
Great Lakes	1962	2,682.4	16.5	61.7	4.6	2
	1963	2,890.0	17.0	90.4	6.0	3
	1964	3,290.0	17.7	131.7	7.5	4
Other	1962	1,116.5	6.9	17.1	1.3	2
	1963	1,160.1	6.8	15.0	1.0	1
	1964	1,218.6	6.5	17.4	1.0	1
Off Shore	1962	266.3	1.6	25.4	1.9	10
	1963	299.3	1.8	35.2	2.4	12
	1964	339.9	1.8	44.7	2.5	13
Grand Total	1962	16,249.4	100.0	1,353.2	100.0	8
	1963	17,013.7	100.0	1,494.4	100.0	9
	1964	18,599.9	100.0	1,763.4	100.0	9

^aAdapted from U. S.-Japan Trade Council Report No. 29, April 19, 1965, Tables A & B, which are based on U. S. Bureau of the Census data--Tabulations IA 253 (Report FT 970-I for 1964); special tabulations for imports from Japan.

^bCustoms districts included for each region: N. A.--Mass., R.I., Conn., N. Y., Philadelphia, Pittsburgh, Md.; S.A.--Va., N. C., S. C., Ga., Fla.; Gulf C.--Mobile, New Orleans, Sabine, Galveston; W. C.--San Diego, L.A., S.F., Ore., Wash.; G.L.--ST. Lawrence, Rochester, Buffalo, Duluth, Superior, Wis., Mich., Chicago, Ind.; Off Shore--Alaska, Hawaii, Puerto Rico.

TABLE 2-10.--U. S. imports and percentage distribution, total and from Japan and value change in U. S. imports from Japan, by top ten selected customs districts, 1962, 1963, and 1964.^a

Customs Districts	Year	Imports from All Countries			Imports from Japan			Amount of Change		
		(A)			Total			Share		
		\$ Millions	%	%	\$ Millions	%	%	\$ Millions	%	%
New York	1962	5,298.6	32.6		596.2	44.1	11	--	--	--
	1963	5,344.3	31.4		600.1	40.2	11	3.9		7
	1964	5,869.2	31.6		655.2	37.2	11	55.1		9.2
Los Angeles	1962	823.7	5.1		234.8	17.4	29	--	--	--
	1963	857.9	5.0		272.1	18.2	32	37.3		11.6
	1964	1,002.9	5.4		332.7	18.9	33	61.6		22.6
San Francisco	1962	543.2	3.3		106.1	7.8	20	--	--	--
	1963	570.8	3.4		117.4	7.9	21	11.3		10.7
	1964	636.0	3.4		134.4	7.6	21	17.0		14.5
Chicago	1962	328.6	2.0		45.9	3.4	14	--	--	--
	1963	378.2	2.2		67.3	4.5	13	21.4		46.6
	1964	476.7	2.6		95.3	5.4	20	28.0		41.6
Philadelphia	1962	1,150.4	7.1		38.1	2.8	3	--	--	--
	1963	1,215.9	7.2		46.6	3.1	4	8.5		22.3
	1964	1,256.6	6.8		64.2	3.6	5	17.6		37.9
Oregon	1962	109.2	.7		41.5	3.1	38	--	--	--
	1963	124.6	.7		49.4	3.3	40	7.9		19.0
	1964	147.3	.8		59.1	3.4	40	9.7		19.6
Galveston	1962	457.0	2.8		29.8	2.2	7	--	--	--
	1963	489.3	2.9		42.2	2.8	9	12.4		41.6
	1964	569.9	3.1		51.9	2.9	9	9.7		23.0
Massachusetts	1962	571.3	3.5		38.1	2.8	7	--	--	--
	1963	584.8	3.5		45.0	3.0	8	6.9		18.1
	1964	569.9	3.1		51.9	2.9	8	6.6		14.7
Washington	1962	439.7	2.7		38.2	2.8	9	--	--	--
	1963	471.2	2.8		39.4	2.6	8	1.2		3.1
	1964	521.1	2.8		44.9	2.5	9	5.5		14.0
New Orleans	1962	682.3	4.2		25.8	1.9	4	--	--	--
	1963	716.6	4.2		31.5	2.1	4	5.7		22.1
	1964	757.5	4.0		42.9	2.4	6	11.4		36.2
All Customs Districts	1962	16,249.4	100.0		1,353.2	100.0	8	--	--	--
Grand Total	1963	17,013.7	100.0		1,494.4	100.0	9	141.2		10.4
	1964	18,599.9	100.0		1,763.4	100.0	9	269.0		11.3

^aSame source as in Table 2-9. Changes computed from Tables A and B.

from 16.5 per cent to 17.7 per cent. And imports into the Great Lakes from Japan increased to 7.5 per cent of the total imports in 1964, posting a marked gain over the 1962 figure of only 4.6 per cent.

Japanese Firms and Their Offices in America

The number of Japanese firms and their offices in selected major metropolitan areas, as might be expected, were closely related to the amount of U. S. imports from Japan through those Customs Districts which were located in these metropolitan areas. From Table 2-10, we know that the top ten largest Customs districts handled nearly 90 per cent of U. S. imports from Japan in 1964. And of this amount, the majority of imports was handled by the largest four Customs Districts.

In 1964, the largest four Customs Districts, New York, Los Angeles, San Francisco, and Chicago, handled 69.1 per cent of all U. S. imports from Japan. And the percentage distribution of Japanese firms and offices was very closely related to that of the value of imports through the metropolitan areas in which they were located. The number of Japanese firms as taken from the official lists published by respective Japanese consulates in these areas definitely correspond to the value of imports in percentage terms.

For instance, Chicago took 7.8 per cent of the imports from Japan in 1964. Its share of the number of

Japanese firms was also 7.8 per cent. San Francisco imported \$134.4 million in the same year, a share of 11 per cent of the total, and 53 Japanese firms, a share of 10.2 per cent of the total, were located in that city. Similar findings exist for New York and Los Angeles for 1963 and 1964.

Looking into the percentage shares of these two metropolitan areas and the discrepancy in percentage figures for 1964, it is noted that the discrepancy tended to widen from the 1963 figures.

This reflected the increasing share of Los Angeles in the value of imports from Japan, especially in road motor vehicles. Such a trend was not accompanied by an immediate, corresponding increase in the number of Japanese firms.

For further details, see Tables 2-11 and 2-12, which follow.

From Table 2-12, it is observed that the total number of firms had increased in all the areas in 1964 over 1963, and that the manufacturers significantly increased in number of offices in 1964 as compared to 1963.

At this point, it is necessary to single out the names of those firms which appear in more than one of the listings of the four metropolitan areas. In order to simplify the procedure, the number of the firms whose offices were located either in Los Angeles, San Francisco or Chicago while also appearing in the New York listing

TABLE 2-11.--The percentage distribution and the discrepancy in percentage between the U. S. imports from Japan and the number of Japanese firms and offices by four major metropolitan areas, 1963 and 1964.^a

Metropolitan Areas (Customs Districts)	Year	The Value of U. S. Imports from Japan (A)		The Number of Japanese Firms and Offices (B)		Discrepancy In Percentage (A-B)
		(\$ Million)	(Percentage Share)	(Number Listed)	(Percentage Share)	
New York	1963	600.1	56.8	278	58.9	-2.1
	1964	655.2	53.8	295	57.3	-3.5
Los Angeles	1963	272.1	25.7	115	24.4	+1.3
	1964	333.7	27.4	127	24.7	+2.7
San Francisco	1963	117.4	11.1	48	10.2	+ .9
	1964	134.4	11.0	53	10.2	+ .8
Chicago	1963	67.3	6.4	31	6.5	- .1
	1964	95.3	7.8	40	7.8	0
Total	1963	1,056.9	100.0	472	100.0	0
	1964	1,218.6	100.0	515	100.0	0

^aConstructed from Tables 2-10 and 2-12.

TABLE 2-12.--Japanese firms and offices in four selected metropolitan areas, their numbers and type of establishment, 1963 and 1964.

Type of Establishment ^b	Year	Percentage Distribution Numbers by Metropolitan Areas ^a				
		Total Number (%)	New York Number (%)	Los Angeles Number (%)	San Francisco Number (%)	Chicago Number (%)
Total	1963	472(100)	278(100)	115(100)	48(100)	31(100)
	1964	515(100)	295(100)	127(100)	53(100)	40(100)
Trading Firms	1963	142(30)	75(27)	33(29)	22(46)	12(39)
	1964	149(29)	79(27)	33(26)	22(42)	15(38)
Manufacturers	1963	184(39)	116(42)	49(43)	7(6)	12(39)
	1964	211(41)	130(44)	56(44)	10(19)	15(38)
Banks, Securities and Insurance	1963	39(8)	24(9)	7(6)	6(13)	2(7)
	1964	44(9)	25(9)	9(7)	7(13)	3(8)
Transportation Services	1963	58(12)	29(10)	16(14)	10(21)	3(10)
	1964	55(11)	26(9)	13(10)	12(23)	4(10)
Information Agencies & Others	1963	34(7)	22(8)	9(8)	1(2)	2(7)
	1964	40(8)	23(8)	13(10)	1(2)	3(8)
Press	1963	15(3)	12(4)	1(1)	2(4)	--
	1964	16(3)	12(4)	3(2)	1(2)	--

^aThe numbers are not directly comparable, because the standards for selecting on the lists vary from area to area by the consulates concerned. However, all of the firms and offices found in the source lists are included and reclassified whenever necessary to let them conform to the type mentioned in the New York list.

Percentages do not add up to the total because of rounding.

^bSource materials were drawn from the following: New York area 1963 data is based on the official tabulation by Consulate General of Japan, New York, Japanese Firms and Offices in New York Area, December, 1963; New York area 1964 data is based on similar official publication by Consulate General of Japan, New York, Japanese Firms and Offices in New York Area, December, 1964. This list includes all Japanese companies and organizations having offices in New York as of October 1, 1964.

Los Angeles data is based on the information released by Consulate General of Japan, Los Angeles. 1963 data is based on the list, Japanese Firms and Offices in Los Angeles and Vicinity, (as of February 1, 1964). Its 1964 data is based on the list by the same title, but as of April 15, 1965.

San Francisco 1963 data is based on the list obtained from Consulate General of Japan, San Francisco. The compilation is as of January, 1964. Its 1964 data is from the same source, and its compilation date is January, 1965.

Chicago 1963 data is based on the list compiled by Japan Trade Center, Chicago, as of September 20, 1963. It is titled Chicago Offices of Japanese Firms. Chicago 1964 data is based on an official list by Consulate General of Japan, Chicago, Japanese Firms and Offices in Chicago Area, dated January 5, 1965.

was counted. Quite often such firms had their branch type operations in these areas under the direction of their New York headquarters. But this was not always the case. Many companies had their headquarters in Los Angeles or San Francisco and their branch operations in New York.

By counting out duplicate appearance on the list, a clearer idea is gained of the absolute number of firms, as this procedure would eliminate many branch operations.

Admittedly, this is a simplified procedure and no mention would be made of the firms whose headquarters were not in New York. However, comparing the percentage share of branch operations for each area for all the firms and for the manufacturers, there may appear some interesting patterns in the distribution of such firms.

In all the areas, the ratio of duplicate offices was lower for the manufacturing firms. This might be due to the channels of distribution needed for such goods as compared with those engaged in marketing soft goods or in reselling. Table 2-13 provides details on the number and kind of firms having multiple locations.

From the number and type of Japanese firms and offices in America, several conclusions may be drawn. First, there was a close relationship between the number of Japanese establishments in any area and the total amount of Japanese imports entering the United States through that area. Second, despite a decrease in the relative importance of New York in recent years as the

TABLE 2-13.--Japanese firms and offices in four selected metropolitan areas, their numbers and type of establishment, revised, 1964.

Type of Establishment	Revised Numbers and Percentage Distribution by Metropolitan Areas				
	Total Number Percentage	New York Number Percentage	Los Angeles Number Percentage	San Francisco Number Percentage	Chicago Number Percentage
	%	%	%	%	%
Total					
Offices	515(100)	295(100)	127(100)	53(100)	40(100)
Duplicate	142(28)	----	76(60)	39(74)	27(68)
Revised	373(72)	295(100)	51(40)	14(26)	13(32)
Trading Firms					
Offices	149	79	33	22	15
Duplicate	49	--	23	14	12
Revised	100	79	10	8	3
Manufacturers					
Offices	211(100)	130(100)	56(100)	10(100)	15(100)
Duplicate	38(18)	----	26(46)	6(60)	6(40)
Revised	173(82)	130(100)	30(54)	4(40)	9(60)
Banks, Securities and Insurance					
Offices	44	25	9	7	3
Duplicate	16	--	8	6	2
Revised	28	25	1	1	1
Transportation Services					
Offices	55	26	13	12	4
Duplicate	27	--	12	11	4
Revised	28	26	1	1	0
Information Agencies and Others					
Offices	40	23	13	1	3
Duplicate	9	--	5	1	3
Revised	31	23	8	0	0
Press					
Offices	16	12	3	1	--
Duplicate	3	--	2	1	--
Revised	13	12	1	0	--

^aSame source as Table 2-12.

center of Japanese business activities, it still enjoyed a dominant role in U. S.-Japan Trade relationship. Third, the relative importance of Los Angeles was increasing rapidly. Many automobile, motorcycle, and steel companies had headquarter offices in this area. The industrialization and the transportation advantage of the area seemed to be a decisive contributing factor for this pattern of development.

Fourth, San Francisco's pattern reflected the region's uniqueness in that it was perhaps closest to the Japanese-American population concentration in the United States. Coupled with geographic advantages of the area, this explained the number of banks, financial organizations, as well as the existence of the offices of specialized manufacturing firms such as liquor, cosmetics, furniture and so on, which partly reflected the particular segments of Japanese-Americans in the area. Fifth, Chicago apparently was basically an extension of New York operations. Most manufacturing firms which had offices in New York had their branch operations in Chicago. The same applied to the trading firms. But the recent decline in branch type operations reflected the increasing trend for direct marketing activities by Japanese manufacturers. Some specialized steel companies and a few specialized manufacturing firms located their offices in Chicago because of its proximity to the industrial markets in the Midwest.

For purposes of the present study, a more detailed investigation of New York area offices is included on the assumption that this area is sufficiently representative of most Japanese business operations in America, as far as marketing strategies are concerned, despite the special characteristics mentioned above.

Trade and Marketing Activities by the
Japanese in the New York Area

As of October 1, 1964, there were 290 Japanese companies that had establishments in the New York area. Of these 290, about half represented manufacturing firms. This was an increase of more than 20 per cent in the number of establishments as compared to 1963. The number of Japanese employed by these establishments was 4,218.

These 290 firms in New York for 1964 included six establishments in New Jersey and one in Pennsylvania, but almost all were located in New York City. All establishments which had been set up in the New York area as a part of the overseas operations of their parent companies in Japan were included in this list.⁷

Out of 263 companies listed for 1963, 20 companies were dropped from the 1964 list because of mergers and the new standard for listing adopted in 1964. Therefore, the total number of establishments for 1964 represented a net increase of 47 establishments, instead of 20, about a 20

⁷According to the criteria used for compilation by the General Consulate of Japan, New York.

per cent increase over the previous year figure. This increase was chiefly due to the opening by nine chemical firms, eight trading firms, and five transportation and service establishments.

Of the 263 companies listed, about half (143) represented the Japanese manufacturing firms. About one-quarter (79) were trading firms, and the remaining one-quarter were transportation, service, banking, securities and insurance firms. By type of establishment, more than 60 per cent of manufacturers had representative offices, while almost 70 per cent of trading firms were incorporated under American law. This is because the trading firms engaged in actual sales activities, while many manufacturers used their representative offices to perform various functions related to marketing research, engineering research, negotiations for licensing, imports or exports deals, preparations for joint ventures, and liaison or information services for their headquarters. However, many manufacturers, especially about half in machinery industry (electronics, electrical machinery, and optical equipment), did engage in actual marketing activities through their subsidiary American corporations. For details see Tables 2-14 and 2-15 which follow.

There was a change in the number of employees from 1963 to 1964 as seen in Table 2-14. The number increased from 3,620 to 4,010, an increase of over 10 per cent. Of this number, trading firms employed almost half (1,819),

TABLE 2-14.--Number and type of establishments and employees and amount of U. S.-Japan trade handled, Japanese companies in the New York area, 1960-1964.^a

Item	Year				
	1960	1961	1962	1963	1964
Number of Establishments	143	192	220	263	290
American Corporation	59	73	83	103	109
Branch Offices	18	21	29	29	30
Representative Offices					
and Others	66	98	108	131	151
Number of Employees	2,256	2,622	2,964	3,620	4,010
Regular Japanese Staff	1,019	1,232	1,367	1,612	1,766
Local Employees					
(Americans & Others)	1,237	1,390	1,597	2,008	2,244
Amount of Trade Handled					
(In Millions of Dollars)	2,656	3,163	3,209	3,584	--
Amount of Exports	1,102	1,067	1,400	1,507	--
Amount of Imports	1,554	2,096	1,809	2,077	--

^aUnpublished surveys conducted by Economic Section, General Consulate of Japan, New York, released in August, 1965.

TABLE 2-15.--Number of establishments, Japanese companies in the New York area by type and kind, 1963 and 1964.^a

Kind of Business	Number of Establishments							
	Total		Type of Establishments					
			American Corporations	Branches	Representative Offices	1963	1964	
	1963	1964	1963	1964	1963	1964	1963	1964
Trading Firms	75	79	43	52	4	6	23	21
Manufacturers	117	143	39	45	4	5	74	93
Machinery	50	61	24	26	3	2	23	33
Chemicals	19	22	2	2	-	1	17	19
Textiles	12	20	8	7	-	-	10	13
Shipbuilding	11	3	-	-	-	-	11	8
Steel	6	8	-	-	-	-	6	8
Ceramics	4	6	1	1	-	-	3	5
Mining	3	5	1	2	-	-	2	3
Sundry Goods	3	3	1	5	1	2	1	1
Food	2	3	2	2	1	1	-	1
Others	1	2	-	-	-	-	1	2
Transportation and Services	29	26	12	10	6	4	11	12
Banks, Securities & Insurance	24	25	2	2	11	12	11	11
Agencies (Informational)	6	5	1	-	-	-	5	5
Press	12	12	-	-	4	3	8	9
Total	263	290	102	109	29	30	132	151

^aUnpublished surveys conducted by the Economic Section, General Consulate of Japan, New York. The figures are as of September 30, 1963, and as of October 1, 1964, for respective years.

the manufacturing firms employed 1,146, and banks, securities, and insurance companies employed 617.

About half of the regular Japanese staff had their dependents and families brought over from Japan. The total number of Japanese regular staff and their families was 3,868 in 1963 and 4,218 in 1964. Out of local employees, there were about 350 Japanese, including Japanese-Americans, employed. This indicates that one out of six to seven local employees was a Japanese. The total Japanese employed by Japanese companies in the New York area, therefore, was 4,218 for 1964. For details, see Table 2-16, which follows.

Combining the data given in Tables 2-15 and 2-16, it is clear that the average size of establishments in terms of the number of employees was around six in 1964. Breaking the figure further by kind of establishment, the average number of Japanese staff was the largest for trading firms (around 10) and the smallest for the press agencies (around 2). The figure was larger than the average for the banks, insurance companies, and transportation and other agencies (around 8). For the Japanese manufacturing firms, it was considerably below the average, the figure being four.

For details see Table 2-17.

TABLE 2-16.--Number of Japanese employed by various establishments by Japanese companies in the New York area, 1963 and 1964.^a

Kind of Establishments	Regular Staff (With Family) (A)		Dependents of Regular Staff (B)		Total (A + B)		Locally Employed (Includes Japanese-Americans)		Grand Total	
	1963	1964	1963	1964	1963	1964	1963	1964	1963	1964
Trading Firms	823 (376)	872 (427)	931	1,034	1,754	1,906	129	138	1,883	2,044
Manufacturing Firms	416 (197)	525 (213)	443	510	859	1,035	88	72	947	1,107
Transportation and Services	109 (63)	95 (59)	155	142	264	237	83	43	347	280
Banks, Securities, & Insurance	204 (114)	210 (135)	271	316	475	526	59	85	534	611
Agencies	39 (29)	40 (32)	63	70	102	110	15	9	117	119
Press	21 (13)	24 (15)	25	30	46	54	2	3	48	57
Total	1,612 (792)	1,766 (881)	1,888	2,102	3,500	3,868	376	350	3,876	4,218

^aSource is the same as that for Table 2-14.

TABLE 2-17.--Average number of Japanese staff members employed by Japanese companies in the New York area, by kind of establishments, 1963 and 1964.^a

	Number of Establishments		Number of Japanese Regular Staff		
	1963	1964	Total	Average Number 1963	Average Number 1964
Trading Firms	75	79	823	11	10
Manufacturing Firms	117	143	416	4	4
Transportation & Services	29	26	109	4	4
Banks, Securities & Insurance	24	25	204	9	8
Agencies (Informational)	6	5	39	7	8
Press	12	12	21	2	2
Total	263	290	1,612	6	6

^aSource is the same as Tables 2-15 and 2-16.

Summary and Conclusions

1. The activities of the Japanese manufacturing firms in the United States could best be understood against the background of the vast economic ties and networks linking both nations across the span of the Pacific Ocean.

2. From the secondary data, it appeared that most of the manufacturing firms were engaged in those marketing, research, and liaison activities which accompanied the inflow of Japanese merchandise into the United States.

3. The product mix of American imports from Japan was changing, with increasing emphasis on heavy and chemical industrial goods, and the products requiring complex marketing efforts.

4. Geographically speaking, most firms were located in major metropolitan areas. New York had the largest share of nearly 40 per cent of the American imports handled, with a correspondingly larger number of establishments. Together with Los Angeles (close to 20 per cent), San Francisco (8 per cent) and Chicago (5 per cent), these four largest metropolitan areas handled almost 70 per cent of the total U. S. imports from Japan in 1964.

5. There were 130 Japanese manufacturing firms and their offices in New York, 56 in Los Angeles, 15 in Chicago and 10 in San Francisco. These figures, in percentage terms, corresponded closely with the amount of imports from Japan handled through the respective customs districts in the area.

However, the relative emphasis of New York seemed to be declining, with a corresponding increase of emphasis on Los Angeles and Chicago.

6. Judging from the Japanese manufacturing firms and their establishments operating in New York, about half of the firms adopted the American corporation form and the remainder took a representative or liaison office arrangement.

7. In New York machinery manufacturers numbered about 40 per cent of the total establishments operated by the Japanese manufacturing firms, followed by chemicals (10 per cent), textiles (10 per cent), shipbuilding (8 per cent) and steel (4 per cent). The machinery manufacturers adopted the American corporation form in 43 per cent of the cases. Almost all chemicals, shipbuilding and steel firms adopted the representative office form. However, about a quarter of textile manufacturers used the American corporation form.

8. The overall trend in the increase of the U. S. imports of Japanese goods was continuing, with more and more sophistication of Japanese products and complex marketing operations.

CHAPTER III

CHARACTERISTICS OF BUSINESS ORGANIZATIONS AND PRACTICES IN JAPAN

Introduction

Japan and the United States share many important values and in a number of ways, industrially and ideologically, have been moving together. However, Americans should also be impressed with the fact that their business techniques are unavailing unless drastically modified in the light of the unique, delightful, and often puzzling Japanese culture . . . Japan offers a striking case for the American preparing himself for international trade and industry.¹

About the uniqueness, many writers have explored the differences in Japanese managerial philosophies, customs, and practices and those of America. Implicit or explicit in such studies are the assumptions that the cultural or traditional forces influence and make for some unique characteristics of Japanese business organizations and their operations.

After observing the Japanese practices in the area of interpersonal relationships, James G. Abegglen has

¹Dudley L. Miller, "The Honorable Picnic: Doing Business in Japan," Harvard Business Review, XXXIX, 6 (November-December, 1961), p. 79.

developed his main thesis that the interpersonal relationships which will be effective in economic activity in a given country depend on the country's culture.² According to him, the principles of business administration are not absolute--they are relative to the culture of the society.

The social structure of Japanese factories is inconsistent with practices which Americans believe basic to the efficient conduct of a business concern. Indeed, if judged from the viewpoint of the American business executive, Japanese personnel principles are inefficient. Yet they are efficient--highly efficient. The proof of the pudding is in the eating.³

In short, in the critical areas of interpersonal relations and group interaction, in the definition of the nature of the relationship between worker and company, and in the way in which skills and energies are mobilized and directed in the group, the Japanese factory is a variant of industrialization from the American factory. These variations may be seen as deriving essentially from the differences between the broader social systems of the United States and Japan.⁴

After studying industrial relations in postwar Japan, Solomon B. Levine stressed the uniqueness in the pattern of development of a nation's economic activity. According to him, the process of industrialization is a crucial factor that influences this process in an economic system in its content and form of development.⁵ However, he admits that

²James G. Abegglen, The Japanese Factory (Glencoe, Illinois: The Free Press, 1958). See Everett E. Hagen's foreword in page vii.

³Ibid.

⁴Ibid., p. 10.

⁵Solomon B. Levine, Industrial Relations in Postwar Japan (Urbana, Illinois: University of Illinois Press, 1958).

he does not yet possess a well-developed framework for the purpose of analyzing different systems of industrial relations in differing national settings.

In developing such a general framework, it is of course possible to take various approaches and methods of analysis. At the present writing, however, a general, comprehensive framework which is applicable to Japanese business organizations and executive behavior has not yet appeared. Various models have been used in attempts to gain insight. Some of these models seem to apply to an extent to business organizations, their operational characteristics, and the recurrent behavior patterns of business executives. Such investigations have usually been performed by outside observers from the United States. Going over a sample of managerial literature in Japanese, it has been found that Japanese businessmen in general have not even considered that their practices were unique and different, until they were so informed by American investigators.

Clearly this difference in perception points up a fundamental problem of social measurement. It is in the framework developed within the context of the Western (and especially of the United States) industrialization that the uniqueness of Japanese business practices comes out. The three characteristics most often cited are (1) the traditional features of Japanese business, (2) the lifetime employment system, and (3) the group decision-making

practices. They are interrelated characteristics, and will be presented in their order of appearance with some brief comments about each.

The Traditional Features of Japanese Business

As compared to American business practices, Japanese practices are generally considered to be more conservative because of the Japanese tendency to incorporate traditional aspects of culture into business organizations. Typically, such an explanation can be found in a government publication which introduces the characteristics of Japanese management. According to a Department of Commerce publication, such characteristics are briefly summarized as follows:

The difference between American and Japanese concepts and practices is considerably greater than that between techniques. Japanese businessmen are considerably more conservative than American businessmen in their approach to management problems, and they have been much slower in adopting scientific management principles and practices.

Utilization of labor is one of the primary differences. The attitude of Japanese management toward labor is basically paternalistic despite the rise of trade unions and the increase in the number and scope of labor and social security legislation. . . . there is a tendency to view the market as static and to resist innovations and the improvement of important business management practices such as inventory control, quality control, and market research.

In business relations it is often found that the traditional leader-follower relationship and desire for security and stability translates itself into narrow areas of responsibility with attendant centralization of authority. Another outgrowth of these same traditions is the overstratification in some sections of Japanese business. These manifestations tend to discourage the full exercise of

individual initiative and reduce the possibilities for improved management concepts and practices. Still another factor hindering the adoption of scientific management practices is the low rate of mobility of management officials.⁶

In spite of various changes that have taken place since the publication of this government information, none would argue against the fundamental tenets of Japanese managerial practices as summarized in such a quotation. According to Stanley S. Miller, Japan modernized "not by throwing over her traditional institutions, but by converting them into elements of strength to create a special kind of modern economic structure."⁷ Then he summarizes the traditional features as follows:

For our purposes, we can emphasize three aspects of the Japanese system: the full dedication of the individual to his organization; the non-competitive nature of relationships between individuals; and the reliance on inner groups or cliques to guide the organization. Although these factors describe the system of management organization within a business company, they have parallels in the over-all economic structure of the nation.

To the Western merchant princes and industrialists of the mid-19th century, Japan must have seemed unlikely ground for free enterprise. The individual Japanese was caught up in a web of relationships and mutual responsibilities that did not encourage freedom of action. There was little industry, and the merchant houses had been operating on the margin of

⁶Investment in Japan, Basic Information for United States Businessmen (Washington, D. C.: Department of Commerce, U. S. Government Printing Office, 1956), pp. 78-79.

⁷Stanley S. Miller, "Management by Omikoshi, Traditional Features of Modern Business in Japan," Management International, III, No. 1 (January, 1963), p. 59.

social respectability as a needed but exploited class. The vast officialdom had kept society nearly immobile for two and a half centuries. All the vigor and pride in achievement derived from military, not economic institutions. For the purpose of simplifying the situation, we will work with the idea that while Western industrialization has been influenced by the image of the individual economic adventurer, Japan had placed the individual in a kind of economic web, in which he offers loyalty to and is afforded protection by organizations dedicated to the national destiny.⁸

The Lifetime Employment System

The values of the paternalistic family system and the close interpersonal ties prevalent in Japanese society have created a uniquely distinct custom in Japanese business, namely, the lifetime employment system. According to this custom, which almost all large Japanese companies follow, a person is employed by a company for life, whether he is an assembly line worker or a promising junior executive who may later move up into membership in the top management team.

The successful candidate enters the company and stays there the rest of his working life and career until retirement. He cannot be discharged for a mere lack of competence. On the other hand, he almost never leaves the company seeking a better position elsewhere in another company.

⁸Ibid.

This system is introduced and explained by James Abegglen in his Japanese Factory as the custom of a lifetime commitment. He explains the custom as follows:

When comparing the social organization of the factory in Japan and the United States, one difference is immediately noticed and continues to dominate and represent much of the total difference between the two systems. At whatever level of organizations in a Japanese factory, the worker commits himself on entrance to the company for the remainder of his working career. The company will not discharge him even temporarily except in the most extreme circumstances. He will not quit the company for industrial employment elsewhere. He is the member of the company in a way resembling that in which persons are members of families, fraternal organizations, and other intimate and personal groups in the United States.⁹

This rule of a lifetime commitment may not be absolutely as strong as Abegglen points out. Since the mobility of employees among the companies of medium and small sizes is fairly high, it may be an overstatement to say that this is the custom prevalent in all Japanese business. However, this custom is such a part of Japan's well accepted managerial and social value system that it sharply restricts the type of social mobility which is characteristic of labor and managerial practices in many industrial countries, particularly those in the United States.

Closely allied with this phenomenon of the lifetime employment system is the seniority rule. Promotion and increased remuneration depend almost entirely on time with the company. Thus, the longer an employee stays in a

⁹Abegglen, op. cit., p. 11.

company, the more he will be paid and consequently the higher his status will be in that company, holding constant the other factors such as the level of education, the degree of training and to some extent the industriousness of the employee.

In many companies there is a definite pattern of promotion and this pattern is usually well understood by all its employees. If it becomes necessary to promote a person when there exists no opening, a new position will be created so that he will be given a new title commensurate with his service at the company.

Loyalty, Protection, and Guidance Within the Business: Within the business company, loyalty takes the form of a lifetime work commitment that acts as a kind of basic contract creating the mutual obligation of employer and employee. Once this obligation becomes operative, there is a general effort to avoid the individual performance evaluations and performance-connected pay system that make an American work environment competitive. Instead, educational level places the new worker in his "proper" work category, and seniority fits him into his "proper" status within that work category, while group decision-making minimizes the danger of risk to any individual's reputation for competence.¹⁰

Group Decision-Making System

Americans who look at the organization and practice of Japanese management always have the same initial reaction: can this really work?

There is little formal organization, less delegation of authority and little reliance on staff work even in the largest firms. Nevertheless, Japanese industry has supported a rise in

¹⁰ Stanley S. Miller, op. cit., p. 60.

Gross National Product of 6.5% a year and industrial production has increased by 12% per annum. Management practices which make such growth possible deserve attention from all businessmen.

The practices underlying Japanese business organization are not extensively documented. There is very little literature on the subject. The dearth of information is no accident, but is due to the unwillingness of most Japanese businessmen to discuss their practices with outsiders. A Japanese corporation is a private preserve, and the internal method of operation, in the opinion of Japanese executives, is of no concern to anybody outside the establishment. A definitive or detailed study of Japanese business will be done only when some top Japanese executive analyzes his organization after his retirement.

In most of the large companies that I dealt with, strong leadership is equally evident but it is parceled out along functional lines. The absolute power to make decisions and to give instructions is clearly vested in a single person in each different area of the business, such as the plant manager, the sales manager, etc. Each of these leaders possesses specific spheres of authority to the exclusion of all others. In contrast to some American business practices, the committee form of organization and "touching bases" before making a decision are almost unknown.

Many top managers of medium and large companies told me that the decision-making process had been democratized since the end of World War II. Nowadays, these managers permit their decisions to be discussed by their immediate subordinates in their own departments before such decisions are implemented. Sometimes, but not often, the subordinates' arguments are considered and the decision reversed. This free discussion occurs most often in the marketing area, where Japanese managers have the least experience. Nevertheless, in all cases the final decision rests with the top manager.¹¹

¹¹ Joseph N. Froomkin, "Management in Perspective: Management and Organization in Japanese Industry," The Academy of Management Journal, VII, Number 1 (March, 1964), pp. 71-72.

Decision-making in Japanese business is highly centralized. In times of rapid industrial expansion, decisions have to be reached quickly and then transmitted and discussed for their operational implications. He states that:

In order to preserve the dignity of fellow employees, the communication of policy decisions takes the form of long and over-polite meetings, during which the pros and cons are discussed at great length, and the consensus demanded by the top manager is reached unanimously. This is achieved by carefully watching the important persons involved. On balance, this takes less time than most 'brainstorming' or committee meeting in the U. S.--except for the rare decisions which cross departmental lines.¹²

Stanley S. Miller is much more articulate on this subject. He explains that: "Instead of an authoritative line of responsibility, there seemed at first to be no locus of responsibility at all in the Japanese organization. This is a result of group-decision making, a very old and deep-seated practice in Japan."¹³ The following quotation amplifies the point.

In a business setting, this means that the group does not like to take action without general endorsement. The principal parties are usually sought out privately beforehand to sound out their positions so that the meetings themselves can avoid embarrassing arguments. Strongly held minority positions can hold up a project for months because of the unwillingness of the leaders to be accused of "tyranny of the majority." Furthermore, even when group consensus is achieved, it may not be a clear commitment to carry out the project to its

¹²Ibid.

¹³Stanley S. Miller, op. cit., p. 65.

conclusion, but merely an endorsement to go along one stage further to see what will happen.

The Japanese organization is hierarchial . . . rather than democratic, in the sense that various kinds of stratification impose clearly marked vertical barriers. For example, university graduates become managers, high school graduates do not. But within the upper layer there is a high degree of participation in the councils of the business, even by the junior men. They may wait a long time before obtaining official authority, but they can voice their opinions because the system calls for maximum participation in a new project.

. . . In business decisions that would be considered in America to be the responsibility of one department are usually shared by other departments. For example, in the ringiseido system one group submits a plan of action in the form of a report that goes the rounds of all the executives for approval, and the president may well add his own seal if enough support has already been obtained, so there are apt to be a lot of private dinner parties to sound out prior approval on other projects. . . .

. . . A large management organization based on voting cliques and without clearly defined centers of responsibility can develop a sense of mystery as to its future moves. It may attain objectives, but it will be difficult to evaluate its position at any one time.

. . . In discussing this situation at a management seminar, one very able executive described the traditional organization in Japan as "Management by Omikoshi." The omikoshi is the portable shrine taken out in the streets in festivals. Two long poles are strapped in parallel to its base, and it is carried on the shoulders of perhaps a dozen men. The fun of it is to carry the shrine, shout "washoi, washoi" in unison, and push your weight against the weight of the other pole carriers. The omikoshi makes headway, but in an enjoyable, rollicking motion from side to side, and sometimes turns completely around before it can sway forward again.¹⁴

¹⁴ Ibid., pp. 65-66.

By ringiseido, then, the location of decision centers in Japanese business organization seems to be concealed to outsiders and difficult to grasp. Thus this traditional group decision making system is but a reflection of underlying organizational structure and the norms of executive behavior, which are characteristic of Japanese business..

Conceptual Problems Involved in Such Descriptions

So far three salient characteristics of Japanese business organizations and patterns of executive behavior have been noted: (1) the traditional features, (2) the lifetime employment system, and (3) the group decision making system. However, these distinguishing characteristics have been observed by Americans in an American frame of reference.

It is extremely important for a researcher to be cognizant of the methodological limitations and problems involved in cross-cultural investigation. For example, the cited observations reveal more about how Japanese practices differ from those in America than what makes Japanese business "tick."

To be more specific about the limitations: first of all, the range of data sought cannot be clearly specified until, antecedently, a model and rationale are developed. Then the correlated problem of data collection tools has to be solved. Such tools, developed

for use in one country, may not be feasible or compatible for use in another country.

The "action" frame of reference developed and presented by Talcott Parsons and Edward A. Shils is an example of such a formulation which is applicable to values, motives and systems of action.¹⁵ Another approach designed for a comparative analysis of industrial societies was made by Alex Inkeles.¹⁶ His underlying theory is very simple: "It is assumed that people have experiences, develop attitudes, and form values in response to the forces which their environment creates."¹⁷ He summarizes his main findings as:

There is substantial evidence, over a wide attitudinal and experimental range, that perceptions, opinions, and values are systematically ordered in modern societies. The proportion of people who give a particular response increases or decreases fairly regularly as we move up or down the typical status ladders of occupation, income, education and prestige. These patterns emerge not only in realms which are obviously closely related to status pressures but also in areas seemingly far removed.¹⁸

¹⁵See Part 2 of Talcott Parsons and Edward A. Shils, The General Theory of Action (Cambridge: Harvard University Press, 1951).

¹⁶Alex Inkeles, "Industrial Man: The Relation of Status to Experience, Perception, and Value," The American Journal of Sociology, LXVI, Number 1 (July, 1960), pp. 1-31.

¹⁷Ibid., p. 2.

¹⁸Ibid., p. 28.

His findings support the theory that the standard institutional environments of modern society (what is commonly called "industrial society") induce standard patterns of response, despite the countervailing randomizing effects of persisting traditional patterns of culture.¹⁹

Although his methods of analysis are precise and his exploratory solution to many operational difficulties are associated with feasible comparative analysis, Inkeles himself admits that this is an exploratory study and, as such, his findings should be accepted with reservation. There are numerous operational shortcomings to this ambitious project. Just to name a few: the data are ambiguous; the usual statistical tests are inapplicable in most cases; the data are subject to different explanations; the comparability is not completely insured; and there is not a wide range of economic development and cultural types included for the comparison.²⁰

It is for these conceptual and theoretical reasons, coupled with operational differences involved coming from the language barrier, that, in presenting the uniquely Japanese characteristics of Japanese business organizations, a choice must be made in the frame of reference to be used. At first glance, this seems to be an easy task. But

¹⁹Ibid., p. 1.

²⁰Ibid., pp. 30-31.

choosing an already developed viewpoint does not solve the problem--because descriptive comparison of practices and differences in organizational and executive behavior would end up with superficial enumeration of the differences as contrasted with those typical of America.

A second limitation: The body of knowledge about organization structure and dynamics is far from complete. John A. Howard summarizes the present state of organization theory:

. . . there is not one but a number of theories. There are mathematical theories, the theory of games and the theory of teams, and those that emphasize the conflict between individual and organizational goals. One is a study of communication networks, and one centers on organizational growth.²¹

Clearly there is no one best approach. An investigator must either choose among several theories or create his own, when describing and explaining Japanese business characteristics.

Whatever approach is taken and whatever model is formulated, two requirements need to be met.

The first requirement is that such a frame of reference should be as close to the behavioral theory of organization as possible, because "the behavioral approach brings together the central content of most of the other theories and enriches them."²² The second one is that

²¹John A. Howard, Marketing: Executive and Buyer Behavior (New York: Columbia University Press, 1963), p. 13.

²²Ibid.

whatever the approach taken, it should most effectively clarify organizational and executive behavior in the Japanese setting.

In this thesis, the viewpoint of ecology will be the basic stance throughout for the reasons given in Chapter I. Thus it is in the next chapter that further elaboration will be made with regard to the three characteristics of Japanese business. Also in the same chapter an ecological view of Japanese business will be presented, in order to provide the basis for analyzing the adaptation in marketing strategies.

CHAPTER IV

AN ECOLOGICAL VIEW OF JAPANESE BUSINESS

Why Use the Perspective of Cultural Ecology?

Theoretical Considerations

The fundamental reason for selecting an ecological view for the description and analysis of Japanese business is, of course, its theoretical importance and implication to marketing.

Pending the more comprehensive formulation of a general science of human behavior, the available starting point for the marketing theorist include economics and cultural ecology. . . . The broader framework of ecology holds greater promise for the development of marketing science in both descriptive and normative terms. . . . The ecology of human societies is one which recognizes culture change rather than biological evolution as the major instrument of adaptation within the relevant time span.¹

As discussed in the last half of the previous chapter, no one approach is entirely satisfactory for a comparative, cross-cultural study of Japanese business. However, a workable frame of analysis had to be chosen. In view of the widespread acceptance of Alderson's functionalist approach and model among marketing scholars and practitioners,

¹Alderson, Dynamic Marketing Behavior, op. cit., pp. 302-303.

it was thought that an ecological approach would provide a basis for a systematic interpretation and analysis. The approach applies not only to the analysis of the empirical part of the study but also to the description of Japanese business as the starting point of the entire study.

The ecological framework is also useful for developing the normative aspect of marketing. Thus the comparative aspect of the study is facilitated, namely, Japanese businesses in Japan vis-a-vis these firms doing business in America.

. . . The ecological perspective offers criteria for marketing performance which transcend the limited measures of economic efficiency. Indeed, marketing ideally connects separate production centers or operating systems in such a way as to optimize the outputs of the whole society. Marketing is concerned with the external relations of individual units or relations of organized behavior systems. These relations involve that peculiar amalgam of competition and cooperation which is so well recognized in ecology and so difficult to accommodate within the framework of received economic theory.²

The analysis of the adaptation problems in marketing strategies of the Japanese manufacturing firms in America inevitably involves a normative evaluation of their performance. And for that end, the ecological view presents a comprehensive tool for analysis.

²Ibid., p. 304.

The Analytical Advantages

Operationally speaking, the ecological framework and approach possesses a unique advantage in cross-cultural analysis of adaptation problems. The approach selects only functionally important variables from a mass of empirical data. In the ecological approach, only the salient functional interactions will be extracted from the empirical data. Such a mode of analysis is called "cultural ecology" by Steward.³

Steward . . . argues that the degree and kind of interrelationship is not the same in all aspects of culture, but varies. He attempts to isolate in the culture he analyzes certain aspects in which functional ties with the natural setting are most explicit, in which the interdependency between cultural patterns and organism-environment relations is most apparent and most crucial.⁴

For Steward, those aspects which are closely related to adaptive processes of organism-environment relations are termed as the "cultural core" which are separate from "the rest of the culture." And an ecological analysis becomes relevant for this "core" alone.

[The cultural core refers to] the constellation of features which are most closely related to subsistence activities and economic arrangements. The core includes such social, political and religious patterns as are empirically determined to be closely connected with these arrangements. Innumerable other features may have greater potential variability because they are less strongly tied to the core. These latter, or secondary features, are determined to a greater

³Steward, op. cit.

⁴Geertz, op. cit., pp. 6-7.

extent by purely cultural-historical factors--by random innovations or by diffusion--and they give the appearance of outward distinctiveness to cultures with similar cores. Cultural ecology pays primary attention to those features which empirical analysis shows to be most closely involved in the utilization of environment in culturally prescribed ways.⁵

The core features in this study are those variables which are functionally crucial to the adaptation of Japanese business in America. The selection of such functional key variables will reduce the multi-variate problem to one of workable size and relevance. The entire analysis will be simplified by this approach because the cultural patterns belonging to the rest will be omitted from the start.

Just to illustrate the practical benefits from such an approach, take the basic dimensions for this study of adaptation problems. There are at least two fundamental dimensions representing two sets of cultures: Japan and the United States. And for each set, at least three basic variables have to be chosen: (1) the organized behavior system (business), (2) the environment (the outside forces affecting business), and (3) the patterns of interaction resulting from business-environment relations (the cultural patterns). If a Japanese business enters the American environment, there can be enumerated at least three considerations, namely, the characteristics of the firm, the

⁵Steward, op. cit., p. 37.

American business environment, and the resulting interaction. Moreover, any changes on the Japanese side resulting from such interaction must also be analyzed. Using the ecological view, this functional complexity can be condensed into a few key variables. Only those functionally important variables relevant to the adaptation problems will be selected for study. This is the advantage of this approach.

The Basic Variables Used

Only the three basic variables mentioned in the previous section are used as the frame of analysis. They will be briefly presented here in order of their appearance in this study. First, the ecological setting of Japanese business will follow this section. Those salient forces of the Japanese environment which affect the operation of Japanese business will be discussed. This serves as an introduction to the major characteristics of Japanese business from an ecological viewpoint. These characteristics are conceived as arising from the basic business-environment interaction. This interaction is presented in two molar frames of reference, or ideal type concepts: the logic of industrialization (universal forces based on technological features) and the family system (particularistic forces of the traditional features in Japanese society). These will comprise the remainder of this chapter.

The Ecological Setting of Japanese Business

Introduction

The environmental characteristics of Japan can best be presented by using as a framework those external, non-controllable forces which impinge on marketing management decisions. The following four major forces which affect marketing management have been selected: (1) natural resources, (2) competitive and economic forces, (3) governmental, legal and international forces, and (4) ethical, social, and cultural forces.⁶

The justification for taking such a macro view of the business environment is reflected in current marketing thought. The following quote is illustrative:

Marketing problems may be viewed as problems arising from the gratification of human wants and needs. As such, particular marketing activities become a part of the more general problems of raising the standard of living through satisfying the needs of human beings. Thus the discipline of marketing in this perspective is seen as an integral component of a broader science which encompasses man and his culture. If marketing men accept this fundamental proposition, then the task of the interdisciplinary approach becomes clearer. It becomes one of relating the findings of marketing theory and practice to the concept of man and his culture as it emerges from the integrated findings of the behavioral and social sciences.⁷

⁶William Lazer and Eugene J. Kelly, "Interdisciplinary Contributions to Marketing Management," reprinted in the same authors' Managerial Marketing: Perspectives and Viewpoints (Revised edition, Homewood, Illinois, Richard D. Irwin, 1962), p. 601.

⁷Ibid., pp. 604-605.

Natural Resources⁸

Japan is an island country situated at the eastern coast of the Eurasian Continent. The country has four main islands and about one thousand small islands, which cover approximately the same spread of latitude and the same general range of climate as the East Coast of the United States. Hokkaido, the northern island, parallels New England. Tokyo and the central region correspond to North Carolina. Kyushu, the southern island, parallels Georgia. The islands of Japan extend for about 1,300 miles from latitudes 30° to 45° N and have a width of 170 miles at the widest point.

The climate of Japan is mild, owing to its location in the Pacific Ocean. The climate is essentially a maritime type, and is generally high in humidity and heavy in rainfall. The four seasons are very clearly distinguishable, with hot, humid summer and relatively dry, cold winter, alternating with the seasonal trade wind from the tropical seas and the cold, dry mass of air from Siberia.

⁸The fundamental stance toward natural resources as expounded in this section is that of Erich W. Zimmermann in World Resources and Industries (New York: Harper & Bros., 1951), which takes a functional approach of triunal interaction of nature, men, technology or culture.

Following Zimmermann's stance, the interpretation of natural resources here is purposely broader than in ordinary demographic sense.

Most of Japan's demographic realities and summaries are based on Edwin O. Reischauer, Japan: Past and Present (Second ed., New York: Alfred A. Knopf, 1961) and the various statistical yearbooks and economic surveys of the United Nations.

The land of Japan is very mountainous. Over seventy-five per cent of its total land area, about 143,000 square miles, is too rugged for permanent cultivation at the present time. Only eighteen per cent of the total land area is used for agriculture and industry.

The mountains have pushed the people to the seas. Japan has a long coastline of 16,214 miles, with countless gulfs, bays, bights, and inlets. The Japanese have traditionally been the seafaring people of Asia. Kojiki, the oldest recorded history of Japan, illustrates the wealth of the country as essentially deriving from the bounty of the sea and the bounty of mountains, stressing the abundance of the gifts from its seas. Its coastal shipping has played a very important role as a means of transportation and communication, while its location had made her only contacts with the outside world through the sea, until the advent of the air age. Korea, the nearest neighbor on the continent, is one hundred and ten miles away across the Strait of Korea--four times as wide as the Strait of Dover.

With its 96 million people, the average population density is more than 670 people per square mile. Since only less than a seventh of the land is arable, the population density per unit of productive land is one of the highest in the world. Japan is also the fifth most populous country in the world, coming after China, India, the U.S.S.R., and the United States. A population of

ten million makes Tokyo, the capital, the largest city in the world.

Japanese people are industrious, energetic, and volatile. The level of education in terms of literacy rate surpasses that of the United States. Her history of universal compulsory free education dates back to 1872. The people of Japan are homogeneous in their physical appearance and way of thinking. Japan's culture is considered to be a derivative of Chinese culture, but her history as a centralized nation is one of the oldest in the world.

The Japanese language is the only official language, and it is spoken throughout the country with only minor local variations in dialect. It is a complex, difficult language to master even for a Japanese. However, English has been the accepted language of foreign trade and is widely used in commercial circles.

Japan has a very limited underground natural resource base. Most of the raw materials used commonly in modern industries are known to be nonexistent in Japan. It has a fair amount of low-grade fuel coal, but virtually no deposit of coking coal exists. Japan's domestic supply of crude oil is very scarce. Even with the newest of the technology for utilizing low grade iron ore, Japan possesses practically no iron ore deposits.

The relative smallness of the country is a crucial limiting factor in discovering newer sources of untapped

natural resources, even with the advancement and innovation in their utilization. Assuming that various mineral and other underground resources are randomly buried and scattered over the globe, Japan's chances of having any are indeed small because of the smallness of her land areas.

Competitive and Economic Forces⁹

The economy is basically one of free enterprise. In a sense, the prewar giants of Zaibatsu were originated by the entrepreneurship of their founders who took advantage of the spirit of free competition in the tradition of the merchant class of Tokugawa Japan.¹⁰ In the course of their development, however, all Zaibatsu benefited substantially from official connections with the government. National policy afforded them opportunities for business expansion.¹¹

The Zaibatsu leaders used professional "managers" to carry out and administer operational aspects of their daily business.

⁹The best source material which introduces Japan's economy is G. C. Allen, Japan's Economic Expansion (London: Royal Institute of International Affairs, Oxford University Press, 1965).

¹⁰See, for instance, a survey by David Charles Sheldon, The Rise of Merchant Class in Tokugawa Japan (Locust Valley, New York: J. J. Augustin Incorporated, 1958).

¹¹This point is clarified in Thomas C. Smith, Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880 (Stanford, California: Stanford University Press, 1955).

Also see William W. Lockwood (ed.), The State and Economic Enterprise in Japan (Princeton, New Jersey, Princeton University Press, 1965).

Personal relations within the business hierarchy were governed by the Japanese tradition which prescribed absolute loyalty to superiors; but the extent to which the family members themselves exercised administrative authority varied from Zaibatsu to Zaibatsu. In Mitsubishi, for instance, the influence of the Iwasaki family remained very strong. In Mitsui, on the other hand, control over policy even before the Restoration had passed mainly to banto, or managers. But even the greatest of these banto could expect to retain their positions only so long as they were successful in promoting the welfare of the house.¹²

According to Professor K. Noda, the Zaibatsu leaders usually dictated the policy and major decisions for diversification, acquisition and mergers, but they left the operational decisions entirely to "hired" professional managers who were produced by the educational and training system of Japan.¹³

Because of Zaibatsu, the economic concentration in prewar Japan was quite significant. In addition to the old Zaibatsu like Mitsui, Mitsubishi and Sumitomo, new ones ascended to prominence especially in line with Japan's expansion into Northeastern China and the resultant militarization of her economy. Once established, a typical Zaibatsu grew by vertical and horizontal diversification through stock holding and interlocking directorships. The extent of Zaibatsu control of the economy is

¹²Allen, op. cit., p. 176.

¹³This and the following remarks about Zaibatsu leaders are primarily based on Professor Kazuo Noda's article on Japan's business leaders in Ryutaro Komiya (ed.), Sengo Nihon No Keizai Seicho (Economic Growth of Post-War Japan), (Tokyo, Japan: Iwanami Shoten, 1963).

reflected in the degree of economic concentration in their hands. At the close of the war, the top ten Zaibatsu held as much as 35.2 per cent of the total paid-in capital of all the corporations in Japan. For more details, see Table 4-1, page 72, and the comments which follow.

The top ten Zaibatsu held 49 per cent of the combined capital of all the firms in the heavy manufacturing industry, which included mining, machine tools, ship-building, and chemicals. Their control was also dominant in many growth industries where military demands played a crucial role. Within the economic framework of pre-war Japan, the relations between Zaibatsu leaders and the government or military elites were close, intricate and complex. Due to the international situation of the time, the personal relationship of this tight oligarchy group surpassed in importance the economic relations of Zaibatsu with the actual external market demand. In this setting, no modern marketing based on demand cultivation was required. The national needs were the primary concern of the elite leadership.

As for the organizational control, in many Zaibatsu the organization man type professional managers had taken over the reigns of operations and had contributed to the fixation of bureaucratic business practices by the end of the Meiji period. In terms of actual control, Mitsui appears to have had the loosest control system, partly because of its sheer size and complexity, and partly because

TABLE 4-1.--The amount of paid-in capital held by the top ten Zaibatsu and their share in the total paid-in capital of all legal corporations in Japan as of 1946.a

Industry	Top Four Zaibatsu ^b		Top Ten Zaibatsu ^c	
	Paid-In Capital Total (In Billions of Yen)	The Share In All Legal Corporations (Per Cent)	Paid-In Capital Total (In Billions of Yen)	The Share In All Legal Corporations (Per Cent)
Banking & Insurance	6.0	49.7	6.4	53.0
Heavy Manufacturing	56.7	32.4	85.8	49.0
Light Manufacturing	4.9	10.7	7.7	16.8
Others	11.7	12.9	14.1	15.5
Total	79.4	24.5	114.1	35.2

^aAdapted from Komiya, Ibid., pp. 468-469, which is based on the data released by the Mochikabu Seiri Iinkai in Nihon Zaibatsu To Sono Kaitai (Japanese Zaibatsu and Its Dissolution).

^bTheir names are: Mitsui, Mitsubishi, Sumitomo and Yasuda.

^cIn addition to the top four above, Ayukawa, Asano, Furukawa, Oookura, Nakajima, and Nomura compose this group.

of its emphasis on decentralized decision-making by operating managers. Its control was typically indirect. And it provided its member corporations much freedom of decision-making and opportunities for operational initiative. Only when the expected performance in the form of profits was not forthcoming, were measures taken to strengthen the operation by replacing the individuals in charge. Other Zaibatsu, smaller by comparison, appeared to have exerted tighter, centralized control.

Regardless of the type of control, the Zaibatsu operations were largely managed by "professional" managers, and the ruling families concerned themselves with policy and diversification decisions to determine the direction of future growth. Further, their main preoccupation seemed to lie in cooperation with the government and the military elites of the time.

This organizational setup made the professional manager more of an acutely conservative, security-minded, and bureaucratized decision-maker chiefly concerned with routine operational decisions, rather than an aggressive, innovating, and entrepreneurial type. Thus Zaibatsu businessmen tended to assume the posture of civil servants or government career bureaucrats.¹⁴ This explains partially why within the competitive, economic structure of Japan,

¹⁴This conclusion is adapted from Professor Noda's in Komiya, op. cit., as mentioned before.

unique organizational forms reflecting many traditional features of the society developed.

Finally, it should be underscored that, outside of these industrial giants of large Zaibatsu companies and their descendants, there are countless small and medium-size enterprises supporting the larger ones. Their share in production volume is small, but their numbers are staggeringly large. Most of them are still managed in the tradition of old family dominance. The degree of economic concentration is a decisive factor in understanding the business behavior in Japan. This peculiar economic phenomenon of dualism--Zaibatsu and small family-owned and operated businesses--is referred to as the "dual structure" of Japanese business. It affects and explains the differences in business practices such as wage, welfare, and hiring policies by size of enterprise. For our analytical purpose, however, the study of large firms will suffice simply because of their economic dominance in Japan. Further, the dual structure in the economy is gradually disappearing.

Governmental, Legal and International Forces

Before the war, three elements were the guiding forces of Japanese society: the military (gumbatsu), the government bureaucracy (kanbatsu), and the business oligarchy (zaibatsu). The war eliminated the military and dissolved Zaibatsu, but the government bureaucracy

survived. The role of the Japanese government in her economic planning is significantly pervasive. By no means is Japan's a planned economy; but planning has quickly become the chief anchor for social and political stability in Japan.¹⁵

. . . Postwar economic planning in Japan has gone through several stages. . . . Upon regaining political sovereignty in 1951, leaders of the majority conservative party came to believe in the necessity and practicality of economic planning in Japan. They were also convinced that planning need not contradict the principles of a free economy. They adopted what some have called "indicative" planning rather than mandatory planning. The government's suggestions are only advisory, but nearly everyone takes its advice. There are prolonged discussions preceding the adoption of a plan until every industrial group has had an opportunity for a full and fair hearing. . . .

. . . Japan has the fifth largest population in the world and its people are intelligent and energetic. History has cast it in a strange new role in recent years, but one of great promise for the Orient and the world. They have been willing to learn from us but they also have much to teach. Their approach to economic planning is worthy of our closest consideration.¹⁶

It should be emphasized that of the three dominant elements in Japanese society only the government bureaucracy never suffered any damages as a result of the war. The task of rehabilitation and economic reconstruction could not have been accomplished without this government bureaucracy. The government measures are unique and its controls are pervasive. Just to illustrate:

¹⁵Wroe Alderson, "Planning in Japan," Growth and Profit Planner, Behavior Systems, I, No. 4 (November, 1963), pp. 3-4.

¹⁶Ibid.

In part, these government measures may take the form of winks and nods passed along Japan's extensive "old boy" network. (As Sir Norman Kipping and Mr. J. R. M. Whitehorn put it, perhaps with polite understatement, in their excellent report on Japan to the Federation of British Industries last year: "The very intimate and manifold connections at all levels between government and industry are a most important factor in the attitudes and policies of both.") But the government also has some powerful strings to its bow. They can include the exemption from corporation tax on profits from a new product for an initial period, extraordinary depreciation allowances (which can sometimes be very extraordinary indeed), readier permission to firms in a growth industry to import technological know-how, as well as a very tight protection against foreign imports while the infant industry is being built up. And as a most important point: if domestic demand for these industries' products grows in the meanwhile, thus giving them further encouragement to expand, that will be regarded as the happiest development of all.¹⁷

Such a role of the government is well known among foreign businessmen residing in Japan. Any visiting American businessman in Japan will eventually notice this government bureaucracy's "invisible" guide in conducting business in Japan.

Basically, Japan's legal system is modeled on the Roman law, not on the common law tradition of Anglo-American law. Therefore, the laws are hierarchically and functionally related and clearly codified, with less emphasis on the precedents and more emphasis on the spirit and the reason of law. From an ecological standpoint, this has a dual implication. First of all, the tradition

¹⁷"Consider Japan--I," The Economist, September 1, 1962, p. 793.

of anti-monopoly regulation is lacking in Japan. Bigness by itself is not regarded as evil or wrong in business. The public policy of the government is more concerned with the problems related to foreign competition and the effective use of national resources among competing users than protecting competition within the boundaries of a traditional, free economy.

Second, the codification of international commerce law is almost universally accepted. From the standpoint of the Japanese, this could provide a basis for international agreements.

In terms of international contacts, the prewar Japan was geared to the national security of self defense and the strengthening of its military power through the industrialization of the country and territories. The export-import trade was significant, but its vital importance was limited to the importation of some strategic materials to strengthen the national power militarily. The postwar era opened an entirely new perspective for Japan's export and import trade. No longer can Japan sustain herself without her overseas business. Her survival and growth depends on Japan's customers overseas and the suppliers of raw materials. To achieve continuing economic growth, a vigorous effort has been made to encourage export trades through various promotional measures.

In general, the government's guidance and regulations are most strict and tight with regard to foreign trade, especially imports where hard currencies are used up. The trend of international trade agreements sharply affects Japanese business. For instance, the recent overall trend toward global liberalization of trade has affected Japanese business drastically. In order to increase Japan's competitiveness in international markets in view of this liberalization, various steps have been taken by the government to prepare the economy. As a result, the country's economic structure is undergoing a gradual but decisive structural change.

Domestically, this phenomenon has been known as self-imposed "recession" initiated by various governmental measures of an indirect type. This change seems fundamental and far-reaching, with many accompanying changes in business practices as well, as a staff member of "U. S. News & World Report" in Tokyo reports:

Openly and covertly, swiftly and slowly, the Japanese economy is being overhauled and strengthened. Deadwood is being thrown away and fat is being trimmed off, as Japan prepares herself for the international big leagues of business. Labor, production, marketing, sales, financing are all in a state of flux as old ways are questioned and new methods introduced.

Hiring practices are being revised with an eye to employing no more, no fewer employees than necessary. For example, it currently takes 375 employees to run a venerable, 50,000-barrel-a-day oil refinery in Yokohama. Down the coast a way, 150 men easily manage a new 100,000-barrel-a-day installation.

More stress is being put on quality rather than quantity of labor, too, with merit beginning to take precedence over seniority at promotion times. Younger, more modern-minded executives are gradually being moved into the middle management positions and higher. They bring with them new ideas, innovation, improvements in methods.

The mysteries of cost accounting are being unveiled. Marketing and merchandising techniques have begun to command respect. Production alone is no longer paramount.

Regroupings, mergers and cartels are forging Japanese companies into bigger, stronger competitors. There is tacit admission that governmental recovery measures have been deliberately minimal in a ruthless move to permit marginal producers to go bankrupt.

Survival of the fittest should ultimately close ranks into two or three giant corporations predominant in each industry--ready and able to take on all comers at home and abroad.¹⁸

The purpose of the above quotation is to illustrate the highly dependent nature of Japanese business upon international pressure. Because of the functional organizational arrangement, whatever happens in the area of international trade affects related industries in the home market in Japan. Moreover, the government measures and the overall legal environment based on codified laws seem to encourage the functional streamlining of the business structure without any direct government intervention into business.

¹⁸"Business Around the World," U. S. News & World Report, LIX, No. 32 (December 6, 1965), p. 110. (The article copyrighted by U. S. News & World Report, 1965.)

Ethical, Social, and Cultural Forces

Ethics refers to the rule of human behavior deemed right and proper by a given society at a point in time.¹⁹ The social and cultural forces which affect business most are the standards or norms which govern the relations among individuals, social groups, and the business community in a given country. In this respect, it has been said that Japan utilized, in order to achieve rapid industrialization, an abundance of labor living under completely traditional standards.²⁰ Although this adherence to traditional standards slowly changed after the war, the basic values, or the commonly shared value assumptions,²¹ still seem to remain basically the same. And this is especially so in the business world.

Possible explanation of the ready acceptance of Western technology, including labor-saving innovations without changing the basic tenets of Japanese life are many: "(1) a sufficient supply of reasonably educated labor under existing wage rate, (2) the aggressive use of 'borrowed technology' from advanced countries, (3) the maintenance of

¹⁹Eugene J. Kelley, "Marketing and Moral Values in an Acquisitive Society," reprinted in William Lazer and Eugene J. Kelley, Managerial Marketing, op. cit., p. 50.

²⁰Tsunehiko Watanabe, "Economic Aspects of Dualism in the Industrial Development of Japan," Economic Development and Cultural Change, XII, Number 3 (April, 1965), p. 294.

²¹Conforming to the definitional use of the term in Morris B. Jansen (ed.), Changing Japanese Attitudes Toward Modernization (Princeton, New Jersey: Princeton University Press, 1965).

a relatively high rate of saving, (4) the structure of relative prices, (5) the socio-economic character of agriculture and the service industries which were able to support the labor surplus without destroying the general level of living standards."²²

Aside from the immediate impact of industrialization, Professor T. Fukutake of the University of Tokyo maintains that basically the people and society of Japan have not securely established a consciousness of equality of man and that the pressure of traditional communal life has not completely lost its force.²³ Interpreting the social and cultural forces from the ecological perspective and the viewpoint of the organized behavior systems, some generalizations about Japanese life seem to be warranted.

First, the homogeneity in physical appearances of Japanese people extends to the basic values and attitudes shared commonly by the majority of them. Such cohesiveness is further augmented by the intensive development of the mass media, including television and central newspapers nationally distributed and the high population density, all of which breed proximity and frequent interaction among the people.

²²Watanabe, op. cit.

²³Tadashi Fukutake, Man and Society in Japan (Tokyo, Japan: University of Tokyo Press, 1962).

Second, the Japanese family system is the foundation of the ethical, social, and cultural forces in her society. Until the end of the war, the term "Japanese family system" was widely used: those Japanese who were at school before 1945 were repeatedly taught the importance of "'the family system of our country' as the embodiment of all that was fine and noble in the national tradition, the only suitable training ground for patriotic and loyal citizens, the secret of the moral fibre of the Japanese people, the core (foundation, pillar, bulwark) of the national polity."²⁴ Despite changes following the war, the relative importance of the family system in Japanese life remains essentially the same.

Third, in the history of Japanese thought, the influence of the Confucian ethic and Buddhism cannot be overlooked. The basic tenet of Confucianism with regard to political theory is that the good State would automatically result if each individual punctiliously cultivated the garden of his own family duties.²⁵ Moreover, Buddhism in Japan emphasizes as the basic philosophy of life man's harmony with Nature by submitting his "self" and ways of life to the universal forces of environmental nature. Man's happiness is in finding his place in the natural

²⁴R. P. Dore, City Life in Japan: A Study of a Tokyo Ward (Berkeley and Los Angeles: University of California Press, 1958), p. 91.

²⁵Ibid., p. 93.

arrangements of things, not to be found by altering Nature by his own endeavor.

Since there exist practically no conflicts within a family among its members (the role of each family member is clearly specified by the traditional norms of authority system), and since it is considered that there does not exist any inherent conflict between the good State and the good family, the individual is not regarded as a political entity in the tradition of western political thought, which accepts the basic conflicts of interests between the individual and the state as the inevitable consequence of man's political life. Needless to repeat, the Confucian ethic of deference to the elders and the prevailing authority system and the importance of self-enlightenment aid this individual adjustment process in the family system.

Also related to the family system, but uniquely Japanese, is the habit of molding the structure of social groups on the pattern of the family. This pattern has developed with a consistency rare in other societies in such social groups as occupational, educational, recreational, political, artistic, and criminal ones.²⁶ Business organizations and labor unions are no exception to this pattern. This point is well summarized:

²⁶Ibid., p. 94.

Despite the advanced stage of industrialization, the same pattern of authoritarian and paternalistic management seems to prevail in Japan--largely because of the social structure which, in prewar Japan at least, emphasized the unquestioning loyalty of subordinates to their superiors, as in the Japanese family.²⁷

The concept of the family system as used here is more normative than descriptive. From a descriptive standpoint it is how most people think others used to behave and everyone used to expect people to behave.²⁸ As a normative concept it indicates how some people think people ought to behave today. Variance exists in its application.

A brief description of the family system will aid in understanding its normative significance. The family is a continuing entity in which the parent-child relationship plays a dominant role. Continuation of the family becomes a moral duty to the members. This duty assumes a social character in that the obligation extends to the ancestors and other associated families, since kinship extends to a branch or parent stem family.

During the Tokugawa period, families were grouped into large lineages consisting of a cluster of branch families called the doozoku. This grouping was a result of economic dependency among them, arising from the occupational inheritance and physical proximity in a

²⁷Frederick Harbison and Charles A. Meyers, Management in the Industrial World (New York: McGraw Hill, 1959), pp. 126-127.

²⁸Dore, op. cit., p. 97.

feudalistic social structure.²⁹ Zaibatsu was a refined form of this doozoku control of business. Even today, the designation of the doozoku kaisha (kaisha means company) is used occasionally when referring to large modern corporations with significantly noticeable overtones of conservative, paternalistic management practices.

Within this social, cultural pattern of the family system in Japan, then, how can the individual self be maintained and enhanced? What is the type of self image which individuals possess in Japanese culture?

It has often been argued that "the Japanese national character dictates that her men prefer living in total harmony with the total system by becoming conformists in conduct."³⁰ The reasoning is that "in a hierarchical society inertia and deference to authority (as in the analogy of the family head to the pattern of the family system) characterize people's attitude toward life and play a greater part in determining their conduct than do conscience and rational judgment."³¹

²⁹For the concrete description and the current status of the Japanese family system, the best summary is R. P. Dore, Ibid. A more recent empirical investigation is, however, Ezra F. Vogel, Japan's New Middle Class: The Salary Man and His Family in a Tokyo Suburb (Berkeley: University of California Press, 1963).

³⁰Fukutake, op. cit., p. 12.

³¹Ibid.

Here it can be seen that there exists a remarkable parallel with David Riesman's discussion of the American national character of other-directedness.³² The conformist attitude of the Japanese resembles the pattern explained by Riesman as becoming increasingly characteristic of American people. In the case of Japan, it seems that increasing other-directedness does not conflict with traditional values of the family system.

Note the following excerpt from Professor T. Fukutake's remarks about the Japanese national character and the seeming coincidence with Riesman's observation.

Men who prefer to live in total harmony are invariably conformist in conduct. They act in a certain way because the majority so act. They find the beaten path the safest way to go, and they follow it with the crowd. They cannot follow the dictates of conscience if to do so might isolate them from the majority. Lacking the spirit to criticize the effects of inertia, their fear of isolation is so great that they distrust any significant change in their general situation. Such a traditionally conservative character makes conformity the criterion of conduct, for, in the face of a new situation, the conservative will tend to disregard the change and preserve the existing state of affairs, right or wrong. And this way of life is further cemented by the order of society primarily founded on status.³³

³²As expounded in David Riesman in collaboration with Nathan Glazer and Reuel Denney, The Lonely Crowd: A Study of the Changing American Character (New Haven: Yale University Press, 1950) and Faces in the Crowd: Individual Studies in Character and Politics (New Haven: Yale University Press, 1952).

³³Fukutake, op. cit., pp. 12-13.

Strangely and paradoxically, this other-directedness and the obedience to authority with seeming blind conservatism as a way to conserve oneself do not conflict within the Japanese organizational context characterized by the family system atmosphere.

. . . To them (the Japanese people) the best way of life lies in maintaining the "good manners" which have been nurtured in them in the atmosphere of unity which is typical of the isolated community; that is, in staying within the prescribed limits of conduct and remaining obedient to authority. Actions that criticize and resist general trends, or even more, any attempts to correct the errors of superiors, are labeled a challenge to order and are responded to with antipathy and revulsion. Any initiative toward progress is incompatible with "morals." The perfect men are those who keep such initiative under control and behave with propriety within the prescribed limits of conduct. It cannot be denied that such "perfect" men were successfully produced by the education administered under the Emperor system.³⁴

Impact on Japanese Business

Introduction

The major environmental characteristics previously discussed plus Japan's historical isolation and peculiar pattern of economic development have combined to produce a unique culture, unlike any of the foreign cultures which she has assimilated over the years. Also, it has been noted that Japan's industrialization has not significantly altered the basic life pattern of the Japanese people. Rather her economic development has been based on the utilization of her traditional way of life.

³⁴Ibid., p. 14.

Japan, among the advanced industrial countries, appears to have retained many of the precapitalistic features of an earlier period and has managed to harness many supposedly "feudal" values to the service of its economic development.³⁵

Within this overall framework, the characteristics of the organized behavior systems in Japan seem to be hierarchically arranged with a heavy overtone of the values traditional to her family system. Apparently there exists no sharp demarcation between the private and public domain of Japanese life. The elements of both congenial and instrumental behavior coexist even in social and industrial life, as well as in family life.

The pressures for the liberalization of trade and the threats of foreign competition are changing the economic structure of the nation under the overall leadership and guidance of the government bureaucracy. Despite the fact of her cultural and geographic isolation, Japan must export and rely on its international trade to maintain its economic health. The amount of her natural resources no longer allows her independent self-sufficiency, although technological and engineering innovations are converting more and more of her neutral "nature" into economic resources. From an ecological standpoint, this foreign competitive pressure is changing the mode of adaptation on the part of Japanese business and in turn affects the life patterns of the Japanese as well, gradually but steadily.

³⁵Harbison and Meyers, op. cit., p. 124.

Theoretical Base

The introductory materials on the environmental characteristics of Japan point to the necessity of considering the two fundamental components of the system: the environment and the business organizations in it. These may be referred to in terms of the culture and the logic of industrialization.

The reason for selecting the term logic of industrialization is because the discussion of the organism-environment interaction, with reference to the development of modern business organizations, can be explained by a central concept, industrialization--comparing the latter with different cultural settings of industrialized or industrializing nations. This has already been attempted by Harbison and Meyers.³⁶ What they call the logic of industrialization is explained as:

Industrialization is an almost universal goal of modern nations. And the industrialization process has its set of imperatives: things which all societies must do if they hope to conduct a successful march to industrialism. This is what we call the logic of industrialization.³⁷

This term, the logic of industrialization, will be used as representing the forces which bring about changes in the ecological arrangement of organized behavior systems of Japan under the impact of industrialization. The use of this term, however, is as an ideal type concept. This

³⁶Ibid.

³⁷Ibid., p. 117.

symbolically represents in pure form the forces which accompany the process of industrialization.

As an ideal type, the logic of industrialization is used here as referring to and including such concepts as: (1) "contractual" relationship among individuals and attending mobility of labor, (2) functional division of labor based on talent and specialized skills, (3) bureaucratization of organization processes, (4) management by objectives based on the profit motive, and (5) the instrumental nature of organized behavior. Such a usage of the term seems to be warranted from the interpretation of economic development through various stages. For instance, W. Rostow's attempt to determine the uniform patterns in economic development in various industrialized nations assumes a universal force of industrialization, because the stages of economic growth must be measured by certain critical factors of measurement.³⁸

Parallel with this notion of the logic of industrialization, the environment or the culture may also be represented by an ideal type concept. For this purpose, the notion of the family system is judged to be the most appropriate one because it signifies all the traditional

³⁸W. W. Rostow, The Stages of Economic Growth (New York: Cambridge University Press, 1960), in which Rostow concludes that there are certain definite stages of development, each period differentiated from the succeeding stages by some salient characteristics.

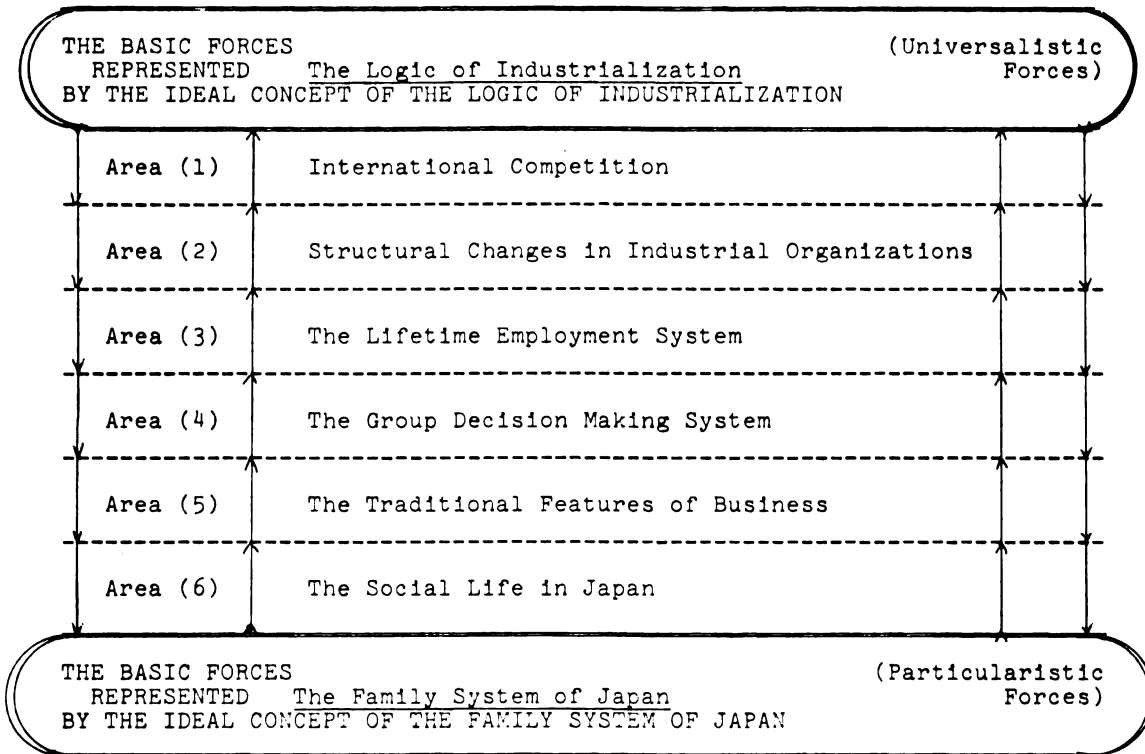
features, both latent and explicit. Further, it is at the core of Japanese society and represents the basic, common values of the Japanese people.

By the ideal type concept of the family system, reference is made to and includes (1) the "status" as the positioning force of its members, (2) the molding of social groups in the pattern of the family system, that is, the spilling-over of status hierarchy into the social milieu outside of it, (3) the authority system and paternalistic hierarchy as the basis of human actions, (4) decision-making by adherence to the traditional norms of behavior patterns, and (5) the basically congenial nature of organized behavior.

These two ideal type concepts will be used as molar reference frames in the next section. The degree and type of interaction with elements composing them will be classified and explained. The diagram in Table 4-2 on the next page sets forth the interrelationships.

In Table 4-2, area (1) is at the top and marked as international competition. This is conceptually where the impacts from the logic of industrialization is the strongest. The universal and pervasive forces of industrialization serve to unify the world economy through the laws of competitive advantages based on specialization and division of labor. Moreover, technology used in economic development knows no national boundaries set by the

TABLE 4-2.--The ecological interaction of organized behavior systems in Japan, based on the logic of industrialization and the family system.^a



^aThe direction of interaction is vertical, corresponding to the generally vertical, hierarchical arrangements and linkages of Japanese business organizations. Each behavior system is conceived as an independent vertically isolated entity, functionally competing or co-operating with others.

Such a vertical stratification of Japanese society has been characterized as the parallel relations among social groups and also as the unilateral structure of functional groups by Professor Chie Nakane of the University of Tokyo, The Institute for Oriental Culture. See, "An Analysis of Japanese Social Structure," by Chie Nakane, a paper presented at the International Management Association of Japan, Program for Foreign Executives in Japan, 1st Session, 1964. Reprinted by Council for International Progress in Management (USA), Inc. (New York).

sovereign domain of nation-states, and serves to advance cross-breeding of innovations and ideas.

In this context, the overall world trend toward the liberalization of trade is conceived as the ultimate ecological change taking place. And Japan is no longer economically isolated from the rest of the world. Her geographic location and her accessibility by the seas make Japan close neighbors of many highly industrialized nations in terms of surface transportation. Despite her traditional and cultural isolation, the impact of international trade is changing the complexion of Japanese life.

The hierarchical arrangement of Japanese life based on her limited resource base and geographic isolation seems to be changing by the advent of innovative technology, which is expanding the base for her resources and, in turn, shrinking the distance with outside world. The dynamism of intense external competition and pressures imposed by the logic of industrialization tend to make the orderly, harmonious ecological arrangement of Japanese organized behavior systems less adaptive for meeting such challenges and pressures. The disturbance in one area affects the equilibrium of the whole and the traditional cohesiveness of the network creates adaptation problems in order to restore a balance.

Because of Japan's heavy reliance on international trade, the changes in the complexion of international trade sharply affect the industrial structure, which is

indicated by area (2) in Table 4-2. Because of the political negotiations and the government regulations regarding international trade, the impacts of liberalization of trade tend to be modified and adjusted. And yet there has been a steady structural change taking place in Japan's economy.

In the domestic market, there exist sharp demarcations among business organizations with each functional area of specialization tacitly agreed upon and assumed proprietary by those concerned. There is a concern over the issue of excessive competition, and a conservative status quo agreement may be observed among traditional firms although such an agreement is never explicit. However, this specialization allows and enables entrepreneurs with specialized skills and foresight to move in and open new ventures wherever possible. Thus, it is possible for a growth-oriented firm to enter new areas through diversification, both at home and abroad. This tends to keep competition workable, viable, and vigorous in a uniquely Japanese way. Such new ventures, which are backed up by a breakthrough of technological innovations of various types, tend to affect adversely the traditional arrangement among the older existing firms.

As for overseas marketing, specialized business organizations unique to the Japanese environment have emerged: the Japanese trading companies. The large ones have a global coverage, including a dominant position in

domestic wholesaling. These have originated from the needs of Zaibatsu oligarchy groups. Many smaller ones have also appeared to fill specialized needs, especially after the war. There does exist, however, a trend toward a greater concentration by mergers and by the integration of various specialized functions into larger units among the trading firms. In this respect, the tendency is toward the domination of international trade, as well as domestic wholesaling, by large organizations which might conceivably fuse together the functions of both production and distribution.

In this context, it is only recently that the Japanese manufacturing firms started their own direct overseas marketing ventures. This was in response to the market requirements to meet international competition by supplying specialized services which the trading companies were not adequately furnishing. And this trend still continues, and there appear some structural changes in the trading firms because their overseas operations started essentially as an extension of domestic wholesaling, production, and financing operations in which they had a dominant position.

So in this area, the traditional forces which cohesively bind organizations persist and, in turn, affect the nature of Japanese international marketing operations. The international pressures force many structural changes due to newer demands for specialized functions and skills.

Some of them have been provided by the trading companies, while others are increasingly furnished by the manufacturing concerns which have hitherto had only limited foreign experience, but which had the requisite technical expertise.

The relations among these business organizations, influenced by the family system, tend to become vertically arranged with the combined enterprise appearing to be a big family or doozoku group with a paternalistic management. Individuals within this framework belong to the company and are members of a corporate family, rather than being members of a professional or a craft union group. Horizontal linkages tend to be weak, while vertical linkages in this corporate hierarchy tend to be strong.³⁹

Status positions individuals not only within the enterprise framework, but also within the social milieu where the traditional family system tends to regulate their private lives. In order to participate in a corporate family group in this arrangement, individuals are usually hired by a company for life and thereafter seniority advances his status more or less in a predictable way. Thus upward advancement is provided but with little opportunity for horizontal mobility or movement to other

³⁹Chie Nakane's article on the social structure of Japan endorses this and the following points. See the footnotes on Table 4-2.

firms. This system of lifetime commitment is indicated by area (3) in Table 4-2.

In this system the entry becomes the crucial point of no return for the individual, with education being used as a significant selection factor at each level of organization for obtaining the desired division of labor and the specialized skills required. As long as a corporation grows in size, openings upward are provided. Individual incentives and group moral can be kept at a high level within such arrangement. Everyone strives to have the firm grow in order to provide paths of advancement. Thus competition between firms is fostered. There are security and stability as rewards for dedicated loyalty to the employing firm. When two organizations merge, some strains may be noted at the beginning, but in the end, status hierarchy can be harmoniously re-established.

In actual practice, executive development and cooperation are secured by pushing decision centers downward within an organization, even though policy restraints from the top restrict the number and extent of decisions that are made by the "professional managers." This is area (4) in Table 4-2, where the group decision-making system is listed.

When it comes to the domain of business practices and customs, which is represented by area (5) in Table 4-2, many traditional forces or features survive with little changes caused by the logic of industrialization.

However, these traditional aspects in business are conceived as not containing as much of the culturally traditional features in the social life of Japan, which directly reflects the family system as an ideal concept in area (6). Note that the forces of the family system are gradually diluted in vertically arranged business organizations, as they interact with the forces of international competition or the logic of industrialization while moving up the areas listed in Table 4-2.

Interpretation of the Three Characteristics
of Japanese Business

Of the three characteristics of Japanese business discussed earlier, the lifetime employment system is located in the midground of the logic of industrialization and the family system in Table 4-2. This implies that the lifetime employment system has evolved out of the strong impact of the logic, compared to the other two characteristics. Therefore, it may be reasoned that, in the course of Japan's economic development, this system of the lifetime employment must have appeared earlier in her process, which is indigenous to both reference frames, namely, the logic of industrialization and the family system.

In the center of the three characteristics represented by areas (3) and (4) in Table 4-2, lies the group decision making system. This system, then, is best interpreted in terms of the individual-organization interaction within the lifetime employment system and the

traditional norms of society. Unfortunately, very little empirical investigation has been conducted on this subject and it has been unable to ascertain this contention. Instead, the interaction of individual-organization within the lifetime employment system will be carried out in the light of commonly accepted social phenomenon--the conflict between universalism versus particularism. This theory asserts that as industrialization progresses universalistic norms become dominant for regulating behavior.

This theoretical stand conforms to the interaction of universalistic logic of industrialization versus particularistic family system tradition. A brief analysis will indicate that the decision-making function within the lifetime employment system does take into account the factors of such an intricate interaction.

Finally, the traditional family system norms will be analyzed as they relate to features of Japanese business. The elements which characterizes the uniquely cultural forces of the family system will be indicated, and some salient characteristics of Japanese business practices and customs will be explained from a theoretical perspective of the frames of reference used.

The Lifetime Employment System

In Japan, the prevalence of the family manufacturing enterprise dates back to early years of Tokugawa period. And in Tokugawa Japan, there was a rise of the merchant

class, which preceded the development of private industrial and commercial firms.⁴⁰ An industrial revolution, however, took place in the ten years between 1895 and 1905, stimulated by the results of the Sino-Japanese War, namely, the reparations obtained from China and the opening of the continental market.⁴¹

As industrialization proceeded, a modern "contractual" relationship was gradually established between management and labor, and this in turn triggered a clash between traditional and advanced practices in employee relationships. A frequent occurrence of labor disputes and strikes suggests that at about the turn of the century the modern waves of industrialization hit hard the traditional aspects of Japanese business.⁴²

Inferring that such labor disputes could not have taken place until the take-off period of Japan's economy, it seems fairly safe to place the start of modern industrialization for Japan around 1900.

What managerial practices, then, appeared during this take-off period of Japan's industrialization? Professor M. Sumiya of the University of Tokyo defines the unique

⁴⁰ Sheldon, op. cit.

⁴¹ Kazuo Okochi, Labor in Modern Japan (Tokyo: The Science Council of Japan, Division of Economics, Commerce and Business Administration, Economic Series No. 18, 1958), p. 5.

⁴² Ibid., p. 33.

managerial practices emerging out of this period as managerial paternalism.⁴³ According to him, this managerial paternalism, which formed the basis of succeeding business organizations, both formal and informal, appeared by the use of traditional social values and customs.⁴⁴

Managerial paternalism was originally conceived of as the exchange of the welfare and security management offered and the perpetuating loyalty and continuity of manpower supply provided by labor. At its beginning it did not have any definite forms. It used whatever the traditional social and cultural value systems and hierarchical social system provided, as management saw fit. It is apparent that it used the values held by the traditional family system in Japan, the social attitudes under feudalistic Tokugawa rule of hierarchy, and the prevalent social orientation heavily characterized by the Confucian ethic, stoicism and dedication to work. This almost resembled Western Puritanism as an outlook upon life.⁴⁵

⁴³Mikio Sumiya, "Gijutsu Kakushin To Keiei Kazoku Shugi," (Technological Innovation and Managerial Paternalism), The Chuo Koron (May, 1961), pp. 90-99.

⁴⁴Ibid. This and the following exposition on the evolution of managerial paternalism are primarily based on this article.

⁴⁵Such a view is fairly widely accepted. For instance: . . . We can learn from such a work as Robert Bellah's "Tokugawa Religion" that diligence in work, combined with simple frugality, had an almost religious imperative, similar to what has been called "the Protestant ethic" in Western culture. William Petersen, "Success Story, Japanese-American Style," The New York Times Magazine, January 9, 1966, p. 41.

At its formative stage, the major forms of this managerial paternalism were welfare programs and specialized training schools within many enterprises. Then there appeared trends toward the establishment of the lifetime employment system and the seniority system.

At World War I, the trend to establish managerial paternalism was temporarily checked because of the confusion in the labor market arising from a booming economy. This gave impetus to modernization of worker relations. However, the depression which struck the country after the war returned the managerial bargaining power, and the system of managerial paternalism had a firm foothold by the 1920's. The retirement allowances system was established during this period as a logical consequence of the lifetime employment and the seniority system.

A major influence of managerial paternalism was a relative stagnation of technology.⁴⁶ During this period there existed a close correlation between the technical ability required and the length of service in a particular enterprise. Therefore, the lifetime employment and attendant seniority system were a logically sound evolution. By this, security and protection were built into the system. Seniority accompanied technical skills, and worker mobility between enterprises decreased.

⁴⁶Sumiya, op. cit. A summary of historical evolution of managerial paternalism which follows is also from the same author.

When many business organizations adopted the lifetime employment system, this system became a social custom. The social role of the Japanese educational system tended to contribute to the lifetime employment movement.

Such an orderly pattern of organizational structure of Japanese business was well established by the time of World War II, which temporarily changed it for two reasons. First, the expansion of military demand and related industries caused an increasing mobility of experienced, trained workers. Second, the draft caused discontinuity in the seniority rule of rank and experience. Orderly upward movement within an enterprise was no longer possible due to random selection of workers under the draft system.

After the war and through the occupation and recovery period, the adverse economic conditions seriously distorted the customary managerial practices. The wages were at a subsistence level and inflation was severe. Many companies were forced to fire their employees, because of the disarmament and the shrunk economic structure after the dissolution of Zaibatsu. The labor unions, chiefly formed on an enterprise basis, contended that the lifetime employment system did not permit discharge at such hardships. And they were eventually instrumental in reinstituting the lifetime employment system on a much firmer foothold once the waves of reconstruction and firing were over.

The logic of industrialization does operate in the lifetime employment system. It must be noted that this

system reduces the social costs of executive development and manpower training. Because of a virtual lack of horizontal mobility, liberal and expensive training programs and job rotation plans can be effectively employed on an enterprise basis. There is a dual justification for such a practice. First, it directly increases the enterprise's productivity through efficient operation. Second, the skills developed will be a sound investment for the future in that there exists only a small risk involved in the chances of recovering it, if normal attrition is taken into account.

The recent mushrooming of training and educational programs--most of them on an enterprise basis--attests to the uniqueness of the lifetime employment system. This trend is not confined only to large corporations. Small or medium size enterprises, whose shaky foundations as going concerns did foster the mobility among them, have been emphasizing such training as well. This is chiefly due to the technological requirements for advanced skills and knowledge to stay competitive, as they grow stronger and become more viable.

The Group Decision Making System

Decision-making is a personalistic, prescriptive choice.⁴⁷ Therefore, the process of making decisions is

⁴⁷Peter C. Fishburn, Decision and Value Theory (New York: John Wiley & Sons, Inc., 1964).

inseparable from the individual's environment (decision situation) and from his objectives (life goals or values).⁴⁸ As noted, the area of group decision-making has been placed between the lifetime employment system and the traditional features (areas 3 and 5). The decision situation for the individual in Japanese business is typically stationary because of the lifetime employment system.

However, in technical matters, functional considerations for business problem-solving may transcend this. Generally speaking, this environmental force affects the scope of individual choice in business, and thus delimits his personal values as well--far more than in the rational, profit motivated business situations of the United States. Since recruiting and selecting of new entrants to a large corporation is carried out with extreme care in view of the lifetime employment system and the future talent needs of the company, the enterprise tends to generate similar values or identical attitudes through its emphasis on in-house education and training.

This explains why the members within a Japanese business enterprise tend to demonstrate the group-oriented values and tacitly agreed-upon value premises for the majority of business decisions. This tendency is augmented by the influences of the traditional aspects of Japanese life, including personal goals or objectives of

⁴⁸Ibid.

individuals, which merge the private and public aspects of living. On this point, which is conceived of as the extension of the family system thinking, Fukutake comments:

Social groups have not been completely modified in their structure, and their mutual relationships display the same character as before the war. Although it is no longer true that social standings exerted a direct controlling influence on the private lives of group members, this does not mean that functional considerations now dictate group composition. Confusion of public and private matters still continues. . . . Factionalism and social tension prevail within groups and without. Social justice that transcends group interest has not been realized yet.⁴⁹

Because of the shared common values, which exist within a given organization, this seemingly slow process is an effective means to resolve operational problems. The group decision-making system serves as a means to communicate and in some cases to create homogeneous, harmonious value premises. In a way, this is like the use of memos among American executives and government officials. For routine decisions ringiseido (group decision-making) cannot be effectively used. However, often its use results in the routinization of policy matters, which then are accepted as guide points for decisions by individuals.

Actually in the operation of this ringiseido, there have been interesting developments which may be termed as the process of accommodation. By this method, technical innovations are likely to meet fewer objections as long as

⁴⁹Fukutake, op. cit., p. 30.

they do not violate the basic "understanding" of the values within the corporation. Thus it is possible to use it in order to bring about changes in the organization structure and processes through the initiative of executives whose status will be relatively low in the organizational hierarchy, but whose technical know-how and imagination may far surpass those of superiors. The participation by the junior executives or operational executives in the process of policy decisions and staff functions can be achieved by this traditional method through this accommodation of subordinates' views.

If ringiseido is the traditional method of acquiring the group consensus, it may be assumed that, as the logic of industrialization penetrates the lifetime employment system and affects the nature of business decisions, the rationalization, routinization, and bureaucratization will be promoted more and more. The accommodation mentioned above is but one aspect of such a process. This is why the group decision-making system looks to the outsider as both centralized and decentralized, and as both modern and traditional. To repeat, decisions in Japanese business with basic policy matters rest at the top of vertical hierarchy where the elite social group allocates among its members proper functions informally.

Moreover, the leadership in business organization plays a crucial role in this system. Risk-taking rests

at the top of the business hierarchy. Because of the zone of acceptance cultivated by the lifetime employment environment, the exercise of centralized authority is direct and swift. The upward means of communication is open through group interaction in the traditional style.

Against this centralization of decision-making and the centralized control of decision processes in a traditionally, hierarchically oriented Japanese business organization, the opposite forces toward decentralization of control and decision-making do exist. Interestingly, the traditional forces of the family system and its extension into social groups breed informal social interaction and private association of Japanese executives, by which group consensus and understanding can be sought. Each department or a division in a Japanese company is like a large family, cohesive and loyal to the group's cause. Organizational and operational innovations can be initiated by this group under ringiseido. Such initiative is usually taken up by certain key individuals, though often informally started by a member of a certain group. The result is the diffusion of actual decision centers within a group, both formally and informally. This in turn serves to protect the initiators of change in case the proposed plan or a change gets rejected by the top management or causes new operational problems instead of solving them.

It would be argued that, if the above is the case, a highly rationalized business organization will demonstrate

almost identical characteristics as the American business decision-making practices. A private bank president stationed in New York representing a Japanese interest once remarked that, as far as his organization was concerned, he saw no difference in the decision process as compared to comparable banks in the United States. This comment was not made casually. It was after years of observation and careful study of the subject by this capable Japanese executive whose career was in banking.

He quoted specific examples of decision-making in his organization and compared them to American ones. The remarkable coincidence was rather startling. This episode could best be interpreted this way. Since this bank also has ringiseido as a traditional method, this system is a device or a procedure and does not reflect the substance of decision. A commercial bank has a highly bureaucratized and routinized organizational arrangement. The type of decisions required of it is a highly technical, profit or goal oriented one. Regardless of the influence of traditional forces, the decisions are arrived at through similar use of decision premises and values.

The lifetime employment system may have caused unique decision-making practices, but in general the logic of industrialization seems to penetrate its cloak and force gradual change in the traditional patterns of decision-making based on group loyalty and conservatism. As Fukutake mentions there still exists confusion of

private and public affairs in Japanese society. Therefore, the investigation will now turn to the traditional features of Japanese business.

The Traditional Features of Japanese Business

Referring again to Table 4-2, the traditional aspects of Japanese business are in area (5) located at the bottom closest to the impact of the family system. In the lifetime employment system, the discussion has been centered around the social custom with regard to the arrangement of business organizations. In the group decision-making system, the attention has shifted to the social meaning of groups in Japan, which forms the basis of the practice. Here the discussion will be centered on individuals: social values, customs and motivations under the previous two constraints, where the impact of the family system is supposedly the greatest.

To begin with, the frame of reference (the Japanese family system) must be clarified further. Love and respect in the American family are unconditional, spontaneous, and based on the "free will of the actors." Within the Japanese family system, in its "feudal" aspects, there exists a distinct sense of particularistic obligations to parents in return for favors bestowed. Professor T. Kawashima explains this as encompassing features beyond mere debt-payment,

involving many other rights and duties and normative sanctions.⁵⁰

. . . Modern morals can maintain their spiritual value only when they are observed voluntarily. Therefore, the imposition of morals by external power should be exceptional . . . It is suicidal for morals to be made legally compulsory. This is particularly true for family relations, which occupy the highest place in the moral world. The reason why generally only a small portion of family moral precepts are codified and written down is that family morals are taken seriously, not that they are neglected.⁵¹

A kind of unconditional piety to the patriarch in the ideal Confucian system, or in its Japanese version of the family system, is sanctioned by "outside compulsion" because it becomes a part of the official order and permeates all institutional relations.⁵²

To summarize, Kawashima sees in the modern Japanese family institution the following three tendencies: first, the normative patterns of the "Japanese family system" in the upper and ruling classes stress the ko or absolute piety element, derived from the old Confucian absolutist system; and to a certain extent, the actual relationships patterns in the Japanese upper and ruling classes follow this stress. Secondly, the family relationships of the "common people" stress the normative on factor of mediation of ko, and also duplicate this stress in real behavior. Thirdly, the official normative family patterns, as expressed

⁵⁰Takeyoshi Kawashima, Michio Nagai and John Bennett, "A Summary and Analysis of 'The Familial Structure of Japanese Society,'" in Bernard S. Silberman (ed.), Japanese Character and Culture: Selected Readings (Tucson, Arizona: The University of Arizona Press, 1962), which originally appeared in Southwestern Journal of Anthropology, IX (1953), pp. 239-50.

⁵¹Ibid., p. 107.

⁵²Ibid.

in legal forms, national ideology, and the like, duplicate the samurai stress on ko, although on is included.⁵³

Instead of the "horizontal" wife-husband relationship, the family system is also vertically structured along the filial line of family head and children. And this extends to the social life of the Japanese. The ubiquitousness of such traditional binding forces has long been predicted by Ruth Benedict, who commented that, for a long, long time, Japan will necessarily keep some of her inbred attitudes and one of the most important of these is her faith and confidence in hierarchy.⁵⁴ As Harbison and Meyers put it:

The management of large enterprise is still based upon feudalistic paternalism, and the social stratification of the managerial hierarchy and the labor force is as rigid as any in the world. Neither modern technology, war, nor the American Occupation appears to have destroyed the web of custom which structures the society.⁵⁵

Instead of repeating the ideal type tenets of the family system used in the earlier discussion, some salient characteristics of the traditional features of Japanese business practices and customs will be treated in this section. The purpose is to clarify further the impact of the ideal type concept upon the business practices and customs in Japan.

⁵³Ibid., p. 110.

⁵⁴Ruth Benedict, The Chrysanthemum and the Sword (Boston: Houghton Mifflin Company, 1946).

⁵⁵Harbison and Meyers, op. cit., p. 249.

First of all, status is a positioning force of individuals in the society. Under the lifetime employment system, the fate of individuals becomes fused with that of the organizations to which they belong. Thus not only the individual but also the business organization assume personality and acquire a social status in the rank-order of the business firms. This ranking takes the form of informal "consensus" evaluation of those Japanese businessmen who survey the organizations concerned. A Japanese word for denoting such an enterprise status is kaku,⁵⁶ which can be higher, lower or sometimes similar, depending on the firms compared. Interestingly, this kaku further differentiates individual status within an enterprise. For instance, an individual may be low in an enterprise standard ranking, but his social status may be much higher in comparison with a person with similar title, if his own corporation happens to have a higher kaku than the other firm for which the person compared works. In this way, elaborate stratification and personal classification within Japanese society can be accomplished on a grand scale, and the people are very much aware of the fact of status and kaku hierarchy.

⁵⁶In the family system, kaku indicates the positioning of a family in a community hierarchy. In Tokugawa Japan, it was used to indicate a samurai family's relative status in terms of ancestry, income or administrative position inherited.

In a business setting, as well as in a social setting, a Japanese would often use half a dozen to a dozen different versions of simple Japanese words of address in the first and second person singular "I" and "you," depending on the situation and the nature of personal interaction in which he finds himself. These personal pronouns must be judiciously and ceremoniously selected to conform properly to the occasion and set the proper tone for personal interactions. The status is the key in this selection of right personal pronouns to use: seniority, the rank and title, and other measures of individual status dictate the use of personal pronouns to convey the difference of status.

This intricate use of personal pronouns seems to persist within business and out, and the energy expended for behaving correctly according to such a ritual even in a social setting can be tremendous indeed. Probably the best way to illustrate the prevalence of such a status ritual is exchanging of meishi (call cards or name cards) among businessmen. Here is an example of how it operates:

The Japanese obsession with correct form is nowhere more evident than in the ritual of exchanging meishi, or name cards. No businessman leaves home in the morning without a plentiful supply. But the games go beyond mere politeness. It's really the title on the card that counts. Since rank and face are so all-important in Japanese society, every executive furbishes his meishi with the most sonorous title he can get. One small publishing office boasts three "bureau managers," five "division managers," two "advertising managers," and three "advertising division managers."⁵⁷

⁵⁷ "How to Succeed in Business in Japan," Newsweek, May 17, 1965, p. 80. (The article copyrighted by Newsweek, 1965.)

The authority system and paternalistic attitudes of individuals make it easy for them to accept such status hierarchy. A person would quickly accept and obey authority, when he could assume that such authority emanates from the individual in charge, in terms of seniority or special preferential status based on education or the kinship relation to an influential individual. The group interaction and the basis for actions, therefore, become "full" participation, with a heavy emotional overtone of dedication to the authority figure. In this setting, a group is supposed to be the source of members' actions, rather than individuals. This aspect of social life is commonly understood as the group-mindedness of the Japanese in that every Japanese is consciously part of a tight-knit national society, and the most damning thing that can be said of any man is, "Kawatte iru--he is different."⁵⁸

Like the Japanese of uncounted generations, the young are consciously part of a tightly coordinated national society. After a century of machine-age living, Japan remains a culture to itself, as apart from the rest of Asia in living patterns as it is apart from the United States and Europe in history and traditions. The worst thing that can be said of a man in Japan, whether he is a tradeunion leader or a junior Foreign Office official, is "kawatte iru--he is different."⁵⁹

⁵⁸Frank Gibney, "Japan," Look, August 10, 1965, p. 18.

⁵⁹Ibid.

In the business setting such social aspects of Japanese life naturally take the form of politeness as the following description indicates:

It is "good personal relations," for instance, to serve a social or business superior with unquestioning obedience. And it is equally virtuous for a Japanese to avoid hurting the feelings of his friends, business associates--and even his competitors.⁶⁰

And this may well make sense--because the paternalistic phase of business affects the chances of an individual's obtaining a permanent employment in the Japanese setting of lifetime employment after getting through the barriers of education:

Even more frustrating to restless young career men (as it is in most other countries) is the favoritism most companies show toward executives with the "right" name, school, and connections. The Japanese are forthright about it: job applications almost invariably demand information on family background; and a man, whose closest friend is the son of the president of an important company, has a decided advantage over an applicant who is more brilliant but less well-connected.

The lucky 2,000 or so who win bachelors degrees each year from the elite Todai, or Tokyo University, have an immense headstart in their careers. To be sure, they are superbly trained, and bright by any country's standards; but the catch--for graduates of lesser schools--comes when companies periodically and simultaneously promote Todai classmates to higher posts. Why? To "preserve harmony," as one employer says.⁶¹

⁶⁰"How to Succeed in Business in Japan," Newsweek, op. cit., pp. 80-81.

⁶¹Ibid., p. 81.

Since the discussion of the lifetime and seniority system of Japanese business has already clarified the importance of recruiting and the family atmosphere, there should be no need to supplement the above remarks which illustrate the tight organizational, interpersonal relationships in her society. It has also been commonly contended that adherence to tradition in decision-making tends to reward the cautious and penalize the ambitious:

The bright young men who want to forge ahead in their jobs must learn to cloak their ambitions and ideas in rich brocades of patience and humility.⁶²

And finally, the fusion of public corporate and private family life can best be appreciated in the use of the expense account in Japan, which has attracted fairly wide attention. See the following remarks:

Indeed, the Japanese manage to infuse their business life with a rather charming blend of thoughtfulness and fun. It is quite common for a giant corporation to earmark as much as 15 per cent of its annual expenditures to its employees for expense-account entertaining; and virtually every company of any size smothers its workers in pleasurable and valuable fringe benefits. . . . The expense account is more of a way of life in Japan than it is in the U. S. Nothing is more crucial to a man's career in a Japanese corporation than a solid sense of belonging and camaraderie with his section chiefs and office colleagues.⁶³

The expense account itself is not a new institution here. Even before World War II, many companies owned golf courses, spas and houses for their high executives. The week-end at company expense was normal and commonplace.

⁶²Ibid., p. 80.

⁶³Ibid., p. 81.

A benefit to millions. What is new is that the expense-account privilege has now been extended to millions down in company ranks.

How many millions? More than 10 per cent of Japan's 24 million company employees rank as management, and virtually every white-collar worker above the level of clerk is fitted out with an expense account.

Income taxes are the key to the spread of expense accounts here. In prewar days, those taxes were negligible for most people. Today, they are much higher than in the U. S.

Another factor also comes into play. In closing a sale, securing a loan or seeking Government favors, personal relationships are far more important in Japan than in the U. S. Strenuous efforts, thus, are made to win friends, impress contacts and cement relationships.

Companies encourage this by using generous expense allowances. Many firms assign each man a monthly allowance, and there sometimes is a frantic scramble to use up unspent balances.⁶⁴

Such a congenial aspect of Japanese business practices can be easily explained in the light of the interaction between the logic of industrialization and the traditional features of the society. Within the lifetime employment system, such a use of expense accounts indeed makes sense.

Summary of Japanese Business Practices and Customs From an Ecological Perspective

In the dual frame used, the lifetime employment system was regarded as the area where the pressure of the logic of industrialization is the strongest, and it is indeed so

⁶⁴"Where Expense-Account Living is Really Worthwhile," U. S. News & World Report, February 28, 1966, pp. 111-112. (The article copyrighted by U. S. News & World Report, 1966.)

because this system is apparently under stress. First of all, many corporations that would like to promote executives by merit have been encountering operational difficulties in harmoniously blending newer methods with the traditional seniority system in promotion. Moreover, the rapid adoption rate of technological innovation by Japanese business in order to meet international competition is forcing the management to introduce newer structure in organization by incorporating specialists in computer programming, marketing research, product development and engineering, and research and development.

Also many conditions have been created which would facilitate horizontal mobility of individuals crossing enterprise lines. For instance, management knowledge has been greatly systematized. Until around 1960, there did not exist organized efforts on the part of Japanese management to assimilate new management ideas, techniques, and philosophies, which had been developed in the United States. Then there started an explosion of management thinking. Many new Japanese management words or phrases were coined, since the traditional Japanese management terms were totally inadequate to reflect advanced thinking in American management.

Some of the widely used expressions coined during this period were: jigyo honbu sei (functional product division system), gijutsu kakumei (technological innovation), ryutsu kakumei (distribution revolution), kigyo shindan

(enterprise diagnosis), and keiei senryaku (managerial strategy). About 590 books on management, marketing and related subjects were published within a period of one year from June 1961 to May 1962.⁶⁵ This was considered a significant trend and received wide publicity at the time. On the average, the amount of publication meant the rate of as many as 50 books a month. Also, there were about 30 magazines and journals on various aspects of business management. There was also an emerging group of business consultants. A vast network of private and government consultants had grown up.⁶⁶

Interest in training and education of employees sharply rose during this period. There were more than 50 permanent company training schools in Japan as of 1962, according to a survey by Nikkeiren (Japan Federation of Employers' Associations).

A random sample of companies listed on the Tokyo Stock Exchange show that 20% have separate personnel or education and training departments for supervisory employees. Training largely focuses on middle management with little participation by top brass. Professional management and consultant organizations also provide many courses, as does one university. Most often, though, companies provide their own training, primarily for all managers rather than a few selected for promotion. According

⁶⁵Based on the study by Shuppan Kenkyujo (The Research Institute of Publication Science) as quoted in "Ryukosei Keieigaku Byo o Shindan Suru," (A Diagnosis of the Prevalent Disease of Business Administration Study), Bungei Shunju, October, 1962, p. 86.

⁶⁶"World Looks for Better Managers," Business Week, September 16, 1961, p. 115.

to Chmn. Taizo Ishizaka of Tokyo Shibaura Electric Co., Ltd., the management education picture is changing rapidly, however. More college-level courses are being offered, seminars for top management are being developed, and the publication of business texts and magazines is increasing.⁶⁷

These developments have tended to enhance individual's capacity to move horizontally, because of increasing knowledge of business administration and the deeper technical know-how obtained through training. As a matter of fact, Sony Corporation, for example, has dispensed with the old Japanese tradition of promoting personnel strictly on the basis of their pedigree and seniority: "Ability is what counts most--a revolutionary concept for Japan."⁶⁸ However, the lifetime employment system is a definite social custom and Sony is practically alone in this battle against the system among large Japanese corporations.

There are other factors which may in the future contribute to the modification of the lifetime employment system. First, in the Japanese economy today, there are strong pressures to eliminate weaker, smaller companies in marginal industries with poor managerial skills. Many specialized wholesale merchants in the traditional textile trade and the subcontractors and assemblers for larger manufacturers, who do not have modernized operational methods, are being squeezed out of business. The competitive

⁶⁷Ibid.

⁶⁸"Sony: How to Grow Big by Thinking Small," News-week, June 13, 1966.

pressures operating this way free experienced workers who have to be absorbed by other firms.

Such competitive pressures recently affected some large corporations as well. Ill-managed firms with inferior marketing policies, lacking foresight, tend to disappear or experience a rapid decline. Junior executives released from larger organizations thus dissolved were reported as having experienced practically no trouble in landing appropriate positions in other firms which desired "talents" with experience.

Also in many industries there are definite and clear trends towards mergers, acquisitions and voluntary self-regulations bordering cartel arrangement. In many examples of such a structural change, and in cases of disruption or combination of one or more business organizations, the trained manpower must be absorbed and will be absorbed by other organizations. And all this will be carried out within the traditional framework of the lifetime employment system. This means that more and more persons would be experiencing organizational rearrangements and adjustments in status hierarchy. With the repetition of such an experience, it may also be conceivable that individual's values may indicate a gradual change toward rejecting the system itself.

Pressure of International Competition

In this analysis, the liberalization of trade and the threat of international competition are regarded as the ultimate elements causing the structural change in Japan and ensuing social change in business practices and customs. One sure way to beat international competition is of course to succeed in the foreign market, instead of merely defending the domestic market from foreign "invasion." In marketing, offense may be the best defense as in the military strategy. And for achieving this, many other factors such as technical know-how and political environment crucially affect the ultimate outcome. Marketing strategy is but one aspect in this total process of interaction.

However, marketing is one link in an ecological interaction. By studying the adaptation problems and attending marketing strategies of Japanese manufacturing firms in the United States, insights may be obtained with a wider applicability in international marketing. This will be especially so in view of the unique organizational characteristics of Japanese business. This is why an ecological approach to Japanese business has been discussed in detail in this chapter.

CHAPTER V

THE ISSUES, PATTERNS, AND PROBLEMS
OF ADAPTATION

The Environmental Dimensions of American
Setting to Japanese Business

Introduction

In general, the American environmental setting as perceived by Japanese businesses is heterogeneous, decentralized, diversified, and complex. Compared to the homogeneity of the Japanese environment, America is a singularly heterogeneous country. This is the first and foremost characteristic that differentiates the United States from Japan. This diverse heterogeneity is apparent through the observation of American history, the ethnic backgrounds of American people, the languages spoken, and the practice of different religions.

It is the purpose of this section to present those salient environmental characteristics, factors, and forces which significantly affect Japanese manufacturing firms as they operate in the United States. Only those environmental elements which are considerably different from Japan will be treated in this macro view of the

adaptation problem. Therefore, the framework of analysis used is similar to the one in the previous chapter where the Japanese environment has been presented from an ecological perspective: (1) natural resources, (2) competitive and economic forces, (3) governmental, legal and international forces, and (4) ethical, social and cultural forces.

Natural Resources¹

The United States is not an island country as is the case with Japan. It lies in the temperate zone of the North American Continent. It is, by Japanese standards, extremely large. With an area of three million square miles for the so-called "continental" part, it is 20 times as large as Japan's four main islands.

On the other hand, with its 180 million people, the average population density² is 51 people per square mile. This is less than one-thirteenth of the comparable figure in Japan. This factor is crucial in determining the adaptive behavior of Japanese business to the American environment.

¹The major facts presented in this section are based on various yearbooks and atlases. Two major sources used are: The International Year Book and Statesmen's Who's Who (Fourteenth annual ed., London: Mercury House, 1966) and Hammond's Ambassador World Atlas (Maplewood, New Jersey: C. S. Hammond & Co., 1958).

²This is regarded as a fundamental parameter of an ecological setting. See Alderson, 1965, op. cit., and Steward, op. cit.

The interpretation of this low population density must be made in the context of the historical concentration of the population toward larger metropolitan and suburban areas, or heavily populated megalopolitan belts. Less important but significant is the historical push of the population movement to the Pacific coast, especially to California.

The mobility of the American people is attested to by the fact that the most widely used means of transport is the privately owned automobile. Illustratively, in 1963, there was one automobile to every 2.5 Americans, with the average annual mileage recorded as 9,400. It should be noted that, in spite of the spread of the country over an expanse of the North American continent, the means of communication and transportation are highly developed, as compared to Japan. The technological advances have constantly been shrinking the distances in the continental United States, and the country's topography, with the relative lack of mountains, has contributed to a high integration of the land by means of communication and modes of transportation.

The continental United States is more than 3,000 miles wide and 5,500 miles distant from Japan via Hawaii. The direct ocean route from the Pacific to the Atlantic coast is via the Panama Canal---about 5,000 miles from San Francisco to New York. Therefore, in terms of accessibility by surface vessels, the Pacific West Coast

is as far away from the Atlantic East Coast as it is from Japan. Thus the location of the Pacific coast is a definite advantage to Japanese business as far as transportation is concerned.

In terms of underground natural resources in energy, metal and non-metal deposits, the United States is endowed with virtually unlimited ingredients for modern industrialization. This makes the American economy quite self-sufficient in the supply of raw materials on a scale which Japanese industry could never match, even with newer, advanced technology. America's capacity to export raw materials to other nations is great. Further, America's reliance on foreign sources of raw materials is far more limited than is the case of Japan.

Competitive and Economic Forces

The size of the American economy is enormous from the Japanese standpoint. If a comparison of the gross national products is taken as a measure of the size of economy, the GNP of the United States is very much larger than the GNP of Japan. For instance, the general prediction of American GNP for 1966 is well over \$700 billion and that of Japan is around \$80 billion--about one-ninth of the U. S. figure.

The United States has a population twice that of Japan and her per capita income is five times as great. Using \$2,604 as the per capita income of the United

States for 1963, the per capita income in Japan was \$526, or 20.2 per cent of the American figure. The Japanese per capita income by purchasing power parity after adjustment from the official exchange rate was \$747, or 28.7 per cent of the per capita income of the United States for 1963.³

The composition of the gross national products of the two nations is significantly different. In general, the personal consumption expenditure is a significantly larger portion of the total GNP account for the United States than for Japan. From 1961 to 1963, for instance, the U. S. personal consumption expenditures stood at around 64 per cent of the total GNP; the Japanese figures were about 45 per cent for 1961 and about 50 per cent in 1963.⁴

From a macro standpoint, therefore, the American consumer market for manufactured goods seems huge and very attractive for Japanese business. Because of the homogeneity of her people and the smaller land mass of Japanese

³Japan Trade Guide (Tokyo: The Jiji Press, Ltd., 1965), p. 19.

⁴Computed from the data in Survey of Current Business (Washington, D. C.: U. S. Department of Commerce, Office of Business Economics), XLV, No. 8 (August, 1965), p. 25, and Keizai Hakusho (Economic White Paper) (Tokyo: Keizai Kikaku Cho, Government of Japan, 1963 and 1964).

isles, it is possible to conduct "saturation marketing" in Japan. But in America, where demand characteristics are heterogeneous and where land mass presents expensive logistics problems, saturation consumer marketing must take into account the heterogeneous nature of consumer demand.

As to the competitive climate of the United States, the size difference of the industrial firms is significant. Japan's top manufacturing firms are small by American standards. In 1958, U. S. Steel alone had annual sales which amounted to more than twice the combined sales of the top ten Japanese manufacturing firms.⁵ In spite of Japan's economic growth in subsequent years, the top ten Japanese manufacturing firms in 1964 had a combined total sales figure which was far less than the total sales figure for 1964 of Ford.⁶ If competitive advantage is influenced by the relative size and strength of Japanese industrial firms vis-a-vis American industrial giants, it would appear difficult for Japanese firms to make an entry into the American market. However, this study revealed that many Japanese firms are competitive and viable in the United States.

⁵"Special Report on Japan," Business Week, April 18, 1959, p. 109.

⁶The sales figure was \$9,671 million, according to "The Fortune Directory: The 500 Largest U. S. Industrial Corporations," Fortune, July, 1965, p. 150.

Together with the size difference in business organizations, the technological superiority of American business becomes an important factor in determining relative competitive climate. With the backing of increasing research and development efforts, together with federal expenditures on defense contracts, the technological level of American industry far surpasses that of Japan. This is dramatized, for instance, in computer and space technology.

In America there appears to be a knowledge lag even within the American business community. Only those American businessmen who have had relatively direct contacts with Japanese industry are aware of the implications of recent developments in Japan. The American image of Japanese consumer products is weak. However, the image of Japanese business among American businessmen is improving rapidly. Just to illustrate, in 1961 Business Week carried only four small articles on Japan's economy. In the following year, 1962, the same magazine featured more than a dozen articles dealing with specific Japanese industry like steel and shipbuilding. This trend is reflected in an increase of articles about Japanese business and industry in other magazines and journals. Also, Japanese firms are increasing their advertising in the American business press.

When it comes to the public awareness of Japanese products, it is safe to conclude that it is low and the image of Japanese goods is weak. American influence

is noticeable practically anywhere in Japan, but Japan's impact on America seems to be meager. The public image and understanding of Japan seem to be predicated upon a mixture of feelings based on the traditional silk products and oriental elegance, the "junky" souvenir of exoticism and imitation, and the notion of a mysterious nation far, far away in the Orient.

This image is slowly being changed by the introduction of newer, more sophisticated consumer products manufactured by Japanese industrial firms for sale in the United States. Optical equipment, cameras, pianos, motorcycles, and automobiles have been introduced in America under Japanese brand names.

Government, Legal and International Forces

There are three generally recognized regulatory measures of foreign business: the Buy American Act, the anti-trust laws, and the security regulations. None of these seem to pose unique operational problems to Japanese businesses, since strong government regulation is a pervasive factor in Japanese business life. It is safe to assume that the legal implications and uncertainties involved in such regulations are basically operational problems rather than key ecological considerations.

In general, the interests of Japan and the United States are virtually identical in many economic matters, with conflicting viewpoints only within a relatively

narrow range.⁷ This meeting of the minds has led to liberal trade policy toward Japan, facilitating imports. This is why the flow of Japanese goods into the American market has been rapidly increasing, despite direct and active competition with American goods.⁸ It should be noted, however, that domestic interests must be politically mitigated to some extent by various restrictive measures and compromises.

The largest international force which affects Japanese business interests in America, then, comes from European manufacturing firms. Their technology and geographical advantage pose direct competition in the American market. European products compete directly with Japanese products over a wide range in design, quality, and price. Moreover, the European firms have long established many subsidiaries in the United States for manufacturing operations,⁹ and they present strong competition to Japanese business not to be found in the Japanese home market.

Ethical, Social and Cultural Forces

Although English is an accepted language for commerce and all Japanese businessmen are trained to use it, the

⁷Hunsberger, op. cit., p. 412.

⁸Ibid., p. 401.

⁹For a definitive survey, see Jean-Luc Rocour, "Management of European Subsidiaries in the United States," Management International (January, 1966), pp. 13-27.

Japanese system of English education almost completely neglects the development of the skills needed to speak and think in English.¹⁰ Even the university graduate with eight years of formal English education has trouble getting past the stage of "Helrow, I would rike to speak English wiss you."¹¹ He has never been taught to communicate, because the entire Japanese system of education emphasizes literal translation.¹²

The logic of Japanese is significantly different from the logic of the English language. It is rife with emotional tones and subtleties. It proceeds from general fringe to the core of the problem, instead of the other way around, as is frequently the case with the English language. The word order is generally reversed. And, although this difference can be overcome in written communication, it is more difficult in oral communication. Further, the factors of the logic of the language, the pronunciation, the informal directness of conversational English combine to form a serious cultural barrier for Japanese businessmen in conducting themselves in the United States. Since the command of the language directly reflects the user's cultural background, this inadequacy of English language skills on the part of Japanese

¹⁰ Barbara F. Buck, "The Teaching of English in Japan," Overseas, III, No. 2 (November, 1963), p. 14.

¹¹ Ibid.

¹² Ibid.

executives seems to generate psychological barriers and inhibitions for establishing effective rapport with American counterparts.

Heterogeneity is an important social and cultural force in American life. The consumer's tastes and preferences are colored remarkably by ethnic origin, religious background, type of sub-culture, and a host of other factors unique to the individual. The correct understanding of this heterogeneity is a difficult task for Japanese executives accustomed to the homogeneity of Japan. Organizational arrangements in America could be characterized as horizontal, crisscrossing the vertical hierarchical elements of the society. Because of the size of the land and the low population density, and because of the mobility and opportunity available for individuals, clannishness is limited, and the chances for horizontal cooperation among the organizations are great.

Thus the social manners and customs, including the business ones, are bafflingly different from typical Japanese ones. It requires a considerable period of breaking-in for a Japanese executive to become familiar with such behavior patterns. The manners and customs are really operational problems. But in marketing activities, an overall ecological understanding becomes a must if effective marketing planning is to occur, including the creation and design of products adapted to American tastes.

The Major Issues and Organizational Forces
Which Significantly Affect Japanese
Business Operations in America

Major Issues

When considering the major issues which uniformly influence foreign or overseas operations, the primary concern of adjustment and adaptation centers around the problems of tariff, the effects of common markets, currency restrictions, changes in trade regulations, and the dangers of expropriation.¹³ For Japanese businessmen operating in the United States, the problems are more specific and detailed. The major issues in the U. S.-Japan trade in general seem to be (1) the U. S. foreign trade policy, (2) legislative measures on import restrictions and tariff rates, (3) customs problems, and (4) trade organizations and general services available.¹⁴

The U. S. Foreign Trade Policy.--Of the four major issues, the role of United States foreign economic policy is intangible but significant.¹⁵ There has been a quiet,

¹³Stanley J. Shapiro, "Comparative Marketing and Economic Development," in George Schwartz (ed.), Science in Marketing (New York: John Wiley & Sons, 1965), p. 399.

¹⁴Sampled from the major topics discussed in "Workshop on Problems in U. S.-Japan Trade," sponsored by the United States-Japan Trade Council, held at Waldorf-Astoria Hotel, New York City, February 1, 1966.

Because of the nature of the workshop, the discussion to follow on each issue covers a much wider range of subjects than did the workshop.

¹⁵Hunsberger, op. cit., has a comprehensive review

steady growth toward trade liberalization in the totality of trade policy, especially notable since the so-called Kennedy round GATT negotiations. This liberal trade policy is based on the reciprocal gradual removal of tariff barriers and other restrictive measures to achieve overall expansion of trade.¹⁶

As a gross generalization, the underlying forces promoting such a liberal trade policy seem to be the emergence of multinational companies¹⁷ and the technological supremacy of the United States, which tend to transcend the traditional national boundaries. Also to be noted is the ever increasing integration of economic activities on a global scale, as the process of industrialization spreads in the world today.

This basic policy toward liberalization of trade, however, has latent political restraints generated by domestic business interests. The threat of foreign competition serves to rally the traditional protectionist forces in seeking measures to stem the tide of liberalization. But on balance, the trend is toward the

of the history and future policy recommendations of United States foreign economic policy toward Japan. See Chapter 12, pp. 393-416.

¹⁶Ibid., p. 402. In the Trade Expansion Act of 1962 the United States has a promising instrument for accomplishing these tasks.

¹⁷As evidenced in Bibliography on Multinational Business (Boston: Harvard University Graduate School of Business Administration, 1964).

promotion of international economic growth through liberal foreign economic policy.

Significant operational implications of such a trade policy toward Japanese business are many. First, the removal of tariff barriers enables many Japanese products to be competitive in American markets. Second, the products which fill specialized needs may be profitably introduced as a result of weaker non-tariff barriers, as the total trade expands. Third, in areas where protectionistic attitudes dominate the competitive structure of the industry, methods other than straight exporting may be explored. This may result in diverse marketing activities such as assembly operation of parts into finished products or the establishment of manufacturing plants in America to avoid higher tariff and other restrictive measures against products of foreign origin.

Legislative and Administrative Measures.--Within the framework of national trade policy, which affects the entry consideration on the part of Japanese business in America, the administration's import policy can theoretically influence the protectionist legislation of various types. Broadly speaking, however, the import barriers against Japanese business can be classified into two types: non-tariff and tariff.

Of numerous non-tariff barriers, the major ones are anti-dumping legislation, buy-American restrictions, labelling and identification acts, and compulsory and

voluntary quota systems. All of these measures serve to cut the volume of products imported in order to preserve the domestic industry's interests. Needless to say, they do conflict with the basic policy stance toward the liberalization of trade. And almost all of them are actually enforced on an industry basis--case by case, so to speak.

The reasons why the above measures significantly affect Japanese business interests in America mainly stem from the fact that, unlike the European corporate subsidiaries in the United States that engage in many manufacturing activities, Japanese businesses in America are in a pioneering stage of securing a foothold, through exporting and the expansion of trade in the form of manufactured goods. Such restrictive measures would have small influence if the Japanese business operations were in the form of American manufacturing subsidiaries, but this is not the case.

Customs Problems.--The tariff walls are gradually being lowered as the liberal trade policy is pursued. And they are closely related to the measures of a non-tariff nature. All in all, the Trade Expansion Act of 1962 is a strong mandate to lower import barriers and, in so doing, to induce foreign countries to do likewise.¹⁸ But to follow this mandate is not easy: it will require strong leadership, not only to set a new direction, but

¹⁸Hunsberger, op. cit., p. 262.

also to carry through a long series of specific measures, some of them politically difficult.¹⁹

Because of political limitations on radical changes in the basic tariff structure, it is safe to assume that basic tariff schedules will remain relatively stable. Barriers on some commodities may be lowered, but no major changes are likely to occur in the foreseeable future. New developments are more likely to occur in the non-tariff category.

Interestingly enough, with regard to the tariff barriers, an expert in this field jokingly commented that 8,200 customs officials and employees comprise non-tariff barriers.²⁰ In spite of systematic efforts to modernize customs operations, the customs procedures and related problems are primarily historical, and therefore they are likely to persist especially in the area of valuation methods. Some of them are: classification problems, proliferation of rates, ex mill versus ex port determination of value based on customs invoice, and recently the American selling price valuation.²¹

¹⁹Ibid.

²⁰op. cit. "Workshop on Problems in U. S.-Japan Trade,"

²¹Council Report No. 35, United States-Japan Trade Council, on Tariff Commission Preliminary Report on ASP Valuation, May 6, 1966.

As far as the procedures are concerned, there seem to be some problems, too.²² In some, classification rulings are considered slow, appraisals differ by districts, the interpretations of tariff schedules are difficult. Whatever the degree of procedural difficulties involved in the customs operations, most concerns, forewarned of these, are able to take appropriate action.

Trade Organizations and Services Available.--What trade organizations and services are commonly available for Japanese business in America? Expensive consultation help can be obtained on an individual basis. Official or semi-official help of the Japanese government is available, though it is limited in scope. Further, it is not geared to the particular needs of individual Japanese businesses contemplating entry into American markets.

Japanese embassies and consulates have general information services available, but of a limited nature. The Ministry of International Trade and Industry dispatches its career officers to overseas consulates as vice-consuls in charge of economic affairs. Their function is coordination of tasks and activities which cross ministerial lines between the Ministry of Foreign Affairs and the Ministry of International Trade and Industry. Naturally,

²²Council Report No. 36, United States-Japan Trade Council on Change in Method of Entry, Appraisement, and Liquidation, May 20, 1966.

their stance and function reflect official stands of the parent ministries.

U. S.-Japan Trade Council aims at promoting freer trade between the two nations, and especially the promotion of Japanese goods in America through lobbying, publicity, and other information activities directed at the American public. More specifically, the Council representatives appear before congressional committees and other official bodies on questions of trade policy, prepare and distribute pamphlets and studies designed to foster better understanding in the United States of trade problems with Japan, issue reports on Congressional and executive agency proceedings as they affect U. S.-Japan trade relations, conduct constant research on trade and related problems, and engage in a variety of informational activities designed to bring to public attention the advantages of United States-Japan trade.²³ Its chief aim is to create a favorable atmosphere for Japanese goods and to remove general resistance to them. It can affect specific industries where restrictive legislation proposed by American industries can be checked and forestalled.

Japan trade centers located in major American cities are a part of Japan External Trade Organization, which is designed to promote Japan's overseas trade in general.²⁴

²³As explained by the Council's official publication.

²⁴From the official explanation by its publication and statements.

It is semi-governmental in that matching funds are supplied by Japanese business for its activities overseas. Career bureaucrats from the Ministry of International Trade and Industry form the nucleus of this organization. This organization's representatives conduct market and commodity surveys, and research on specific export items. Smaller industrial firms can receive guidance from this organization, even if they have no representatives of their own stationed in America. Its use, however, is limited for providing general information of trade leads for Japanese businessmen. Most of its activities are related to trade groups and industries. It opens a two-way flow of activities that are promotional and is directed toward the American public, as well as the American business community. Some industries, through their trade associations, organize their representative agencies in America in order to gather trade information, co-ordinate industrial promotion activities, and conduct specific research projects.

As a whole, all of the above organizations provide general guidance and aid individual businesses in pointing directions for entry problems. However, their capacity to advise them by supplying specific market information suited for the needs of individual businesses seems to be rather limited; hence they seem to exercise relatively small influence except for providing opportunity for sharing experiences.

Aside from the above organizations, trading firms called shosha play important roles in the conduct of Japanese business. With the shift to an open economy, their activities have been expanding and diversifying, although the relative importance of industrial companies' sales departments has also been increasing.²⁵ Some of the important roles which shosha perform are diversified, complex, and specialized, covering a wide range of activities.

The functions performed by the trading companies include: (1) importing-exporting, (2) financing, (3) joint ventures, (4) technological exchange, (5) breeding new companies, both at home and abroad, (6) co-ordinating and organizing group activities, and (7) assuming a wide range of responsibilities to group members, and even to the national economy.²⁶ Of immediate concern to us here are those functions the Japanese trading companies have developed which span a vast array of services, such as facility for international commerce and supplying of useful market information to prospective customers.

These functions are likely to be vital for any Japanese manufacturing firms contemplating an entry into the U. S. market. Actually, many Japanese trading companies seek to locate the best market for a client. If

²⁵Japan Trade Guide 1966 (Tokyo: The Jiji Press, 1965), p. 33.

²⁶John A. Marino, "Japan's Trading Companies: The Two-Way Bridges of International Trade," Boston University Business Review, II, No. 3, (Spring, 1965), p. 8.

the client has no market in mind, a large trading company may find one. If he has the wrong market in mind, the trading company may advise him accordingly and find the right one.²⁷

In spite of a diversified array of functions which the trading companies perform for a client manufacturing firm, there obviously exist many limitations in the extent of service functions they can effectively conduct for the client. The degree of control which a manufacturing firm can exercise over marketing activities may become limited, if conducted through a trading company. Sometimes, there may even arise direct conflicts of interest. Quite often there may arise a sharp difference of judgment as to what customer services should be performed and what kind of market information should be gathered.

The Mode and Pattern of Adaptation

The Year and Form of Entry

Tracing the history of formulation and the length of operation, it was clear that most Japanese manufacturing firms were relatively new entrants in the United States market. Judging from the sample of 121 returns for the mail survey, the majority of the establishments were organized and formed since 1959. They have operated in America less than seven years in their current form.

²⁷Ibid., p. 14.

The postwar history of the entry of the Japanese manufacturing firms began with a group of eight establishments formulated between 1946 and 1953. They were in consumer goods and their organization typically consisted of representative or liaison offices rather than American corporations. In 1952, the first three establishments were formed in the textile, fabrics, rugs and carpets fields. Then in 1953, three more establishments were formed in textiles, photographic goods, and china dinnerware (all consumer goods), and two more representative offices in the shipbuilding industry were added.

After this brief pioneering period, the pace at which new establishments were formed remained basically the same--about five establishments a year. During the five-year period between 1954 and 1958, 23 establishments (20 per cent of the sample) were formed, of which eight were representative or liaison offices opened by manufacturers of industrial goods, and five were sales subsidiaries of American corporations in the consumer goods field. Products handled by these establishments were diverse and related to such industries as shipbuilding, steel, electronic measuring instruments, photographic equipment, sewing machines, cultured pearls, china dinnerware, and textiles. Other forms included branches and sales subsidiaries firms in both consumer and industrial goods. Most branches engaged in sales activities, assisting their main sales offices by extending their geographical coverage.

It was only recently that larger business establishments of Japanese manufacturing firms commenced to appear. During the four-year period between 1959 and 1962, 44 were established. This was at the rate of eleven per year, more than double the pace of the previous five-year period. Then during the three-year period between 1963 and 1965, 46 establishments were formed. This again was at a faster rate of 15 a year, almost a 50 per cent gain per year in the number of establishments opened, as compared to the previous four-year period, 1959-1962. The rate of increase was most significant in the case of establishments classified as sales offices or sales subsidiaries incorporated under American law.

This trend was apparently the reflection of growing importance of direct marketing activities on the part of the Japanese manufacturing firms. The incorporation entitled them to engage in direct marketing activities without many of the operational restrictions of the representative offices.

The yearly rate at which new establishments were formed is summarized in Table 5-1 for the period from 1952-1965.

As a rough generalization, it may be inferred from these data on the period of entry that the opening of these offices was related to the amount and type of Japanese goods imported.

TABLE 5-1.--Yearly rate of new establishment formulation by form, 1952-1965.^a

Time Period	Yearly Rate ^b				Actual Numbers			
	Total	Form			Total	Form		
		Sales	Branch	Repr. ^c		Sales	Branch	Repr.
1952	3	1	--	2	3	1	--	2
1953	5	1	--	4	5	1	--	4
1954-1958	5	2	1	2	23	8	5	10
1959-1962	11	3	2	7	44	10	6	28
1963-1965	15	8	3	5	46	23	8	15
Total	9	3	1	4	121	43	19	59

^aMail survey, Appendix II, Sample 121 Establishments.

^bObtained by dividing the actual numbers by the time period expressed in years. Because of rounding, the total may not coincide with the total computed for each form of operation.

^cRepresentative or liaison offices, which are not formally incorporated under American law.

In Table 2-4,²⁸ a significant increase in the U. S. imports from Japan in 1959 was noted. As compared to \$671 million U. S. imports from Japan in 1958, those of 1959 reached \$1,029 million--a gain of 65 per cent over the previous year's imports. Apparently this is reflected in the sample, as indicated by a jump in the yearly rate.

Another point to be mentioned here is the use of representative offices by the firms in industrial goods field. Until 1962, of the 34 industrial establishments, 30 were in the form of representative or liaison offices. In 1965, there were 55 establishments sampled in industrial goods field, and 38 firms (69 per cent) were of this type. This is a significant contrast to the type of establishments formed by firms in consumer goods where an American corporation (sales offices and sales subsidiaries incorporated formally under American law) was the dominant form of establishment.

In summary form, the number of establishments formed by time period, by type of establishment, and by type of industry characteristics is given in the following table (Table 5-2).

Operational Acquaintance with the U. S. Market

It is interesting to note the time lapse between the first introduction of a Japanese manufacturing firm's

²⁸See page 18.

TABLE 5-2.--The year in which the current U. S. establishments were formed by type (industry characteristics) and by form, sample 121 establishments.^a

The Type (Industry Charac- teristics) and the Form of Establishment	The Number of Establishments Formulated Within the Designated Time Period (and the Time Elapsed in Years)					
	Subtotal		1965-1963 (Less Than 3 Years)	1962-1959 (4-7 Years)	1958-1954 (8-12 Years)	1953-1946 (13-20 Years)
	No.	%				
Consumer Goods	51	(100)	18	17	11	5
Amer. Corp. ^b	23	(45)	8	8	.5	2
Branch ^c	13	(25)	6	3	4	--
Repr. Office ^d	15	(30)	4	6	2	3
Industrial Goods	55	(100)	21	23	8	3
Amer. Corp.	13	(24)	11	2	--	--
Branch	4	(7)	2	2	--	--
Repr. Office	38	(69)	8	19	8	3
Both Consumer and Industrial Goods	15	(100)	7	4	4	--
Amer. Corp.	7	(47)	4	--	3	--
Branch	2	(13)	--	1	1	--
Repr. Office	6	(40)	3	3	--	--
Grand Total	121	(100)	46	44	23	9
Amer. Corp.	43	(35)	23	10	8	2
Branch	19	(16)	8	6	5	2
Repr. Office	59	(49)	15	28	10	6

^aMail Survey, Appendix II.

^bAmerican corporations which are the establishments formally incorporated under respective state laws in America.

^cBranch offices, which are the branch operations of their headquarters--usually incorporated as in (b) above--in America.

^dRepresentative of liaison offices, not incorporated.

products into the American market and the establishment of some form of representation in the major metropolitan areas of the United States. It might be hypothesized that the longer the time period, the more market knowledge and experience would be accumulated; and therefore the better would be the chances for creative, positive adaptation in the American market.

Among firms sampled, there was a wide variation in terms of the number of years lapsed. Most establishments which had had some form of U. S. operations before the war fell in the category of twenty or more years. Products of these firms included such consumer goods as ceramics, cultured pearls, fibres, and specialty foods or condiments. Also as long established were industrial goods manufacturers in metals and chemicals.

The dinnerware and china manufacturers took advantage of design and cost advantages to expand sales in prewar America. In the case of a specialty food firm, it originally catered exclusively to the Japanese-American segment of the population. This firm marketed, among other products, monosodium glutamate (abbreviated as MSG), a flavor enhancer, discovered and commercially developed by the Japanese. It first opened a representative office in America in 1917. The product, MSG, was entirely new to the American food market when introduced. According to the respondent, the firm started from door-to-door

sales by Japanese representatives, working out of an office opened in 1917. The office was reopened in 1953, after the disruption of the war.

Another firm in this category of prewar entry into the American market was a cultured pearl firm, which started marketing around 1927. It was a unique process developed by the Japanese. It displaced the Persian Gulf pearl business in the U. S. at the time of introduction. It used its inventor-founder's showmanship and propaganda to have its products accepted by traditional channels of the jewel trade. Its present-day channels still remain much the same as prewar days. Its U. S. offices ceased operations in 1941 and resumed activities in 1955.

For these firms, apparently the disruption of operations during wartime delayed the orderly developments of their marketing activities. As far as the case histories of such firms go, theirs can be good examples to depict certain patterns of adaptation, provided that recognition is given to the differences in the socio-economic and political climate governing the relationships of the two nations before and after World War II.

In marketing, the ultimate user's needs and wants, tastes and preferences, and the course of action chosen to satisfy them become the predominant factors in determining the marketing success of a firm. In the process of matching the homogeneous supply and heterogeneous demand, a firm has to adopt a mode of operation which is most

productive and efficient to expand and grow. Herein come the problems of socio-economic and political conditions in which the firm operates. Obviously those firms which had operated in America in pre-war days faced drastically different market and social conditions after the war. And these conditions are apparently still changing.

In summary then, most of the pre war entry group firms were in the consumer goods field. They had unique products to sell--mostly originated and developed by the Japanese. They had to engage in considerable market cultivation efforts in order to overcome market resistance toward new, foreign products.

Next comes the group of 26 firms falling in the 10-19-year category. However, this categorization can be misleading. More than two-thirds of the firms (18 establishments) actually entered their products into the U. S. anywhere from 10 to 13 years before establishing their current offices. This means that only eight of the firms waited 14 to 19 years after the first introduction of their products before establishing a form of business in America.

Comparing the time lapse between the introduction of a firm's products and the establishment of its offices, the normal pattern was product introduction followed by the establishment of office. Pertinent to this, of the 121 firms in the sample, 15 establishments in the

industrial goods field allowed 10-19 years to elapse before finally opening their offices in America.

Many reasons could be pointed out for this phenomenon. Demands for industrial goods typically fluctuate widely. The transactions may be infrequent and sporadic. Many intermediaries may be present in the negotiations. The locations of the users are definitely known. Some of these factors would tend to mitigate the pressure of opening a representative or liaison office in the United States.

In the consumer goods field, where American corporations were the dominant form adopted by the Japanese manufacturers, many firms waited much less time than the industrial firms before establishing their offices. Thirteen of them waited from 3 to 5 years only. This presented a good contrast in the adaptive pattern.

In all, the majority of the firms sampled (73 establishments or 60 per cent) had sold their products for 3 to 19 years before they formally opened their offices staffed by their own corporate personnel. The predominant pattern was therefore the time lag of considerable years before these companies started maintaining their offices here.

Against this general pattern there were a few atypical cases of the industrial goods manufacturers who opened their offices even before any of their products were sold in America. This might be significant if one considers

TABLE 5-3.--Comparison of the time when a firm's products were first sold and the time of formal entry by its establishment for the 10-19 years group.^a

The Time Elapsed Since Products' Introduction Until New Establishments Were Formed (In Number of Years)	Number of Establishments by Type		
	Total	Consumer Goods Industry	Industrial Goods Industry Both
10	4	--	2 2
11	2	1	1 --
12	7	1	5 1
13	5	3	2 --
(Subtotal: 10 - 13 Years)	(18)	(5)	(10) (3)
14	2	--	2 --
15	1	--	1 --
16	3	2	-- 1
17	1	--	1 --
19	1	--	1 --
(Subtotal: 14 - 19 Years)	(8)	(2)	(5) (1)
Total 10 - 19 Years	26	7	15 4

^aMail Survey, Appendix II.

the likelihood of non-respondents belonging to this category. But no further check was made to investigate this reasoning, because the response rate for this survey was quite high.

For example, a questionnaire return, which was judged unfit and rejected for the final analysis, from a representative of a mining company, had all questions unanswered, but was mailed back with a signed statement to the effect that his firm is "not engaged in the sales field but mainly deals with exchanging information." So there is some evidence that these atypical cases may exist widely among the non-respondents.

There were three respondents whose returns were included that were similar to the above instance. Of the three, two had representative offices for more than three years, although no sales of their companies' products were made. In the third case, a chemical manufacturer opened its office five years ago "for purposes of good communication with several licensors and technical and financial investigations in various fields," according to the respondent. Deserving of particular note here was a consumer goods company which had incorporated and established its office about a year ago and still saw no sales of its products. This may be an expression of well thought out marketing planning.

Reflecting such advance planning, there were 21 offices which reported simultaneous product introduction

and office establishment. For them the sales of their product were inseparable from the maintenance of their offices in America. These 21 offices represented 17 per cent of the sample. With this number following such a pattern, it was decided to investigate whether there was any relationship between (1) this simultaneous introduction and entry and (2) the market characteristics or the period in which such events took place.

In order to find out this relationship, a further cross-classification of the data was made and it was discovered that, in terms of the year of entry, all 21 firms under the "simultaneous" category were spread fairly evenly over the ten-year period in which it occurred. It was concluded, therefore, that the market characteristics or the period of entry had little bearing on the kind of entry classified as "simultaneous" product introduction and establishment formulation. For details, see Tables 5-4 and 5-5 which follow.

By way of conclusion, it can be seen from the previous analysis that the operational acquaintance with the American market, which was measured by the time lapse between the introduction of products and the establishment of offices in America, had little to do with the selection of a particular form of establishment. The type of industry characteristics dictated the particular form far more than other factors, as will be seen in what follows.

TABLE 5-4.--The year of establishment formulation by the firms categorized under "simultaneous" product entry sample 121 establishments.^a

Year of Establishment Formulation	Firms with Simultaneous Product Entry Number of Establishments By Type			
	Total	Consumer Goods	Industrial Goods	Both
1964	2	--	1	1
1963	2	1	1	--
1962	2	1	1	--
1961	4	3	--	1
1960	2	--	2	--
1959	4	2	2	--
1958	1	1	--	--
1957	1	1	--	--
1956	1	--	1	--
1955	2	--	1	1
Total	21	9	9	3

^aMail Survey, Appendix II.

TABLE 5-5.--The number of years elapsed between the introduction of products and the establishment of offices in America by type and form of establishment.

The Type and Form of Establishment		Number of Years Elapsed									
Type & Form	Total Numbers	3 or less	1 or 2	Simultaneous	1-2	3-5	6-9	10-19	20 or more		
Consumer Goods	51	--	1	9	5	13	8	7	8		
Amer. Corp.	23	--	1	6	3	6	1	4	2		
Branch	13	--	--	1	--	5	--	2	5		
Repr. Office	15	--	--	2	2	2	7	1	1		
Industrial Goods	55	2	1	7	3	13	9	16	4		
Amer. Corp.	13	--	--	2	--	4	3	2	2		
Branch	4	--	--	--	--	3	--	1	--		
Repr. Office	38	2	1	5	3	6	6	13	2		
Both Ind. & Con.	15	--	--	3	1	--	4	4	3		
Amer. Corp.	7	--	--	1	1	--	3	1	1		
Branch	2	--	--	--	--	--	--	1	1		
Repr. Office	6	--	--	2	--	--	1	2	1		
Total	121	2	2	19	9	26	21	27	15		
Amer. Corp.	43	--	1	9	4	10	7	7	5		
Branch	19	--	--	--	--	8	--	4	6		
Repr. Office	59	2	1	10	5	8	14	16	4		

^aMail Survey, Appendix II.

The Size and Organizational Change

For the establishments of the Japanese manufacturing firms in America, the number of employees is perhaps the best criterion for judging their scale of operation or size. As it is relatively costly in time and expense to recruit qualified local office personnel and train them, there exist considerable rigidity and inflexibility in changing the size of their operations in terms of numbers of employees. The lifetime employment system also makes such an adjustment slow because of the training needs and adjustments on the part of the parent Japanese organization.

Thus size, in terms of number of employees or staff personnel at each establishment, became the criterion for measuring the scale of operations. Here the number of employees was used to denote the combined figures of both Japanese and local employees.

First of all, it became apparent that the scale of operations as measured by the number of employees was small. Of the sample 121 establishments, the majority had less than ten employees. Assuming that nine or less was small for American corporations and five or less for branch and representative offices, 79 establishments (65 per cent of the respondent firms) belonged to this "small" scale category.

Moreover, large ones employing more than 100 and less than 399 people numbered only seven, or 6 per cent of the sample. This left 35 establishments in the medium-size range, which was 29 per cent of the total.

Analyzing further this medium-size range group of establishments, it was noted that there were 16 establishments whose size was less than 19 employees. Of the remaining 19 American corporations belonging to this group, only six of them had more than 20 and less than 99 employees--a truly medium-size range.

TABLE 5-6.--Scale of operations as measured by the number of employees.^a

Size and Scale of Operations	Number of Establishments		Percentage
<u>Small</u>	79		65
9 or less for Amer. Corp.	23		
5 or less for branch	14		
5 or less for repr. office	47		
<u>Medium</u>	19		29
10 or more for Amer. Corp.	19		
6 or more, but less than 19 for branch	4		
6 or more, but less than 19 for repr. office	12		
<u>Large</u>	7		6
100 or more, but less than 399 for Amer. Corp.	6		
Branch	1		
Total	121		100%

^aMail Survey, Appendix II.

In terms of the age of establishments there seemed to be no relationship between duration and the size of establishment. One might tend to think that the larger the operation, the more chance for growth for survival. However, as noted previously, this relationship was insignificant.

For smaller operations, such relationships could not be established because of the very small size range-- 0-9 for the American corporations and 0-5 for branches and representative offices. Accordingly, establishments with more than twenty employees were used as the reference group for analysis.

First, there was a clear, definite rank correlation between the year of establishment and the number of years products were sold for those establishments which had more than twenty employees and were established by 1962. This was significant because of the random distribution of the time lag after product introduction until the office establishment (p. 154). From 1963 on, this pattern broke down. This was to be expected, because the recency of entry left insufficient time for development to occur.

All of the firms in this group were American corporations except for one branch. This is understandable, since for growth and permanence the corporate firm is almost mandatory.

Second, using simple rank correlation, it was observed that the length of operation or the number of years products had been sold had little to do with the size of operations measured in terms of the total number of employees for the firms in this category of 20 or more. So it could be concluded that the time for adaptation was not related to the size.

The number of employees was broken down into two groups--the Japanese staff and the local employees, and the rank correlation was checked for each. This test was necessary because the ratio of local employees varied widely among the firms sampled. Again no relationship existed between the number of such employees and the date of entry of establishments in the current form. From this analysis only one tentative conclusion may be drawn: that for those establishments having more than twenty employees, the size of establishments tended to have no definite bearing on the length of operation in the United States.

Looking into the size of operations by type and form for the establishments with more than twenty employees, the top twelve companies in terms of length of operations all belonged to the consumer goods industry and all of them were incorporated.

This was a definite pattern and the details will be seen in Tables 5-7 and 5-8 in the following pages.

TABLE 5-8.--Rank correlation between the year of entry in current form and the size of establishment measured by the number of employees.^a

Hypothetical Identification Number ^b	The Rank Concerning the Year of Entry In the Current Form ^c	The Size of Establishment in Number of Employees					
		Total	Rank	Japanese Staff	Rank	Employees Local	Rank
1	1	33	11	13	5	20	13
2	1	31	13	6	10	25	10
3	3	102	7	2	13	100	5
4	4	113	5	14	4	99	7
5	5	146	4	26	1	120	4
6	5	43	9	20	3	23	12
7	5	300	1	5	12	295	1
8	8	190	3	10	6	180	3
9	9	204	2	2	13	202	2
10	10	38	10	8	7	30	9
11	11	106	6	6	10	100	5
12	11	30	14	22	2	8	14
13	13	33	11	8	8	25	10
14	13	48	8	7	9	41	8

^aSame source as in Table 5-7.

^bSame number as used for establishments in Table 5-7.

^cTaken from Table 5-7.

The size measured by the number of employees tended to be larger for sales offices and smaller for representative offices. The number of years of operation, measured either by the year of entry or product introduction, seemed to have little bearing on size. In terms of industrial characteristics, consumer goods industry tended to generate larger scale operations, as against the relatively smaller scale for industrial concerns.

As a generalization, the following would apply to the size of establishment by type and form of operation. First, in consumer goods marketing, American corporations were the main form of operations and the size tended to be larger than ten. When the representative office form was used, however, the predominant size was between 3-5 employees. Second, in industrial marketing, the representative office was typically very small--two or less employees. Only seldom did this form exceed more than six employees. The American corporation form was also used by the firms in industrial goods fields, but in this case the size tended to be larger--often employing ten or more.

Third, in the case of firms engaged in both industrial and consumer goods marketing the size and form tended, as might be expected, to fall between the patterns found respectively for consumer goods and industrial goods firms.

TABLE 5-9.--Size distribution of the establishments by number of employees by type and form^a (combined figures for Japanese and local employees).

Type and Form	Size Group in Terms of Number of Employees	Number of Establishments		Percentage Breakdown For Each Group ^c
		Number	(Percentage) ^b	
Consumer Goods		23	(19)	100
American Corp.	4 or less	3	(2)	13
	5-9	3	(2)	13
	10-99	11	(9)	48
	100-399	6	(5)	26
Branch	2 or less	13	(11)	100
	3-5	3	(2)	23
	6-19	6	(5)	46
	20-199	3	(2)	23
		1	(1)	7
Representative	2 or less	14	(12)	100
	3-5	5	(4)	33
	6-10	7	(6)	47
	11-19	2	(2)	13
		1	(1)	7
Industrial Goods		13	(11)	100
American Corp.	4 or less	5	(4)	38
	5-9	3	(2)	23
	10-99	5	(4)	38
Branch	2 or less	4	(3)	100
	3-5	1	(1)	25
		3	(2)	75
Representative	2 or less	38	(31)	100
	3-5	20	(17)	53
	6-10	12	(10)	32
	11-19	5	(4)	13
		1	(1)	3
Both Consumer and Industrial Goods		7	(6)	100
American Corp.	4 or less	1	(1)	14
	5-9	3	(2)	43
	10-99	3	(2)	43
Branch	3-5	2	(2)	100
	6-19	1	(1)	50
		1	(1)	50
Representative	2 or less	6	(5)	100
	3-5	2	(2)	33
	6-10	1	(1)	17
	11-19	2	(2)	33
		1	(1)	17
Total		121	(100)	
American Corp.		43	(35)	100
	4 or less	9	(7)	21
	5-9	9	(7)	21
	10-99	19	(16)	44
	100-399	6	(5)	14
Branch	2 or less	19	(16)	100
	3-5	4	(3)	21
	6-19	10	(8)	53
	20-199	4	(3)	21
		1	(1)	5
Representative	2 or less	59	(49)	100
	3-5	27	(22)	46
	6-10	20	(17)	34
	11-19	9	(7)	15
		3	(2)	5

^aMail Survey, Appendix II.^bPercentages do not always add up to each group total because of rounding.^cPercentages do not always add up to 100 because of rounding.

Organizational Change

Forty-three (36 per cent) of the establishments reported various kinds of organizational changes planned for the very near future. And the majority of them reported plans for expanding their operation either by increase in personnel or by relocation of office due to the need for larger space for more efficient operation. Of the 43 reporting change, about one-third or 13 firms--more than one-tenth of the sample--reported incorporation as the major reason. This is significant in that it reflects, more than other changes might, a likely shift in form of operation. This inference is strengthened inasmuch as incorporation was usually coupled with some quantitative changes, such as increase in personnel or relocation for larger space. For details, see Table 6-10. These firms included five in both consumer and industrial goods. This may have reflected the pressure for diversification and thus the preference for less restrictive forms of operation. See Table 5-11 for details.

From this result, it would be inferred that there was a definite trend toward incorporation among representative offices, toward the increase of personnel, and toward the expansion of business by relocation. There were some cases of failure reported and apparently some representative offices were to be closed due to policy changes of the parent company, the discontinuance of operations, or mergers.

TABLE 5-10.--Contents of the future organizational changes proposed by kinds and major reasons given.^a

Year	The Year of Entry Total Number of Establishments Sampled	Number of Establishments Reporting Plans For Proposed Changes in Organization		Kinds of Organizational Change (or the Major Reasons Given For the Change) ^b			
		No.	(%)	Increase in Personnel (A) ^c	Relocation of Office (B) ^d	Incorporation (C) ^e	Close or Abolish Offices (D) ^f
1965	9	8	89	3	2	3	--
1964	18	8	44	3	--	5	--
1963	19	5	26	2	1	2	--
1962	12	1	8	--	--	--	1
1961	11	4	36	1	1	2	--
1960	13	3	23	1	1	--	1
1959	8	2	25	1	1	--	--
1958	4	3	75	2	1	--	--
1957	6	3	50	3	--	--	--
1956	4	1	25	1	--	--	--
1955	5	2	40	--	1	1	--
1954	4	--	--	--	--	--	--
1953	4	2	50	2	--	--	--
1952	4	1	25	--	--	--	1
Total Number	121	43	36	19	8	13	3
Percentage		(100)	--	(44)	(19)	(37)	(7)

^aMail Survey, Appendix II.

^bBy the content analysis of the responses to an open-end, response-suggesting, and free write-in type question.

^cIncrease in personnel was usually explained as necessary in order to expand and facilitate operations. Observed frequently among growth firms.

^dRelocation of office was usually due to growing out of their existing plant or due to plans to accommodate increased personnel. But relocation in order to be closer to the main market was also reported.

^eIncorporation was the change in form from representative or liaison offices to American Corporation (usually sales office or sales branch).

^fClose or abolish office was reported by the firms which realigned its overseas activities and dropped their offices over here. All of them were representative offices.

TABLE 5-11.--Firms planning incorporation in the near future by industry characteristics.^a

Type of Industry	Number of Establishments		
	Surveyed Sample Total	Reporting Incorporation	
		Number	Percentage
Consumer Goods	51	3	6
Industrial Goods	55	5	9
Both Consumer & Industrial Goods	15	5	33
Total	121	13	11

^aMail Survey, Appendix II.

Industrial and Product Features

As seen from previous analyses, almost all of the larger establishments belonged to the consumer goods industry, their size being more than 20 employees. On the other hand, most smaller ones represented industrial goods industry in the form of representative offices. There seemed to be many reasons for this. First of all, firms in industrial goods were relatively newer entrants into the American market. The most popular form in the past was the representative or liaison office, but this pattern has been shifting and more and more establishments are incorporating formally under American law, especially the firms dealing in both consumer and industrial goods. Between 1959 and 1962, only two incorporated industrial

firms appeared, whereas there were 19 representative offices (Table 6-2). However, between 1963 and 1965, 13 establishments were incorporated and only 8 representative offices were formed (Table 6-1).

Moreover, many representative offices in industrial goods marketing were considering incorporation according to the survey.

It should be repeated here that it was the companies in consumer goods which originally entered the American markets. The entry by industrial firms was fairly recent. Therefore, as far as experience in this overseas market went, the firms in consumer marketing definitely had many advantages in marketing know-how in America. This seemed to bear some relationship to the scale of operation in terms of number of employees, for consumer goods manufacturers, for the most part, represented the largest size group. If size could be construed as reflecting the degree of complexity of American operations, the most sophisticated ones were to be found among the large establishments in the consumer goods field.

Major Problems of Adaptation

The Entry Considerations: The Leaders and Their Entrepreneurship

Introduction.--The entrepreneurship of the Japanese business leaders has played a significant role in developing Japanese business operations in America. As seen

through the patterns of adaptation, the earlier entrants were basically of the entrepreneurial type who brought new products developed back in Japan and succeeded in cultivating new markets in America, until the war broke all normal commercial relations.

Therefore, by way of introduction, the origin of Japanese entrepreneurship will be briefly explored here. The purpose of this section is to clarify that American setting rewards innovators and entrepreneurs of Japanese business.

The subject of Japanese business leaders is a fascinating subject to study. Behind Japan's rapid industrialization was the strong leadership by her tradition of Tokugawa administration of almost three centuries.²⁹ This tradition was combined with the rise of the merchant class and a new form of a merchant culture of the cities,³⁰

²⁹See Thomas C. Smith, Political Change and Industrial Development in Japan: Government Enterprise, 1868-1880 (Stanford, California: Stanford University Press, 1955).

According to Smith, at the time Meiji government took over the vast machinery of Tokugawa administration, it not only inherited various practical applications of Western technology such as several iron foundries and numerous scattered furnaces for smelting the iron ore, a mechanized spinning mill, an important coal mine, scattered facilities for shipbuilding and repair, and a modest but substantive merchant marine, but also succeeded the individuals who had already acquired invaluable technical and managerial experience in starting these enterprises and upon whom it could draw help. Ibid., pp. 1-12.

³⁰See David Charles Sheldon, The Rise of the Merchant Class in Tokugawa Japan (Locust Valley, New York: J. J. Augustin, Inc., 1958).

and later with a modern, centralized universal educational system of Meiji Japan, which generated succeeding elites for the nation.

It is generally recognized that the Meiji elites' strategy of Japan's industrialization was based on the utmost utilization of the old system. And the Zaibatsu leaders were a part of the elite class who actually shouldered the burden of economic development. Moreover, contrary to popular belief, they originally appeared as entrepreneurs Western style.³¹ They were entrepreneurs who skillfully exploited the opportunities presented by the trend of the times. The emphasis on Zaibatsu family ties should not obscure the origin of Meiji industrialists.³²

³¹This and the following description and analysis of Zaibatsu leaders are based on Professor K. Noda's article in Komiya, op. cit., pp. 256-257.

³²In Meiji era, many Zaibatsu grew by utilizing the entrepreneurial initiatives of their originators and founders. Until the economic power of Zaibatsu became dominant, still many more entrepreneurs could and did move into the arena of Japanese industry. Moreover, until the bureaucratization of Zaibatsu organizations became rather rigidly fixed, many able individuals did advance to the position of great influence to make entrepreneurial business decisions even without the proper family connections with the Zaibatsu.

The details of Zaibatsu leaders' characteristics can best be found in autobiographical reports, personal sketches, and company histories written by the Japanese, although quite often they lack objectivity and run towards exaggeration.

There are English sources as well. Perhaps the most authoritative one would be: Johannes Hirschmeier, The Origins of Entrepreneurship in Meiji Japan, Harvard East Asian Series 117 (Cambridge, Mass.: Harvard University Press, 1964). According to the cover summary of

Moreover, the Zaibatsu leaders depended heavily on professional managers to carry out and administer the daily operational aspects of their business in the tradition of the merchant class in Tokugawa Japan.³³

The Emergence of Entrepreneurial Industrialists³⁴

The end of the war meant the dissolution of Zaibatsu groups and the increasing use of professional managers.

the book's content, this is a comprehensive analysis of the genesis and dynamic development of Japanese entrepreneurship, and it traces the dramatic struggle of a determined elite, using Japanese source materials almost exclusively.

For a very interesting, lively account, see Robert Lubar, "The Japanese Giant That Wouldn't Stay Dead," Fortune, November, 1964, pp. 141-149. This article is a case history and personal observation of Mitsubishi, probably the largest of Zaibatsu today, which originated in pre-Meiji period.

³³Not only the samurai (warrior) class, but also the merchant class, which is supposedly at the bottom of social strata in feudalistic Tokugawa reign, seem to have been well educated. The number of temple schools (terakoya) for commoners in towns and cities increased from 94 at the beginning of Tokugawa period to 5,867 at the end. Merchant Confucianists gained a hearing from feudal lords and they aspired to become the intellectual leaders of the nation. Knowledge, culture, and power were spread over a larger area of population than ever before in Japanese history. Sheldon, op. cit., p. 169.

³⁴The explanation of the type of entrepreneurs is based on Kazuo Noda, "Zaibatsu Kaitai To Sengo Keieisha No Toojo," (The Dissolution of Zaibatsu and the Emergence of Postwar Managers), The Bessatsu Chuo Koron, Keiei Tokushu, Fall, 1965, p. 368. Similar descriptions can also be found in Ryutaro Komiya, op. cit.

Moreover, the Zaibatsu leaders depended heavily on professional managers to carry out and administer the daily operational aspects of their business in the tradition of the merchant class in Tokugawa Japan.³³

The Emergence of Entrepreneurial Industrialists³⁴

The end of the war meant the dissolution of Zaibatsu groups and the increasing use of professional managers.

the book's content, this is a comprehensive analysis of the genesis and dynamic development of Japanese entrepreneurship, and it traces the dramatic struggle of a determined elite, using Japanese source materials almost exclusively.

For a very interesting, lively account, see Robert Lubar, "The Japanese Giant That Wouldn't Stay Dead," Fortune, November, 1964, pp. 141-149. This article is a case history and personal observation of Mitsubishi, probably the largest of Zaibatsu today, which originated in pre-Meiji period.

³³Not only the samurai (warrior) class, but also the merchant class, which is supposedly at the bottom of social strata in feudalistic Tokugawa reign, seem to have been well educated. The number of temple schools (terakoya) for commoners in towns and cities increased from 94 at the beginning of Tokugawa period to 5,867 at the end. Merchant Confucianists gained a hearing from feudal lords and they aspired to become the intellectual leaders of the nation. Knowledge, culture, and power were spread over a larger area of population than ever before in Japanese history. Sheldon, op. cit., p. 169.

³⁴The explanation of the type of entrepreneurs is based on Kazuo Noda, "Zaibatsu Kaitai To Sengo Keieisha No Toojo," (The Dissolution of Zaibatsu and the Emergence of Postwar Managers), The Bessatsu Chuo Koron, Keiei Tokushu, Fall, 1965, p. 368. Similar descriptions can also be found in Ryutaro Komiya, op. cit.

Major enterprises experienced a period of confusion for about five years after the war. Most of them were primarily industrial goods manufacturers for the strong military demand and consequently could not switch back to peacetime production. Thus the dissolution of Zaibatsu generated many conditions which were conducive to creating entrepreneurs, as its economic impacts affected the structural and institutional arrangements of Japanese society.

Many corporations in the consumer goods field did remarkably well during this post-war period as entrepreneurs. Generally speaking, there were two types of entrepreneurs among those who succeeded during this period, according to Professor Noda's analysis. One type was the business which started out during the war as the medium and small enterprise.³⁵ Another type was composed of those who had already obtained a considerable degree of success as entrepreneurs in those areas where the Zaibatsu groups had not entered.³⁶

Both of these two types had some common attributes and traits. They had abundant entrepreneurial spirit and demonstrated innovative managerial and marketing

³⁵Mr. Ibuka of Sony Corporation is given as a typical example in Professor Noda's explanation.

³⁶Mr. Matsushita of Matsushita Electric Company is given as a typical example of this type by Professor Noda.

strategies which paved the way for ensuing industrial practices. The impact of such entrepreneurial industrialists has been tremendous in many sectors of Japanese business.

Their impact has been especially great upon the fellow managers in the same industry who have more or less followed the "traditional" safe path. The entrepreneurial industrialists' aggressive marketing activities stimulated the entire industry and eventually paved the way for the rapid expansion of Japan's industrialization in the ensuing years. From this introduction, it can be easily hypothesized that the firms headed by the industrial entrepreneurs tended to pioneer the marketing efforts in the postwar American market.

As an ecological corollary of this hypothesis, it can be further postulated that any innovative, entrepreneurial venture does have a definite competitive advantage in the American market according to Schumpeter's thesis.³⁷ In order to test this reasoning, both a macro approach of taking the entry adaptation pattern and the micro approach of using selected cases of entrepreneurial industrialists in their entry strategies could be used.

³⁷Joseph A. Schumpeter, Capitalism, Socialism, and Democracy (Third ed., New York: Harper & Brothers Publishers, 1950), pp. 84-85, and 132-133.

Size and Length of Operations of the Entrepreneurs

From a macro standpoint, the length of entrepreneurial industrialists' operation in Japanese home market should be considerably shorter as compared to the operational history of traditional Zaibatsu related corporations. Therefore, by comparing the duration of operations in the home market, it was assumed that the firms with relatively short history in Japan were more of the entrepreneurial type. The next step was to differentiate the period of their entry into America and the size of their operations.

There seem to be two crucial factors which determined time of entry for the firms surveyed. First, when considering entry into the American market, the financial resources and the technical know-how of the well-established, traditional firms (the Zaibatsu related ones) would seem to provide a definite competitive advantage. However, if the aggressiveness in marketing operations, characteristic of the entrepreneurial industrials, is considered, one might expect their entry to occur earlier because of their advantage in marketing strategies and product offerings.

In order to test which factor was dominant, the data concerning the time of entry into American market was cross-tabulated against the number of years the parent companies had operated in Japan. The result indicated that about one-third of the firms had operated in Japan 51 or more years, and they did encompass a

proportionately higher percentage of the total firms which had entered into America 7 or more years ago. The firms which operated in Japan 16-50 years for the most part entered the American market during a more recent period (6 years or less). It is difficult to ascertain the statistical significance of this result, but it can be safely concluded, at least, that the entrepreneurial industrialists did not enter the American market earlier than the traditional firms. For details, see Table 5-12.

If a strong leadership and entrepreneurial spirit did have a definite bearing in determining the degree of success of American operations, it might be reasoned that the relatively successful firms would have a shorter history of operations in Japan. Therefore the firms were grouped as: those firms which operated back in Japan 6-15 years, those with 16-50 years operation, and those with 51 or more years' history in Japan. It was assumed that, of the three groups, the one with 51 or more years' operation was likely to contain more traditional, well-established firms than the group with 16-50 years' operation which would contain more of the entrepreneurial industrialists.

Measuring the degree of success in America by the size, in terms of the number of employees of the American establishment, the successful ones seemed to belong to the 16-50 year group. The distribution of firm size within this group was bimodal, with a relatively small

TABLE 5-12.--The relationship between the length of American establishment and the length of operation of the parent company for a Japanese firm in America, sample 67 firms.^a

The Length of American Establishment (The Period After Entry in Number of Years)	The Length of Parent Company's Operation Back in Japan				
	7-15 Years (%)	16-50 Years (%)	51 or More Years (%)	Total	(%)
One Year or Less	2 (40)	1 (2)	1 (5)	4	(6)
1-2 Years	1 (20)	13 (32)	5 (24)	19	(28)
3-6 Years	2 (40)	16 (39)	5 (24)	23	(34)
7-15 Years	--	11 (27)	8 (38)	19	(28)
16-50 Years	--	--	2 (10)	2	(3)
	(100)	(100)	(100)		
Total	5 (7)	41 (61)	21 (31)	67	(100)

^aPersonal interviews, Appendix III.

number of medium size firms (6-50 employees), compared to the smaller or larger ones. For the firms with 51 or more years of operation, the size distribution appeared to be random.

Therefore, it seems that, as far as entry and succeeding growth is concerned, the entrepreneurial industrialists successful in Japan tended to have larger operations in America as well, compared to the traditional firms. It will be recalled that the larger operations are in the consumer goods industry (Cf: Table 5-9). In addition, it was discovered that many entrepreneurial industrialists in the electrical and non-electrical machinery fields were included. A summary is found in Table 5-13.

The Selected Cases of Entrepreneurial Industrialists' Entry

. . . there are many enterprises which successfully cultivated overseas market, in spite of Japan's relative isolation of the postwar recovery period, when many firms were primarily concerned with the domestic market. But it was not a mere coincidence that those successful firms in the foreign market were the newly emerged enterprises, instead of the traditional, well-established prewar firms. The successful ones in cultivating the overseas market--Sony, Honda, Canon, Yamaha, for example--produced a new marketing strategy based on the different market preception from what the traditional firms followed. The pre-war firms stuck to the idea that there was a marked difference between the overseas and the domestic markets, and therefore that the success in the domestic one is no guarantee in the overseas marketing. But the newer firms did and would not subscribe to this traditional view of foreign market.

TABLE 5-13.--The relationship between the size of American operations and the duration of operation in Japan.^a

Size of Organization (Measured by the Number of Local Employees)	Number of Firms Total	Number of Years Which a Firm Has Operated Back in Japan					
		6-15		16-50		51 or More	
		Number	(%)	Number	(%)	Number	(%)
Total	67	5	(7%)	41	(61%)	21	(31%)
			(100%)		(100%)		(100%)
Non-Respondents	5	1	(20)	3	(7)	1	(5)
None	15	2	(40)	8	(20)	5	(24)
1-2	13	1	(20)	8	(20)	4	(19)
3-5	9	1	(20)	6	(15)	2	(10)
6-10	5	--	--	3	(7)	2	(10)
11-20	4	--	--	1	(2)	3	(14)
21-50	5	--	--	3	(7)	2	(10)
51-100	7	--	--	6	(15)	1	(5)
101 or More	4	--	--	3	(7)	1	(5)

^aPersonal Interviews, Appendix III.

Very interesting was the attitude of both presidents (Canon and Sony) toward the trading firms upon considering the entry into America. One mentioned that he "did not know that such a convenient thing as the trading companies existed." And the other stated that "of course I asked them, but nobody would dare handle my products." So they proceeded on their own to cultivate the American market. In other words, the foreign market strategy they followed was basically the extension of their own logic and formula of success proven in the domestic market, which was quite innovative.³⁸

In this connection, the case of one of the prewar entrants into the American market deserves a note of mention here--Ajinomoto, the developer of MSG.³⁹ While the firm was still struggling to establish itself in Japan despite strong resistance, it started a systematic effort to open foreign markets.⁴⁰ Like the episode quoted above, no trading companies would handle the product, so it had to develop its own channel of distribution. And this is still the case with the company in today's marketing efforts in America.

In the case of Matsushita Electric, whose Panasonic brand of electrical equipment is widely marketed in the United States, its rise to today's prominence attracted wide publicity.⁴¹ Its innovative features are not

³⁸Kazuo Noda and Noboru Kamakura, "Kigyo Seichono Mittsuno Joken," (Three Conditions for the Company Growth), The Chuokoron, May, 1966, pp. 215-216.

³⁹See pages 150 and 151.

⁴⁰Fujiyoshi Sakamoto, Rijun Eno Chosen (Challenge to Profits) (Tokyo: Chukoshinsho, Chuo Koron Sha, 1965), p. 70.

⁴¹Mr. Matsushita, the founder of the company and

confined to the marketing area. It was the first firm in the industry to adopt the so-called "one-step" method of distribution both in Japan and in America.⁴² Further, as early as 1933, Matsushita adopted a decentralized organizational structure. Since then Mr. Matsushita has continued his concern with the problems of sound organizational structure based on the principles of decentralization and the delegation of authority, and it was one of the first Japanese firms which adopted jigyobusei (product division system) in 1955.⁴³

Another electrical firm, Sony, has had a much shorter, but equally spectacular history of success. It was founded by two persons, Masaru Ibuka as president and Akio Morita, as executive vice president, right after World War II. Sony's swift, spectacular emergence as a globe spanning corporation was engineered by these two resourceful innovators.⁴⁴ Today, its overseas sales surpass its domestic sales in Japan.⁴⁵

the chairman of the board, was taken up by the Time's cover story. "Following Henry Ford: Matsushita Electric Co.," Time, LXXIX, February 23, 1962, pp. 93-97.

⁴²See, for instance, Jitsugyono Nippon's articles which describe the extent of its earlier marketing operations in the United States. (In Japanese.)

⁴³Sakamoto, 1965, op. cit., pp. 204-210.

⁴⁴"Sony: How to Grow Big by Thinking Small," Spotlight on Business, Newsweek, June 13, 1966, p. 88.

⁴⁵Sakamoto, 1965, op. cit., p. 289.

In the last decade--the period of Sony's greatest growth--sales have spurted from \$4 million to \$103 million, and profits from \$145,000 to \$4.6 million. . . .

Basically, Ibuka and Morita built an empire by taking concepts devised by others and nimbly turning them to previously unsuspected uses. Sony, Ibuka has acknowledged, takes pride "in finding unnoticed utility value in others' inventions, seasoning them with original ideas of our own and making them into marketable products."

The U. S.'s Western Electric Co., for example, had held the patent on the transistor since 1950. No one had given much thought to its applications to the consumer market until Ibuka saw it on a trip to America in 1952 and perceived its possibilities for small radios.

By 1957, Sony came out with the first shirt-pocket-size transistor radio, and . . .

Sony followed that coup with a series of world firsts by adapting the transistor to use in AM-FM radios, television sets, microphones and, most recently, its home video tape recorder (VTR).⁴⁶

The combination of the two founders had provided the ideal teamwork for Sony. Mr. Ibuka has headed its engineering staff which has lived up to its motto, "Research Makes the Difference." Mr. Morita, on the other hand, has been instrumental in setting up Sony's global network of marketing channels under its own brand name. It was Mr. Morita who decided to market transistor radios under Sony's own brand, and not to produce for foreign manufacturers under a private label. Also it has been chiefly under his initiative that Sony's organization structure has been built on the basis of "talents" instead

⁴⁶Newsweek, June 13, 1966, op. cit.

of the traditional gakureki (level of education) and the seniority rule under the lifetime employment system.

According to Mr. Morita, Japanese managers are "tragic" in that they have to use the personnel talents available within the traditional lifetime employment system.⁴⁷ He states his position as:

What is most needed and most important for Japanese business is to create the mobility of individuals among business organizations, so that each working individual could develop his full potential talent best suited for the opportunity available. . . . Personnel development must be geared to strengthening individual talents. Under the current fierce international competition, it is the obligation of an enterprise to let individuals realize their full potentials.

When I emphasize the need for individual mobility among business enterprise, . . . (the traditional lifetime employment system) will not be beneficial from an overall social standpoint as well.

People say that Sony has good ideas, but actually our ideas are not that good. There are many who have good ideas, but there are few who are courageous enough to carry those ideas out. We just try them, if they sound good enough although those ideas may involve many difficulties. This is our basic policy. And our talent development has been based on this one premise. I do sincerely hope that other managers would also start contributing their share toward increasing the individual mobility among the enterprises based on this philosophy.⁴⁸

This courageousness and unorthodox approach to business problems in general is characteristic of many

⁴⁷Akio Morita, "Wagashano Jinzai Kaihatsu," (The Talent Development in Our Company), The Chuokoron, May, 1966, pp. 193-198.

⁴⁸Ibid.

entrepreneurial industrialists successful in their American operations. For instance, Mr. Soichiro Honda, president of Honda Motor Company, Ltd., of Tokyo, commented, "Women's bodies are beautiful. I tried to make these cars like that."⁴⁹

In his meteoric rise, Honda has picked up nicknames. To his green-and-white-capped, jump-suited assemblyline workers, he's just "Pop." Behind his back, the endearment is fondly expanded to "Thundering Pop" ("He sounds like a hot motorcycle," said one lab worker). To Japanese businessmen of the old school, he's snipingly called "Après-Guerre Honda." But, to his retinue of riders throughout Japan, he's "Big Boss of the Thunder Herd."⁵⁰

Mr. Honda won his après-guerre title through his own merits. At one time he reputedly remarked that managing a steel company, for instance, could practically be done by anyone, but it is not the case with a company without government protection.⁵¹ He was referring to the hard time he had come through and was critical of the bureaucratic, green-house management of large, established steel companies. To win his current status of eminence, Mr.

⁴⁹"On the Scene: Soichiro Honda," Playboy, January, 1965, p. 182.

⁵⁰"How the 'Thunder Herd' Boss Brought a Honda Boom to U. S.," Spotlight on Business, Newsweek, July 6, 1964.

⁵¹See Kamakura and Noda, op. cit., p. 217. Similar opinion of Mr. Honda appears in an article based on the conversation between Mr. Ibuka, president of Sony, and Mr. Honda, which appeared in Shukanasahi, 71, No. 20 (May 13, 1966), pp. 36-39, titled "Kyososhitekoso Kigyowa Nobiru," (Competition Makes Enterprises Grow).

Honda had actually won over more than two hundred direct competitors who also started producing motorbikes and motorcycles after the war.

For more than two years, the ubiquitous Honda had been burning up the U. S. road. From 87,000 in 1963, U. S. sales of the slick, bargain-priced Japanese motorcycle roared to 150,000 in 1964 and hit 270,000 in 1965.⁵²

What shot Honda ahead of its snarling pack of competitors? In 1961, a director of a British motorcycle firm took a look for himself. "When we stripped the machine," he told a reporter, "frankly, it was so good it frightened us. It was made like a watch and it wasn't a copy of anything."

That original designing came mostly from the brow of the company's founder, a 5-foot 4-inch, 130-pound explosion of quick gestures, smiles, and pungent talk: Soichiro Honda, 57. Memoir writers often like to fancy that success follows a blueprint drawn at birth. But Honda's quixotic career has worked out more like a Picasso canvas than a blueprint: full of brash zigs, vivid insights, and abrupt shattering of the proprieties.⁵³

Similarly, there are many other episodes connected with the entrepreneurial industrialists of postwar Japan in growth-oriented industries. For instance, the photographic industry has had its own share of such entrepreneurial initiative.⁵⁴

⁵²"Motorcycles: Honda's Hang-Up," Newsweek, July 11, 1966, p. 66.

⁵³"How the 'Thunder Herd' Boss . . . , Newsweek, op. cit.

⁵⁴For an authoritative description of the postwar photographic industry of Japan, as well as its significance, see Herbert Martin Bernstein, "The Significance of the Postwar Growth of the Japanese Photographic Industry" (unpublished Ph.D. dissertation, Department of Economics,

Common to the successful entrants to America are first, the constant innovation in product development with application of various features of modern technology, and second, the aggressive foreign marketing based on the principles and experiences tried and proven in the home market of Japan. The entrepreneurship seems to be the key in initially establishing a workable arrangement with the foreign marketing organizations to set up proper channels of distribution. In cultivating foreign markets, the entrepreneurial industrialists exhibited remarkable skills and techniques full of originality, witty tactics, and unexpected but timely moves.

The Organizational Implication of Adaptation

The Lifetime Employment System.--The custom of lifetime employment and the attendant seniority rule provide the basic framework of Japanese business organization. The prevalent use of temporary workers, which is practically equivalent to the layoff system in America and the increasing horizontal mobility among young skilled labor are the two salient factors which make the lifetime

Western Reserve University, 1965).

Also, there are countless articles and reports on new products, features, developments, and offerings in many photographic journals and magazines. For instance, U. S. Camera devoted its June 1965 issue as a special issue on Japan, and dealt with historical evaluation of Japanese camera industry from different perspectives.

employment system less rigid than it sounds on the surface. Compared to the American system, the difference may seem to be a matter of degree and not of kind. But the Japanese ecological setting is so different from the American one that this problem of the mobility of individuals among business has assumed almost an opposite social meaning in Japan.

The two pillars of Japanese lifetime employment system--the seniority rule and the academic history level rule--are still the dominant pattern of Japanese organization in middle and top management. Only those emerging enterprises headed by the entrepreneurial industrialists tend to have less strict enforcement of these rules, mostly necessitated by the lack of reputation to attract the academic talents while growing, and later by the need to staff themselves to cope with expanded business needs. It is the fact of their growth that enables them to adhere less to the traditional ways of business in Japan.

If American operations of Japanese business are carried out by the career businessmen coming out of the lifetime employment system of their parent organizations, this could easily be traced by examining the personal background of Japanese executives in charge. It can also be empirically investigated through the firm's personnel policies, the career patterns of employees, and the use of local staff in the American operations. In general, the empirical evidence tended to confirm the fact of

straight introduction of the lifetime employment system into the American setting. Deviation from this pattern was observed only in industries where competition was keen, and the career corporate businessmen could not supply adequate operational leadership. Moreover, such deviation was observed only in those firms headed by entrepreneurial industrialists, and not in the firms with established tradition in Japan even if they belonged to the same industry groups as the entrepreneurs. Generally speaking, the more traditionally entrenched the firm, the greater the adherence to the seniority and the academic history rules--resulting in the typical managerial pattern characterized by the lifetime employment system.

Profiles of Head Marketing Executives.--A preliminary investigation by personal interviews was conducted in the summer of 1964 with representative Japanese executives in 22 larger establishments in the New York area. The prime purpose was to investigate the extent of their marketing activities, but a brief check of the personal background of the executives in charge of these establishments was made vis a vis the lifetime employment system. All of the marketing executives heading the operations surveyed at the time were college graduates with degrees from well-known Japanese universities. Some attended American universities as well. Most of the respondents, besides being nominal heads of firms, were in managerial or marketing positions overseeing their operations in New

York. They were career executives promoted from within, indicating that many companies were rather reluctant to bring in outside talents, even for their New York operations.

Out of the 22 companies surveyed, only six companies were headed by executives who had worked in other business organizations than the current one. Executives in the remaining 16 companies had come up through the ranks, the longest length of stay with the parent and present company being 35 years. This was a rather interesting phenomenon, as the requirements for such jobs often demanded specialized skills and experiences not readily found among the talents within the parent organization back in Japan.

On an average, a Japanese executive had been in America for the past 3.4 years. He had been associated with the parent company for the past 14.4 years. Only one in two has had any other employer.

In non-electrical machinery there were top executives with extensive experience in other business organizations. Three of the six executives representing companies in this category had worked in three other companies. Significantly, this was the industry in which aggressive marketing operations on the part of Japanese manufacturers were observed. The only other industry in which top executives had outside business experience was electrical machinery, where two out of five had worked for other business concerns. In the other industries, all of the chief executives had come up through their companies

without any outside business experience. Thus it can be concluded that the lifetime employment system is in force in America as well as in Japan.

Even the exceptions noted were modifications of the system and not the complete abolishment of it in the majority of cases.

In the textile industry, the average number of years which head executives served in the parent company was nine years and no outside business experience was indicated. It is one of the oldest and most traditional industries, and here, perhaps, the pressure for the lifetime employment system would be the strongest. Most firms in this industry regularly sent young junior executives, both of managerial and technical staff capacity, for short rotational assignments in America. This was why the average number of years served by top executives in this group was relatively short, compared to other kinds of operations. For details, see Table 5-14.

The Seniority and Academic Level Rule.--In the main interviews conducted in the summer of 1965, the respondents' positions were not necessarily those of the head marketing executive but covered a wide range of titles. Also, the operations of their firms spanned a magnitude of different activities from sales to representative offices. The positions held by the respondents surveyed is given in Table 5-15.

TABLE 5-14.--The average number of years in business experiences of the Japanese head executives stationed in the New York area.^a

Type of Operation	Total Number of Firms Surveyed	Average Number (Per Firm) of The Head Executives'			
		Japanese Nationals Employed	Experience in Other Companies (Number)	Years of Stay in America	Years Served in Present Company
Machinery (Non-Electrical)	6	12	1.5	5	11.5
Machinery (Electrical)	5	31	.4	4	17
Textile	5	4	--	1	9
Steel	2	5	--	4	13
Chemicals	1	4	--	1.5	25
Ceramics	1	24	--	5	35
Food	1	4	--	4	17
Miscellaneous	1	3	--	3	16
Total	22	10	.5	3.4	14.4

^aSource: Personal Interviews, Summer 1964, Sample 22 Firms.

TABLE 5-15.--The position and the form of establishment of the respondents surveyed.^a

Position	Form of Establishment				Total No.
	Manufacturing Subsidiary	Sales Subsidiary, Incorporated Under American Law	Branch, Sales or Import Office	Representative or Liaison Office	
President	--	7	--	--	7
Vice President	3	14	1	--	18
General Manager	--	2	--	3	5
Manager	1	1	1	7	10
Assistant Manager	--	1	--	--	1
Representative	--	1	--	17	18
Management Staff	--	3	1	1	5
Technical Staff	--	--	3	--	3
Total Number	4	29	5	28	67
Percentage	6	43	7	42	100

^aPersonal Interviews, Summer 1965, Appendix III.

Although precise measurement of the degree of seniority rule operative with the Japanese establishments in America was not attempted, a direct test of the lifetime employment system was the amount of outside work experience these executives had had. If there was a great degree of inter-enterprise movement for the executives surveyed, this would be indicative of less adherence to the seniority rule within an organization. Generally speaking, the more the number of outside organizations individual executives worked for previously, the less strict enforcement of the lifetime employment system for the firms they worked. If this theoretical framework applied, then it could be concluded that such movements across the enterprise barrier would imply the system's modification in view of the talent needs for American operation.

From the survey, it was revealed that 27 (40 per cent) of the respondents had work experience outside of the present company, while 39 respondents (58 per cent) had no such outside work experience. If similar tests were conducted covering the Japanese executives in Japan, the number having outside work experience would no doubt be much smaller. In most of the American operations of the Japanese manufacturing firms, therefore, the mobility of executives seemed much higher than in the case with Japan. This fact could be partially explained by the existence of less traditional firms (of entrepreneurial

type) in America, as well as the demand for specialized talents required for their operations.

By examining the number and type of organizations for which the mobile executives (27 respondents, or 40 per cent) had worked previously, however, it was found that the seeming mobility was less than the ratio indicated. Only 9 (13 per cent) respondents worked for more than two organizations. The majority of the "mobile" respondents (16 or 24 per cent) worked for only one organization previous to the present one.

Of the 27 executives with outside work experience, about half (13) worked previously for other Japanese companies and about one-third (8) worked previously for American corporations. Japanese trading firms were the third category where 6 respondents had previous work experience.

Combining the magnitude and extent of such outside work experience, it could be concluded that the overall mobility of the surveyed executives was greater than in Japan, but limited, compared to general American practices. See Table 5-16 for details.

The Japanese lifetime employment system depends on the educational system which has traditionally furnished the required talents for business. From this perspective, the current generation of big enterprise managers in Japan has reached its position through a typically bureaucratic career. Studies on their background have so far

TABLE 5-16.--Work experience outside of the present company, type of organization previously worked and the number of organizations thus associated.^a

Have Work Experience Outside of Present Company	Type of Organizations Previously Worked ^b	Number of Organizations Previously Worked
No.....		
Yes.....		
N. A.		
	Other Japanese Companies.....	13 (19%)
	American Companies.....	8 (12%)
	Trading Firms.....	6 (9%)
	Government.....	3 (4%)
	Trade Association..	1 (1%)
	One.....	16 (24%)
	Two or Three.....	4 (6%)
	Four or Five.....	1 (1%)
	Six or Seven.....	1 (1%)
	Eight or More.....	3 (4%)
	N. A. ^b	2 (3%)
Total.....	Total ^c	31 (46%)
	Total.....	27 (40%)

^aPersonal Interviews, Appendix III.

^bNon-response.

^cBecause of multiple entry of response, the total is larger than 27.

indicated that the top business leaders in Japan generally have been chosen on the merits based on their higher level of education, rather than the family lineage or the amount of inherited wealth.⁵⁵

Therefore, it could be reasoned that if the lifetime employment system was accepted by Japanese business in America, the educational background of the executives surveyed would tend to indicate a high degree of educational level. Accordingly, the educational background of the executives was investigated and it was found that almost all the respondents had college or university education, as indicated in Table 5-17.

Since the location of the highest education received was Japan, 55 (82 per cent), U. S., 10 (15 per cent), and others, 2 (3 per cent), it could be reasoned that almost all of them had school training in Japan. The respondents' country of citizenship was Japan, 62 (93 per cent), U. S., 3 (4 per cent), and others, 2 (3 per cent). Inquiry revealed that the education received placed heavy emphasis on economics, business and law as the fields of study. See Table 5-18 for details.

⁵⁵This point seems to be widely accepted by many contemporary Japanese managerial scholars who conducted various empirical investigations. Most of such research results are published in summary form in the recent issues of The Bessatsu Chukoron, Keieimondai Series on Management.

For personal portrayal of the top business leaders of Japan, see Yonosuke Miki, Zaikai Shunobu (The Top Leaders of Japanese Business), (Tokyo: Bungeishunju Shinsha, 1962).

TABLE 5-17.--The level of education and the major field of study of 67 respondents to the interview.

Educational Level			Field of Study		
	Number	Percentage		Number	Percentage
Old System University	24	36	Keizai (Economics)	32	48
New System University	19	28	Business	9	13
University	11	16	Horitsu (Law)	7	10
Graduate School	5	7	Engineering	5	7
College	3	4	Rika (Science)	5	7
Old System College (Kyusei Koko)	3	4	Bunka (Arts & Letters)	5	7
High school	1	1	Liberal Arts	1	1
Old System Secondary high school (Kyusei Chugaku)	1	1	Others (No Answer)	3	3
Total	67	100	Total	67	100

From the results in Table 5-17, it may be concluded that the lifetime employment system and seniority and academic level rule appear to be practiced by most Japanese firms operating in America. Considering the disruption of war and the economic reorganization in postwar Japan, the degree of individual mobility revealed in this survey was to be interpreted as rather small. This trend apparently continues without major modification.

Some Organizational Issues: Rotation and Training.--

As far as the staffing of the establishments was concerned, there was a pattern in rotating their assignments. Because of the lifetime employment system, the individual executive's assignment to an American operation would be regarded as the extension of his career in the parent company. And this seemed to be the main reason, causing a clear pattern of rotating the personnel in American establishments, despite the relatively short history of most Japanese business operations.

Of the 67 respondents surveyed, 40 firms (60 per cent) indicated that their unmarried employees would stay in the U. S. on the average less than three years and the married personnel a little longer. Some firms interviewed indicated that their companies had a definite policy on the rotation of personnel. There were some firms with no definite patterns in rotation (12-13 per cent). See Table 5-18 for details.

TABLE 5-18.--The average length of stay of the Japanese staff both married and single^a
(in number of years)

The Average Number of Years of Stay in U. S.	Marital Status of Japanese Staff Members			
	Single		Married	
	Number of Firms	Percentage	Number of Firms	Percentage ^e
Less Than 1 Year	2	3	1	1
1 to 3 Years ^b	40	60	17	25
3 to 6 Years ^c	11	16	31	46
6 or More Years	--	--	1	1
No Definite Pattern	8	12	9	13
N. A. ^d	6	9	8	12
Total Number of Firms Surveyed	67	100	67	100

^aPersonal Interviews, Sample 67 Firms, Appendix III.

^bThis and the following classification loosely defines the length of stay in the number of years, as "3 years" time mark is also shared by the next category as well. For the purpose of this survey, this procedure was considered satisfactory, however.

^cSimilar comments as in (b) about the time mark of "6 years" apply here.

^dNon-response to this specific question. Most of them had operated in America less than six years and it was assumed that they did not yet establish any rotational pattern and therefore did not answer this question.

^ePercentages do not add up to the total because of rounding.

This rotation policy is part of a bigger picture--planned overseas training and experience of the Japanese executives stationed in America. Most of the respondents had wide travel experience outside of the U. S. and Japan. This point is illustrated in Table 5-19.

TABLE 5-19.--The foreign travel experience of the Japanese executives outside of the U. S. and Japan.

Countries or Areas Visited	Number of Executives	Percentage
Africa	8	12
Canada or Mexico	40	60
Central or South America	15	22
Asia	24	36
Europe	24	36
Foreign Travel Experience Actual Number of Re- spondents ^a	49	73
No Travel Experience Reported	18	28

^aThe total number of executives surveyed was 67, and the sum of individual column figures do not coincide with the actual number of respondents because of multiple entry.

The pattern of rotation and the executives' travel experience signified many organizational problems which Japanese business must solve in America. Not manifest in the aggregate data so far discussed were the subtle

implications of the American assignment for the career pattern of the individual executive involved. Because of the emphasis on education and seniority, merit as such was not the sole criterion of performance which affected the individual career in many companies. Moreover, the seniority system and the lack of mobility tended to obscure individual achievement and place emphasis on the group performance.

In Japan, the social base does not exist for horizontal mobility. In America, however, such a social base does exist. Therefore, the mobility of the Japanese executive is theoretically greater and easier in America. In actual practice, however, the personnel appointments to fill the needs of American operations must be made within the lifetime employment system and the final selection decision is usually made by the headquarters in Japan.

In a bureaucratic setting, for instance, the career businessman's orientation might be directed toward the preservation and enhancement of his own career status, rather than toward his operational job in America. If this happens, the businessman would end up spending more time writing to the contacts in the headquarters lest he might be forgotten, instead of straightforwardly tackling the daily problems of the American operation.

Also, the increased training which Japanese businessmen need to rise in management tends to increase their

marketability and probable mobility in America. This is a dilemma Japanese business must face, if it wants to increase its operational effectiveness in America. The degree of the training needs on the part of Japanese businessmen surveyed was evident in the answers given to the question in the interview: "If there is an opportunity for your Japanese staff members to participate in a special training program or a free seminar, what kind of program would you like them to have?" They were asked to select at least four areas and rank them in order of their preference from among the nine listed areas and an open space provided for write-ins. Table 5-20 gives the summary of the answers obtained.

Interestingly, the largest single area which the respondents chose was language (English). The related areas of language, American business practices, manners and customs, American culture, politics, and socio-economic conditions were chosen by 23 as the first choice, 17 as the second, 19 as the third and fourth combined, and 11 without indicating the preference. The next area of selection in popularity was sales and marketing, with 12 first choices, 19 second, 21 third, 9 fourth, and 9 without indicating the preference ranking. Actually this was a stronger preference area than the language and American practices and culture combined, if marketing research was included in the sales and marketing area.

TABLE 5-20.--The preference and felt need for special training and instructional programs by major areas chosen with preference ranking.^a

Areas or Subjects Selected ^b	Choice Ranking					Total	
	1st	2nd	3rd	4th	Without Ranking	No.	%
(1) Language (English)	15	4	4	4	3	30	45
(2) American Business Practices, Manners and Customs	8	13	4	7	8	40	60
(3) American Culture, Politics and Socio-Economic Conditions	--	3	2	4	3	12	18
(4) Engineering	3	3	5	4	4	19	28
(5) Sales	6	8	10	5	3	32	48
(6) Management	3	--	3	6	7	19	28
(7) Advertising	--	2	1	6	4	13	19
(8) Marketing	6	11	11	4	6	38	57
(9) Marketing Research	9	8	7	3	6	33	49
(10) Other.....Spanish	--	--	1	--	--	1	1
Total	50	52	48	43	44	237	(67=100%)

^aPersonal Interviews, 67 Businessmen, Appendix III.

^bGiven as appeared in the original interview guide and questionnaire.

Then the choices indicated were 21 first, 27 second, 28 third, 15 fourth, and 15 no ranking, of the total 67 businessmen surveyed.

The emphasis on marketing and marketing research which was indicated might reflect many factors. First, the respondent businessmen were mainly engaged in marketing or research activities, so naturally they wanted more training in the area to increase their productivity in performance. Second, this was one area which had been under-developed in Japan and the American technology could be useful in their present job, as well as for their careers in Japan upon their return. Fourth, because of the pioneering nature of their work, their training in Japan might have been inadequate.

The need for additional training and the necessity to include the rotational pattern in staffing the American operations of Japanese business created a compromise conflict between the two elements of on-the-job training and operational performance. By the time the career businessmen could handle the operational aspects with adequate training and experience, the pressure mounted for him to go back to Japan if he wanted to stay in the normal career path. In some organizations, the period of stay for the key executives of American operations seemed to be getting considerably longer--apparently an attempt to solve part of the difficulty. Some operational heads were permanently located in the United States. In others, the

head executive in charge of American operations did spend more than half of his time abroad, chiefly in America, dividing his time between the American operations and headquarters, although theoretically he might belong to the head office.

If the lifetime employment system was directly used in America, together with the attending rules of seniority and academic level, it usually created conflicting problems in the structure of organization. This was so not only with the Japanese businessmen stationed in America but also with the use of the local employees. Apparently there was a search for a workable pattern in organizational arrangement. Mostly the modification was made, however, on a trial and error basis. The tendency seemed to be to have the key, top operational executive in charge of American operations stationed permanently in the United States, but with rotation for additional training and development in the headquarters in Japan.

On this score, the entrepreneurial industrialists' growth firms had more flexibility than the traditional larger firms. The reason for this organizational flexibility would be apparent from the previous analysis. First of all, there was less rigidity built into the organization because of less bureaucratic controls. Less adherence to the lifetime employment system enabled them to recruit and utilize the necessary talents without being bound by the seniority and academic level principle. More important,

perhaps, was the fact that many of the successful firms seemed to have competent operational leadership supplied by the right individual whose career pattern was outside of the normal path which a typical Japanese businessman would follow.

Operational Controls and Decision-Making Aspects of Adaptation

Ringisei and Its Implications.--There are different interpretations of ringiseido (group decision-making system) and its implications to Japanese business practices. Generally speaking, however, it is regarded as typically representative of Japanese managerial practices, although its uses and practices vary widely from company to company. Professor Akira Yamashiro of Hitotsubashi University maintains that the ringiseido, or the managerial philosophy based on it, symbolizes the strongest obstacle to modernizing Japanese business against the impending international competition and the structural change of the Japanese economy.⁵⁶

The tradition of family manufacturing is still strong in Japan. There are numerous medium and small size enterprises down to the tiny "family firms," which support the larger, modern business organizations in Japan.⁵⁷

⁵⁶Akira Yamashiro, "Nihonno Keiei Kindaika to 'Nihonteki Keiei'" (Japan's Modernization of Management and 'Management Japanese'), The Bessatsu Chuokoron, Keieimondai Tokushu, Winter, 1965, pp. 352-367.

⁵⁷An excellent description of such family manufacturing

Theoretically, all modern Japanese corporations are the outgrowth of such family manufacturing systems, and in making this transition within the past 60 years or so, ringiseido was devised and has been refined to meet the challenge of the times.⁵⁸ On the surface, ringiseido is but a procedure and a method of office management, but the real implication goes much deeper than that. Yamashiro comments on this point:

This system is well devised and refined, in that incompetent managers could assume leadership under it. First, those subordinates who know actual operations would "raise plan" of a project. Then before the top leader would make a "decision to approve" with "a blind seal," the plan will go through a round of related sections, divisions, departments, or bureaus for "round discussion" and the seal of "approval" by each separately.

As long as all the organizational sub-units judge the plan "sound," the risk involved in the top management's "blind" approval would be very small. If something goes wrong, the blame belongs to everybody. This is the essence of ringiseido's philosophy and the typical procedure used.

. . . therefore, just changing this system's procedure would not change the traditional way of management, in which the leadership could be preserved without knowing the real contents of actual operations. Also related to this is the traditional use of somubu (general affairs division) as the adjutant or special assistant. Moreover, job descriptions are generally undecided and no clear delegation of authority exists--thus the managing

operation in today's Japan is an article by Nicholas Wood based on primary source data in Tokyo, 1951, "The 'Family Firm'--Base of Japan's Growing Economy," The American Journal of Economics and Sociology, XXIII, No. 3 (July, 1964), pp. 315-324. It gives five case histories and the background of the system.

⁵⁸Yamashiro, op. cit.

business in Japan has to be done by "conference type group management." All these can be called ringiteki keiei (management by group decision making).⁵⁹

It is not the purpose of this section to discuss the relative merits and different interpretations of the ringi system. The point raised here is that this system of "management from below" is a very salient characteristic of the peculiar atmosphere in which Japanese business decisions are made. Also, it should be noted that the degree of professionalism among the Japanese management leaders is partially under attack in the given quotation, in view of their modern outlook.

If such a managerial climate is introduced into their American operations, what functional problems would it raise in connection with the operational adaptation and adjustment to a different environment? Geographical communication barriers exist between the headquarters and the foreign operations. The daily operational pressures demand prompt but accurate decisions on the part of operating executives. So the control of the headquarters will be discussed first.

The Degree of Headquarters Control.--The first important consideration is the scale of American operations, which is relatively small. Therefore, there should arise no significantly complex control problems in this parent-subsidiary or the headquarters-American office relationship.

⁵⁹Ibid.

It is safe to assume that most control problems should be simple, because the typical size of operation is small.

First, the degree of perceived control from the standpoint of the American establishment was obtained by asking the respondents to choose appropriate statement(s) best illustrative of the degree of such control. Out of the surveyed 67 firms, a significant portion of the selected statements (25 per cent) was chosen in connection with another statement. Such multiple choices occurred in the combination of items (1) and (2), or (2) and (3):

(1) Tightly controlled in all matters, (2) Controlled in all policy matters, and (3) Operate autonomously, and our recommendations usually get adopted. Therefore, the illustrations given in the question were not really mutually exclusive. At any rate, modal responses were items (2) and (3) as given above. These statements implied a greater degree of operational freedom as against a tight central control. See Table 5-21 for details.

In order to test the significance of the results further, the responses were cross-tabulated with the answers to the question on organizational structure, namely, whether they perceived the firm as centralized or decentralized. It was found that, although the majority of the firms believed that their organizational structure was highly or fairly centralized, there existed a considerable degree of operational freedom as far as the parent-subsidiary relationship was concerned. For

TABLE 5-21.--The degree of control perceived by the American establishment of the Japanese manufacturing firms, sample 67 companies.^a

Type of Statement Given	Number of Firms Which Chose the Statement	Percentage
(1) Tightly controlled in all matters.	13	19
(2) Controlled in all policy matters.	26	39
(3) Operate autonomously, and our recommendations usually get adopted.	24	36
(4) Operate autonomously, but our recommendations sometimes are not adopted.	11	16
(5) Can make all operating decisions without interference.	8	12
No Answer	2	3
Cumulative Total (Multiple Answers Counted)	84	125%
Total Number of Firms Surveyed	67	100

^aPersonal Interviews, Appendix III.

the relationship of the perceived organization structure and the degree of control, see Table 5-22 for details. With regard to operational decision, making bases used for decision-making were thought to be a key factor. What outside agencies or services did they use for this purpose and to what extent? Most respondents felt that they used far less of such consultation services as compared to American competitors in the same industry. Some respondents, however, felt that they were using more of these services than their Japanese competitors in America.

First, as far as the frequency of using such services in the four key decision areas of legal matters, sales, advertising, and marketing research, there was an interesting pattern of their use. For legal matters, almost all the firms made frequent use of the professional counsel. Advertising was second on the list, followed by marketing research and sales. This was to be expected, because some of the firms did not yet have a full-fledged marketing operation in America.

The degree of contemplated use of consultant or professional firms--how much they wished they could use them--indicated that there was a wide gap or discrepancy in the marketing research area. This was where the respondents wished they could use more of them.

There was another reference point for their use of the professional firms: a comparison with other Japanese firms and American firms in the same industry. From the

TABLE 5-22.--Perceived organizational structure and the relationship with the parent organization in Japan.

Organizational Structure	Relationship with the Parent Organization ^a						Total ^c
	Tight Control (1)	Control on All Policy (2)	Autonomous Operation (3)	Some Friction (4)	Make All Decision (5)	N.A. ^b (6)	
Highly Centralized	5	13	6	2	3	--	23 34
Fairly Centralized	6	7	14	6	3	1	28 42
Rather Decentralized	--	3	2	2	1	--	6 9
Very Decentralized	--	--	--	--	--	1	1 1
N. A. ^b	2	3	2	1	1	--	9 13
Total Number of Firms ^c	13	26	24	11	8	2	67 100
Percentage	19	39	36	16	12	3	84 125

^aThe numbers designating the relationship correspond to the statements given in Table 5-21. For lack of space, they are only briefly presented.

^bNon-response.

^cBecause of the multiple entry by the respondents to the question, the total numbers are not equal to the sum of each row of figures.

response pattern to the question whether they use relatively more, the same, or less of the consultant or professional services, it was observed that their assessment of the current use of them vis-a-vis other Japanese competitors was fairly objective, with only a slight under-evaluation. But when it came to the comparison to other American companies in the same industry, the majority felt that they were using far less of these services in general.

See Tables 5-23 and 5-24 for details.

TABLE 5-23.--The current and contemplated use of a consultant or professional firm^a in key decision areas.

Frequency and Type	Key Decision Areas							
	Legal Matters		Sales		Advertising		Marketing Research	
	Current Use	Contem- plated Use	Current Use	Contem- plated Use	Current Use	Contem- plated Use	Current Use	Contem- plated Use
Almost Daily	--	--	1	--	--	--	1	1
Weekly	8	5	2	1	9	3	3	2
Monthly	25	20	8	7	16	17	8	15
Quarterly	6	6	3	9	6	5	9	11
Annually	9	10	2	2	4	4	6	9
Never	8	9	27	23	19	12	22	9
Retainer Basis	2	1	--	1	1	1	--	--
Sometimes	1	1	2	1	--	--	1	--
Whenever necessary	3	1	2	--	2	--	2	--
N. A. ^b	5	14	20	23	10	25	15	20
Total	67	67	67	67	67	67	67	67

^aPersonal Interviews, 67 Firms, Appendix III.^bNon-response.

TABLE 5-24.--Comparative use of a consultant or professional firm to other companies in the same industry.^a

Basis of Comparison	Key Decision Areas			
	Legal Matters	Sales	Advertising	Marketing Research
Compared to Other Japanese Companies				
More	8	7	9	4
Same	28	17	20	25
Less	10	16	14	13
N.A. ^b	21	27	24	25
Subtotal	67	67	67	67
Compared to Other American Companies				
More	4	2	2	1
Same	14	7	8	8
Less	30	33	34	34
N.A. ^b	19	25	23	24
Subtotal	67	67	67	67

^aSample 67 Firms, Personal Interviews, Appendix III.

^bNon-response. It was assumed that the respondent honestly did not know the answer to the question.

CHAPTER VI

THE ADAPTIVE DIFFERENCES IN THE
MARKETING STRATEGIES

Introduction

The Difference in Overall Strategy

The basic stance which a majority of the Japanese manufacturing firms took in America with regard to their marketing strategy was more conservative than their posture in the home market. Many of the firms with a very progressive approach in Japan tended to have, relatively, a much less progressive approach to marketing in America. A progressive approach to marketing in Japan was the overwhelming characteristic of a majority of the firms surveyed (56 firms or 84 per cent). It was in comparison with this that the overall strategy of the firms in America was considered less progressive or conservative. Of the firms with a progressive approach in Japan, 15 firms or 22 per cent of the total characterized their American approach as conservative. Of the 38 firms with a very progressive marketing approach, 10 firms (15 per cent of the total firms surveyed) rated their American marketing strategy as rather progressive instead of very progressive.

On the other hand, only four firms, or 6 per cent of the total, indicated that their marketing effort in America was more progressive than their effort in Japan. Two firms with a rather progressive approach in Japan took a very progressive approach in America, and the remaining two firms characterized their marketing in America as "rather progressive" in contrast with "conservative" in Japan.

Thirty-five firms or 52 per cent took the same stance toward marketing in America as they did in Japan. If a firm was progressive in Japan, so it was in America. If a firm was conservative, so it was in America.

The reasons for the observed difference in marketing strategies from the overall perspective could be traced to many factors. It might be expected that the firms with a progressive approach to marketing in Japan would be enticed to become active in the American market as they grew and diversified. But there would be a limit on the firms' command of corporate resources because of the geographical, national and cultural barrier, which would tend to increase the risk and uncertainty involved in their American ventures. This would tend to make their strategy more conservative, compared to the home market where the amount of risk and uncertainty would look considerably smaller. Moreover, many firms would have less familiarity with American markets and face the lack of a reliable supply of market intelligence information. Where a similar

marketing stance was adopted, the firms would still have to adjust it operationally for use in America. The required adjustments would tend to push the firms toward a more conservative marketing approach, because such changes invariably would take time in implementation.

See Table 6-1 for a detailed comparison of the respondent firms' marketing approaches in Japan and in America.

Related to differences in the marketing approach, each firm was asked about the relative competitiveness of Japanese and American markets. About a third (25 firms or 37 per cent) felt that the American market was very much more competitive than in Japan. A quarter (16 firms or 24 per cent) felt that the American market was more competitive than in Japan. Another quarter (18 firms or 27 per cent) replied that the competitiveness was "just about the same" in both markets. All the answers were from the standpoint of the individual firms and reflected the perception of the situation by the responding executives.

Although there were a few (7 firms or 11 per cent) who believed that the American market was less competitive than in Japan, in general the competitiveness which a firm faced in America was taken to be much stiffer than in Japan. The exceptions were in the photographic and in some machinery industries, in which the domestic competition had been especially fierce.

TABLE 6-1.--Comparison of firms' marketing approach in Japan and in America.^a

Marketing Approach In America ^b	Marketing Approach in Japan ^b					Total Number of Firms	Per- centage
	Progressive		Conservative		N.A. (5)		
	Very (1)	Rather (2)	Rather (3)	Very (4)			
(1) Very Progressive	20	2	--	--	1	23	34
(2) Rather Progressive	10	9	2	--	--	21	31
(3) Rather Progressive	5	4	4	--	--	13	19
(4) Very Conservative	3	3	--	2	--	8	12
(5) N. A. ^c	--	--	--	1	1	2	3
Total Number of Firms	38	18	6	3	2	67	100
Percentage	57	27	9	4	3	100	

^aPersonal Interviews, Sample 67 Firms, Appendix III.

^bThe type of marketing approach is indicated below with illustrative explanation for each numbered approach as used in the interview guide: (1) Very progressive, with aggressive promotion and product innovation, (2) Rather progressive, with considerable attention to marketing research, (3) Rather conservative, but there is some product innovation and the use of marketing research, (4) Very conservative, with limited product innovation.

^cNon-Response, mostly because of insufficient knowledge.

It should be noted that this perceived difference in the degree of competitiveness in both markets was not affected by the stated difference in marketing approaches. It was discovered that the degree of competitiveness in America was more or less objectively assessed as generally stronger, regardless of the degree of progressiveness of the firm in its overall marketing approach, both in Japan and in America. The cross-tabulation indicated that the perception of the degree of competitiveness was not related to the firm's stance or approach to marketing. For details, see Table 6-2.

The Future Prospects

For the majority of the firms surveyed, they viewed their main products as having good future prospects in America. The future prospects looked very fine, with ample opportunities available, for the main products of 23 firms (34 per cent) in Japan. Eighteen (27 per cent) of the firms reported very fine future prospects for their main products in America. Apparently more companies believed that the future prospects for their main products were better in Japan than in America. This result could be expected in the light of the previous findings that more firms took a progressive approach to marketing in Japan, and that the market competitiveness was perceived as stronger in America.

TABLE 6-2.--The relative competitiveness of American market and the degree of progressiveness in marketing strategy used in Japan and America.^a

Marketing Approach in America (Degree of Progressiveness in Marketing Strategy)	The Degree of Competitiveness in American Market Compared to Japan				Total Number of Firms	Per- centage
	Very Much More	More	Just About the Same	Less		
(1) Very Progressive	7	5	6	3	21	31
(2) Rather Progressive	7	8	4	2	21	31
(3) Rather Conservative	6	2	5	--	13	19
(4) Very Conservative	4	1	2	1	8	12
Total Number of Firms ^b	24	16	17	6	63	94
Percentage	36	24	25	9	94	
Marketing Approach in Japan						
(1) Very Progressive	15	9	11	3	38	57
(2) Rather Progressive	6	6	3	2	17	25
(3) Rather Conservative	3	1	2	--	6	9
(4) Very Conservative	1	--	1	1	3	4
Total Number of Firms ^b	25	16	17	6	64	96
Percentage	37	24	25	9	96	

^aPersonal Interviews, 67 Firms, Appendix III.^bNon-respondents omitted. The percentages do not add up to totals because of rounding.

Twenty-seven firms (40 per cent) reported fairly good prospects which should prove to be profitable for their main products sold in Japan and 28 firms (42 per cent) for the main products sold in America. Thus those firms reporting the optimistic outlook for their main products totaled 50 firms (75 per cent) for the main products in Japan and 46 firms (69 per cent) for the main products sold in America, if the figures were combined with those with very fine prospects.

The firms which reported the optimistic outlook for their main products both in Japan and America simultaneously, moreover, totaled 40 firms (60 per cent of those surveyed). Therefore, the dominant outlook for the future prospects of the Japanese manufacturing firms' main products was quite optimistic. Only 12 firms (18 per cent) felt that the prospects in America were "not bad but could not expect too much." It should be noted that this pessimistic outlook was basically unrelated to their outlook for their main products in Japan. This was evidence pointing to the fact that success in the domestic market in Japan was no guarantee of similar success in America. See Table 6-3.

Market Coverage and Industrial Characteristics

In the pattern of adaptation previously discussed, it was pointed out that the industry characteristics were a determining factor in influencing the size of operation and the form of establishment. Therefore, an attempt was

TABLE 6-3.--The future prospects for the Japanese manufacturing firm's main products both in Japan and America.^a

Prospects in America ^b	Prospects in Japan ^b					Total Number of Firms	Percentage
	Very Fine	Fairly Good	Profitable	Not Bad	Rather Poor	N.A. ^c	
Very Fine	11	5	--	1	1	18	27
Fairly Good	8	16	2	1	--	28	42
Profitable	2	2	1	--	--	5	7
Not Bad	2	4	2	4	--	12	18
Rather Poor	--	--	2	1	--	3	4
N. A. ^c	--	--	--	--	--	1	1
Total Number of Firms	23	27	7	7	1	67	100
Percentage	34	40	10	10	1	100	

^aPersonal Interviews, 67 Firms, Appendix III.

^bThe degree of future prospects is indicated below with illustrative explanation for each: (1) Very fine, ample opportunities available, (2) Fairly good, should prove to be profitable, (3) Profitable, but difficult to stay in the race, (4) Not bad, but cannot expect too much, (5) Rather poor, our market is getting smaller.

^cNon-Response.

made to compare the type of markets--either consumer or industrial--which a firm served both in Japan and in America. The result indicated that a significant discrepancy did not exist between the type of markets the firm served in both nations.

The only significant finding was the existence of the firms which catered only to the consumer market in America but covered both industrial and consumer markets in Japan (8 firms or 12 per cent). Outside of this difference in market coverage, there did not exist any significant deviation as to the type of markets served. See Table 6-4 for details.

At this point, it could be asked whether the type of market a firm was in--either consumer or industrial markets--had any significant impact on the firm's future prospects for the main products as reported previously. The test of this relationship was conducted. The result indicated that it was unlikely that the type of markets served influenced the future prospects in either country. Although no standard statistical test of significance was applied, the data in Table 6-5 would attest to this conclusion.

Customer-Prospect Mix

The main problem facing those engaged in international marketing operations is that the marketing strategies and techniques used in domestic markets are not necessarily effective in foreign markets. The marketing mix must be individualized on a country-to-country basis. The marketing man must be sensitive to the

TABLE 6-4.--The relationship of the type of markets served by the firm in America and in Japan.^a

Type of Market Served in America	(1)	(2)	(3)	(4)	(5)	Type of Market Served in Japan ^b N. A. ^c	Total Number of Firms	Per- centage
(1) Industrial Mar- kets Only	14	--	1	2	--	--	17	25
(2) Consumer Markets Only	--	14	8	1	3	2	28	42
(3) Both Industrial & Consumer Markets	--	--	9	--	--	--	9	13
(4) More Industrial Than Consumer Markets	--	--	1	2	--	--	3	4
(5) More Consumer Than Industrial Markets	--	--	2	2	5	1	10	15
Total Number of Firms	14	14	21	7	8	3	67	100
Percentage	21	21	31	10	12	4	100	

^aPersonal Interviews, 67 Firms, Appendix III.

^bThe numbers correspond to the type of markets--either industrial or consumer markets--as explained under "Type of Market Served in America."

^cNon-Response because of insufficient knowledge.

TABLE 6-5.--The relationship between the firm's future prospects for its main products in America and the type of market the firm served in Japan.^a

The Prospects In America	The Type of Markets Which the Firm Served in Japan ^b					Total Number of Firms	Percentage
	(1)	(2)	(3)	(4)	(5)		
Very Fine	5	8	1	1	3	18	27
Fairly Good	5	13	5	1	4	28	42
Profitable	2	2	-	1	-	5	7
Not Bad	5	1	3	-	3	12	18
Rather Poor	-	3	-	-	-	3	4
N. A. ^c	-	1	-	-	-	1	1
Total Number of Firms	17	28	9	3	10	67	100
Percentage	25	42	13	4	15	100	

^aPersonal Interviews, 67 Firms, Appendix III.

^bThe type of markets designated by the numbers are: (1) Industrial markets only, (2) Consumer markets only, (3) Both industrial and consumer markets, (4) More industrial than consumer markets, (5) More consumer than industrial markets.

^cNon-Response.

cultural peculiarities of each country so that communication with the foreign buyer may occur within the framework of his life and customs.¹

The Product Image

For those Japanese manufacturing firms operating in America, their product image was radically different from that enjoyed in the home market. For instance, there was only one firm which had the image of unknown brand but a good buy in the home market, but in America 17 firms believed that this characterized their product image. By the same token, 8 firms had a low cost, high quality image for their products in Japan, but 26 firms felt this characterized their image in America. Similarly, the leading brand, trustworthy image was shared by 38 firms in Japan, but by 12 firms in America. The well-known, reliable image was shared by 39 firms in Japan, but by 21 firms in America. Apparently, the difference was due to the weak market penetration on the part of the firms surveyed, combined with the traditional consumer resistance to new, unknown brands. To illustrate this point, the image of major brand, many attractive features was enjoyed by 25 firms in Japan, but by 12 firms in America.

The commonly shared images both in Japan and in America were the following: best value for the price, by 17 firms in each, careful workmanship by 9 firms in

¹Gerald Zaltman, Marketing: Contributions from the Behavioral Sciences (New York: Harcourt, Brace & World, Inc., 1965), p. 8.

Japan and 10 firms in America, superior engineering and technology by 20 firms in Japan and by 14 firms in the United States. For details, see Table 6-6.

TABLE 6-6.--The product image of the firm in America and in Japan.^a

Product Image of the Firm	Number of Firms			
	America		Japan	
	No.	%	No.	%
Low cost, high quality	26	39	8	12
Well-known, reliable	21	31	39	58
Best value for the price	17	25	17	25
Unknown brand, but a good buy	17	25	1	1
Superior engineering and technology	14	21	30	30
Leading brand, trustworthy	12	18	38	57
Major brand, many attractive features	12	18	25	37
Careful workmanship	10	15	9	13
Total Number of Firms Surveyed	67	100	67	100

^aPersonal interviews, Appendix III.

The product image could be influenced by a wider range of factors than those affecting the product appeals. The product image, for instance, would be affected by the relative market position of the firm, by the product knowledge of the consumer, or by the general consumer

resistance to Japanese goods. The product appeals, on the other hand, would depend more on specific product attributes and the firm's promotional efforts.

Therefore, inquiry about the product appeals was made to find out how the firms perceived their major product appeals in America. The results indicated that there was no significant difference in the product appeals in Japan and America in terms of their relative frequency of occurrence in the aggregate. Except for the appeals represented by low price and good brand image, other aspects of product appeals had a similar frequency of occurrence between Japan and the United States. The exceptional cases of the product appeals regarding low price and good brand image closely corresponded to the findings discussed under the product image. Twenty-three per cent more firms chose low price and twenty per cent fewer firms chose good brand image as applying to America. It is interesting to note that such product appeals as high or good value, high quality, good styling and design, careful after-service, and newness in product features were mentioned by the firms surveyed almost an identical number of times in the aggregate in Japan and America.

However, from a micro-standpoint, only about half of the firms surveyed believed that the same product appeals did apply to both countries, if the less

discriminating appeal of high quality was omitted from the above list.

The Japanese manufacturing firms, therefore, did perceive a difference in markets as represented by the product appeals, assuming that their major products were the same in both. This tendency was especially noticeable for such product appeals as newness in product features (55 per cent agreement), good styling and design (62 per cent agreement), and high or good value (62 per cent agreement).

Part of such differences was of course due to the levels of national economy of both countries, as was the case with high or good value. But it could not be denied that non-economic, behavioral appeals did cause the difference in both nations such as newness in product features and good styling and design.

All in all, there were no differences in the relative frequency of the product appeals which were mentioned in the aggregate. But there seemed to be a considerable discrepancy between a firm's product appeals in Japan and those in America. For details, see the summary matrix of the major product appeals in Japan and America given in Table 6-7.

Degree of Market Segmentation

Who are the customers of the Japanese manufacturing firms' products? And whom do they wish to have as

TABLE 6-7.--The summary matrix of the major product appeals both in America and in Japan as perceived by the firm.^a

The Major Product Appeals in America	The Major Product Appeals in Japan ^b							Total Number of Firms ^c	Percentage
	(1)	(2)	(3)	(4)	(5)	(6)	(7)		
(1) Low Price	8	6	19	8	9	3	10	24	36
(2) High or Good Value	1	8	7	6	7	5	7	13	19
(3) High Quality	8	11	43	17	17	10	23	51	76
(4) Good Styling and Design	1	10	17	13	11	7	14	21	31
(5) Careful After-Service	3	7	14	12	10	5	9	18	27
(6) Newness in Product Features	2	6	8	7	7	6	8	11	16
(7) Good Brand Image	3	4	13	7	7	5	15	17	25
Total Number of Firms ^c	9	17	50	21	22	12	30		
Percentage	13	25	75	31	33	18	45		

^aPersonal Interviews, 67 Firms, Appendix III.

^bThe numbers indicate the same product appeals given under the American ones.

^cNot the total of individual row figures, because of the multiple entry of appeals by respondents. Indicates the absolute number of firms responding to the particular appeal listed.

customers? Theoretically, each firm should have its own market segments based on the communality of those needs and wants of the customers and prospects which each firm wants to satisfy in a unique fashion. Although it was not attempted to measure the degree of market segmentation each firm attempted, a general question was asked of the respondent firms in order to find out if any difference existed in the typical market segments which they served in Japan and America. The question was: "What main segments of the market do you try to serve with your company's major products?"

The answers were indicative of a priori thinking on the degree of market segmentation used in America. First, in industrial goods the market targets were specific and definite because of the location and the needs and wants of the buyers. Products were produced to universal technical specifications and not much change in the type of buyers was conceived of in America. And this was indeed the case with the firms dealing with American industrial buyers in the O.E.M. market, e.g., manufacturing concerns like auto makers. For these firms, the target market segments were the same for both countries (11 firms or 16 per cent of the total).

On the other hand, for consumer goods, the setting of specific market targets or segments in America would involve more complicated planning and more sophisticated programs than in Japan. Because of the difference in

culture, the behavioral patterns--the needs and wants of the consumer--might conceivably be different. This would make exact specifications of American market segments a hazardous and difficult affair, causing the marketing plans to be less geared to well-defined narrower targets and making them more all-inclusive of many market segments.

From the aggregate data on the respective market target segments in both countries, it could be tentatively indicated that there was a tendency to have less defined, wider market segments in America than in Japan for the firms surveyed. First of all, the aggregate data indicated that the two most frequently mentioned segments were all income group and anyone who tries to buy the product. The all income group category was chosen by 39 per cent of the firms as applying to the Japanese market and by 45 per cent of the firms as applying to the American market. The anyone who tries to buy the product category was selected by 24 per cent of the firms for the Japanese market and by 31 per cent of the firms for the American market.

These two all-inclusive segments were the only ones with significant difference (6-7 per cent) between the two countries. All other segments were chosen for both nations with similar frequency.

Why, then, was such all-inclusive segment designation widely used in Japan in the first place? The homogeneous nature of Japanese society was conducive to the

use of saturation marketing in many instances, as evidenced by the merchandising of photographic goods, which represented the first Japanese quality consumer durable goods accepted in both domestic and world markets by discriminating buyers.² And apparently such saturation marketing on the part of other manufacturing firms did not require detailed segmentation of the home market either.

It could be inferred, therefore, from the aggregate data that a similar posture of saturation marketing was implicitly brought over in many manufacturing firms' approach to market segments in America. Additional evidence to illustrate this point was the highest degree of agreement between the Japanese segments of "all income group" and "anyone who tries to buy the product" and the corresponding American ones. A surprisingly high proportion of firms chose both responses as descriptive of their intended market. There was an agreement of 92 per cent (24 firms) in the case of "all income group" and that of 94 per cent (15 firms) for choosing "anyone who tries to buy the product."

In general, the degree of coincidence or agreement of the same market segments chosen in America and in Japan was fairly high for most of the segments listed on the interview guide. (See Table 6-8 for details and segment designations.) The exceptions were found for the

²Bernstein, op. cit., pp. 112-113.

segments of "low income group" with a 50 per cent agreement and of "lower social class" with a 33 per cent agreement in both markets.

Apparently, a much higher standard of living in America made the direct adoption and transfer of a similar segment difficult for a Japanese product. However, it should be noted that in the middle and high income group and in middle and upper social class, the degree of agreement between the corresponding segments comparable to both nations was much higher. This might suggest some behavioral similarity in these segments, as far as the Japanese products were concerned.

These conclusions were merely tentative for the discussion of the market segments. Aside from the vertical segmentation used in the analysis, the horizontal or geographical base, as well as more specific behavioral ones based on the communality of needs and wants, must be used.³ Also, a more elaborate measurement tool of the degree of market segmentation must be used than the approximation used for the analysis here. However tentative the conclusion might be, it would seem that a lack of appreciation of the heterogeneous nature of American society, as opposed to the homogeneous Japanese culture, did characterize the posture of Japanese manufacturing firms operating in America. The heterogeneity would invariably dictate

³See William H. Reynolds, "More Sense About Market Segmentation," Harvard Business Review, XLIII, 5 (September, October, 1965), 107-114. This article indicates common pitfalls in understanding the topic and gives a neat summary of arguments involved.

detailed specification of the target market segments in America. But the prevailing attitude was to widen it instead. Also there was a tendency to specify the same market segments as in Japan and use them as the base of marketing efforts.

For details, see Table 6-8, which follows.

Product-Service Mix

There are few elements of a company's marketing operations which, when subjected to critical, objective, and systematic appraisal, afford a greater opportunity for improving over-all product lines. . . . The challenge to marketing today is to find ways of dealing more effectively with current products under current conditions.⁴

Product Diversification

By examining the amount of product offerings of the major product line, it was found that the number of different models or variations offered in America tended to be smaller than in Japan. For instance, of the 40 firms (60 per cent of the total) reporting having more than 21 variations or models in the major product line in Japan, 3 firms offered only 1 to 3 product models, 9 firms 4 through 10, and 6 firms 11 to 20 models in America. Also, more than 11 product models or variations were offered in the major line by 51 firms (76 per cent) in Japan, but by 36

⁴D'Orsey Hurst, "Criteria for Evaluating Existing Products and Product Lines," reprinted in Thomas L. Berg and Abe Shuman (ed.), Product Strategy and Management (New York: Holt, Rinehart and Winston, 1963), p. 163.

TABLE 6-8.--The market segments which the firms tried to serve in America and Japan.^a

Target Market Segments	The Degree of Agreement of the Market Segments in Both Nations (Percentage of the Smaller Total Number of Firms)			
	America	Japan	Number of Firms	Percentage
(1) All income group	30	26	24	92
(2) Anyone who tries to buy the product	21	16	15	94
(3) Middle income group	17	16	13	81
(4) Industrial Buyers (O.E.M.'s, automakers, other manufactures)	11	11	11	100
(5) High income group	10	12	7	70
(6) Middle social class	9	8	5	63
(7) Educated people	9	11	8	89
(8) Low income group	7	6	3	50
(9) Upper social class	5	6	3	60
(10) Status conscious people	4	5	3	75
(11) Lower social class	3	3	1	33
(12) We don't know well	1	1	1	100

^aPersonal Interviews, 67 Firms, Appendix III.

firms (53 per cent) in America. Thus the width of the major product line was much narrower in America.

Against this general pattern, it should be noted that there were four firms which offered more product models or variations in the major line in America than in Japan. Apparently the width of the major product line was an important factor in marketing success. And this might indicate the relative emphasis of the American market over the domestic one for these firms. If the number of product variations or models in the major line did indicate the degree of corporate efforts to match the product offerings to the heterogeneous market requirements, the existence of these four firms did suggest corresponding adjustment in marketing and product strategy of the Japanese manufacturing firms. Also this might be indicative of the need for less product variations in Japan because of "saturation marketing" mentioned earlier. See Table 6-9 for the comparison of the number of models in the major line.

If the measure of diversification was extended to cover the entire lines of products, the Japanese manufacturing firms in general indicated a high degree of diversified operations. But their American operations had a much smaller degree of diversification in product lines. Table 6-10 indicates this relationship.

In America, 14 firms (21 per cent) had only one basic line of products, whereas there were 7 firms in

TABLE 6-9.--Comparison of the number of different models or variations in the major product line of the firm, both in America and in Japan.^a

The Number of Different Models or Variations in the Major Pro- duct Line	<u>In Japan</u>				N. A. b (5)	Total Number of Firms	Percentage
	1-3 (1)	4-10 (2)	11-20 (3)	21 or More (4)			
<u>In America</u>							
(1) 1-3	2	4	--	3	--	9	13
(2) 4-10	2	4	5	9	1	21	31
(3) 11-20	--	1	6	6	--	13	19
(4) 21 or More	--	1	--	22	--	23	34
(5) N. A. b	--	--	--	--	1	1	1
Total Number of Firms	4	10	11	40	2	67	100
Percentage	6	15	16	60	3	100	

^aPersonal Interviews, 67 Firms, Appendix III.

^bNon-response.

TABLE 6-10.--The degree of diversification as measured by the number of basic lines of products offered, both in America and Japan.^a

The Number of the Basic Product Lines Offered	In Japan					Total Number of Firms	Percentage
	One (1)	Two (2)	Three (3)	Four or More (4)	N. A. (5) ^b		
<u>In America</u>							
(1) One	5	2	1	6	--	14	21
(2) Two	1	6	--	7	--	14	21
(3) Three	1	--	2	9	--	12	18
(4) Four	--	--	1	22	1	24	36
(5) N. A. ^b	--	--	--	1	2	3	4
Total Number of Firms	7	8	4	45	3	67	100
Percentage	10	12	6	67	4	100	

^aPersonal Interviews, 67 Firms, Appendix III.

^bNon-response.

Japan with but one basic product line. Similarly, there were 14 firms (21 per cent) with two basic lines in America, but in Japan there were 8 firms (12 per cent) with two lines. Thus the number of firms handling one or two basic lines of products in America was twice as large as those in Japan.

Although there were three firms which handled more product lines in America, they were exceptions. In general, the overall aggregate pattern of the width of product lines looked quite similar to that of product model or variation in the major line. Probably similar underlying reasons discussed earlier under product models and variations would apply to the difference between the width of the basic product lines in America and in Japan.

However, there was no apparent relationship between the degree of product diversification measured by the number of basic lines of products and the model variations within the major product line. The result of this test is presented in Table 6-11.

Finally, in order to find out the overall degree of product diversification, a question was asked: "How many different products (items or models) are there in your total product lines?" The answers to this question showed that there were 14 firms (21 per cent) with more than 3,000 products offered in Japan. In contrast, there were only 2 firms (3 per cent) in America with more than 3,000 product offerings.

TABLE 6-11.--The relationship between the number of product variations or models and the number of basic product lines in America.^a

Number of Product Variations or Models in the Major Product Line	Number of Basic Product Lines				Total Number of Firms	Per-centage
	One	Two	Three	Four or More		
1-3	4	4	1	--	9	13
4-10	7	2	1	10	21	31
11-20	--	5	3	3	13	19
21 or More	3	3	7	10	23	34
N. A. ^b	--	--	--	1	1	1
Total Number of Firms	14	14	12	24	67	100
Percentage	21	21	18	36	100	

^aPersonal Interviews, 67 Firms, Appendix III.

^bNon-response.

There were 5 firms (7 per cent) with 10 or less products in their entire offerings in Japan. But the similar firms with 10 or less products in America increased to 20 firms (30 per cent). Thus it was clear that in America most firms tended to limit their product offerings sharply, as against the case in Japan. For details see Table 6-12.

Interaction With the Customer-Prospect
and Product-Service Mix

Regarding the width of the product, it could be argued that the more diversified a firm, the more likely it was for the firm to use refined market segmentation. In this respect, those firms which replied that they sold to "anyone who tries to buy the product" as the main segment of the customers in America could very well be the ones without systematic planning on market segments to cultivate (Table 6-8 on page 238).

Based on such an assumption and reasoning, the ratio of the firms which replied in the affirmative to the above question of the segment was examined with regard to the number of product variations or models in the major line, the number of the basic product lines, and the total number of the different products or items of the firm. The result was indicative, though not conclusive, of the assertion that there might be a significant relationship between the way the firm defines its market segments and the amount of product diversification. See Table 6-13 for details.

TABLE 6-12.--The comparison of the number of different products offered in the total product lines of the firm in America and in Japan.^a

Number of Products or Items Offered in America	Number of Products or Items Offered in Japan ^b								Total Number of Firms	Per- centage
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
(1) 10 or less	3	6	6	2	-	-	2	1	20	30
(2) 11-30	-	5	1	-	1	2	1	-	10	15
(3) 31-100	2	-	9	2	2	-	4	-	19	28
(4) 101-300	-	-	-	3	2	-	2	-	7	10
(5) 301-1,000	-	-	-	-	2	-	3	1	6	9
(6) 1,001-3,000	-	-	-	-	-	1	-	-	1	1
(7) 3,001 or More	-	-	-	-	-	-	2	-	2	3
(8) N. A. ^c	-	-	-	-	-	-	-	2	2	3
Total Number of Firms	5	11	16	7	7	3	14	4	67	100
Percentage	7	16	24	10	10	4	21	6	100	

^aPersonal Interviews, 67 Firms, Appendix III.

^bThe numbers are the same as given for American product offerings.

^cNon-response.

TABLE 6-13.--The relationship between the choice of a certain market segment and the amount of product variation, the number of basic line of products, or the number of different product offerings.^a

Product Variations or Number of Product Models in the Major Line in America	The Market Segment Selected "Anyone Who Tries to Buy the Product" Category ^b					
	In America			In Japan		
	Number of Firms	(%)	Horizontal Percentage ^c	Number of Firms	(%)	Horizontal Percentage ^c
(1) 1-3	4	(19)	44	3	(19)	33
(2) 4-10	8	(38)	38	5	(31)	24
(3) 11-20	3	(14)	23	3	(19)	23
(4) 21 or More	6	(29)	26	5	(31)	22
Total	21	(100)	31	16	(100)	24
Basic Line of Products in America						
(1) One	7	(33)	50	6	(38)	43
(2) Two	4	(19)	29	3	(19)	21
(3) Three	3	(14)	25	3	(19)	25
(4) Four or More	5	(24)	21	4	(25)	17
(5) N. A. ^d	2	(10)	67	--	--	--
Total	21	(100)	31	16	(100)	24
Number of Products Offered in America						
(1) 10 or less	9	(43)	45	6	(38)	30
(2) 11-30	2	(10)	20	2	(13)	20
(3) 31-100	5	(24)	26	5	(31)	26
(4) 101-300	1	(5)	14	1	(6)	14
(5) 301-1,000	2	(10)	33	1	(6)	17
(6) 1,001-3,000	--	--	--	--	--	--
(7) 3,001 or more	1	(5)	50	1	(6)	50
(8) N. A. ^d	1	(5)	50	--	--	--
Total	21	(100)	31	16	(100)	24

^aPersonal Interviews, 67 Firms, Appendix III. ^bSee Table 6-8.

^cOf the firms belonging to each row designations, which covered other segments as well.

^dNon-response.

For instance, the market segment of "anyone who tries to buy the product" was chosen by a relatively high proportion of the firms with narrow product lines and limited product offerings. And the same market segment was chosen as an intended target of marketing efforts by a relatively small percentage of the firms with many product variations and basic product lines. As far as the choice of this particular segment of "anyone who tries to buy the product" was concerned, there was not a wide discrepancy in its general pattern either in America or in Japan. However, in the aggregate, 5 more firms (7 per cent) chose the segment in America as over in Japan, indicating that more firms tended to use less defined, all-inclusive delineation of the market in America.

Product Innovation

Fairly aggressive product development and new product introduction were observed among the firms surveyed. The result of the survey indicated that 16 firms (24 per cent of those surveyed) introduced more than 21 new products per year in the home market of Japan. As might be expected from the previous findings, the number of firms which introduced more than 21 new products a year in America was smaller. And yet, it should be noted that 6 firms (9 per cent) introduced more than 21 new products per year in America.

As for the firms which introduced less than 2 new products a year, there were 14 firms (21 per cent) with such a conservative stance in Japan, while there were as many as 33 firms (49 per cent) with less than 2 new products introduced within the past year in America. Again this result conformed to the generally conservative stance in marketing strategy and the existence of many limiting factors for market segmentation in marketing effort in America.

As to the role of product design in the total marketing effort, it should be noted that 7 firms indicated that design was not very important in their marketing effort in either country. Most of them were industrial goods firms and this was understandable. To them universal technical specifications of the components or materials should be more important than design considerations.

However, the overwhelming majority of the firms, 50 or 75 per cent in America and 49 or 73 per cent in Japan, indicated that the product design played an important role in the firm's marketing effort. A design specialist was used by two firms in Japan and by three firms in America--this fact was significant in that the information was voluntarily supplied by additional writings.

A proportionately higher percentage of the firms reported that "recommendations of marketing people

TABLE 6-14.--The comparison of the frequency of new product information into market, both in America and in Japan.^a

Number of New Products Introduced Per Year ^b	In Japan ^c							Total Number of Firms	Per- centage	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)			
<u>America</u>										
(1) Less than 1	3	5	3	5	-	-	-	16	24	
(2) 1-2	-	6	7	3	-	1	-	17	25	
(3) 3-5	-	-	7	3	1	6	-	17	25	
(4) 6-10	-	-	1	3	1	1	-	6	9	
(5) 11-20	-	-	-	-	-	3	-	3	4	
(6) 21 or more	-	-	-	-	-	5	1	6	9	
(7) N.A. ^d	-	-	-	-	-	-	2	2	3	
Total Number of Firms	3	11	18	14	2	16	3	67	100	
Percentage	4	16	27	21	3	24	4	100		

^aPersonal Interviews, 67 Firms, Appendix III.

^bThe original question used: "How frequently have you introduced new products in the market? Take the average of the past two years, if you can."

^cThe numbers designate the same classification of the number of new product introduction per year in American market, i.e., the row designation of the table.

^dNon-response.

usually get adopted in designing" in Japan than in America by a margin of 8 per cent. Similarly the response, "engineers usually come up with good designs," was chosen by 25 per cent of the firms in Japan and by 18 per cent of the firms in America--a margin of 7 per cent. These were the only significant differences between America and Japan. A negative comment of the engineers not quite responding to the market needs was given by 3 per cent of the firms for Japan and by 6 per cent of the firms for America.

It seemed that the majority of the firms believed that product design played a significantly more important role in the total marketing effort in America than in Japan. Also they felt that the recommendations of marketing people tended to have less voice in product design in America. And finally they perceived that the design problems were more complex and difficult for the American market. See Table 6-15.

Product Technology

From the technological perspective, the Japanese products seem to be quite competitive in the international market. It seems that there no longer exists a significant technological gap between the industrialized nations of the West (America and European countries) and Japan. Therefore, for the products offered by the Japanese manufacturing firms in America, it could be said that there is no fundamental disadvantage from the general product technology level.

TABLE 6-15.--The comparison of the role of product design, the degree of adopting recommendations from marketing in designing, and the evaluation of engineering in generating marketable designs.^a

Product Design	In America		In Japan		Difference in Percentage
	Number of Firms	Per- centage	Number of Firms	Per- centage	
<u>The Role of Product Design in Marketing Effort</u>					
(1) Not very important	10	15	8	12	3
(2) An important marketing tool	20	30	18	27	3
(3) Very important to marketing success	30	45	31	46	1
<u>The Recommendations of Marketing People</u>					
(4) Usually get adopted in designing	13	19	18	27	8
(5) Are not reflected on designing	4	6	5	7	1
<u>The Performance of Engineers</u>					
(6) Our engineers usually come up with good designs	12	18	17	25	7
(7) Our engineers do not necessarily respond to what market desires	4	6	2	3	3
(8) Design specialist used	3	4	2	3	1

^aPersonal Interviews, 67 Firms, Appendix III.

Needless to say, the first requirement for the successful cultivation of an overseas market for manufactured goods is the product's technological soundness. In this respect, the Japanese level of product technology, its application, and the amount of product innovation is not inferior to that of the West, though in the post-war period there were allegations of inferiority of Japanese goods. In some areas, the Japanese technology enjoys a clear superiority. It is more a matter of product types or kinds of goods than the general level of technology which determines the actual technological level as a determining factor in international marketing. It will be unnecessary to quote the classical laws of comparative advantage and cite the facts of international "horizontal division and specialization" in manufacturing.

From the general standpoint of the level of product technology, the Japanese products which are superior by Western standards are: (1) the labor intensive type goods such as ceramics, light machinery, toys and textiles, and (2) the historically government supported industries and goods such as pig iron, shipbuilding, railway equipment, communication and optical equipment, fertilizer and cement.⁵

⁵Noboru Makino, "Rijun o Sasaeru Mittsuno Gijutsu Senryaku" (The Three Technological Strategies to Support Profit), The Bessatsu Chuokoron, Keiei Mondai, Summer, 1966, pp. 102-104.

On the other hand, the Japanese products with inferior technology are (1) the automobile and auto-related industries and (2) the products related to the special demand of space exploration and modern national defense.⁶ In between these two poles of superiority and inferiority, there are numerous products with similar levels of technology. They could be characterized as (1) products based on imported technology and (2) the general consumer goods.⁷ A summary view of Japan's level of productive technology as compared to the Western standards is given in Table 6-15.

From the above discussion of the technological level of Japanese business, it would be apparent that there really does not exist any fundamental handicap or disadvantage for most Japanese manufacturing firms in extending their marketing activities to the United States, as far as their overall technological level of products is concerned. It does not affect the overall pattern of adaptation to America as a decisive factor, although it is a most important one. The variation in the pattern of adaptation may, therefore, come from the management, marketing, or planning factors rather than technology. To illustrate this point, examples indicating the level of Japanese technology will be given in the remainder of this section.

⁶Ibid.

⁷Ibid.

TABLE 6-16.--Japan's level of productive technology as compared to the Western industrialized nations by type of products.^a

The Comparative Level of Productive Technology	Materials	Machinery	Chemicals
<u>At Superior Level</u>			
(1) The Labor Intensive	Ceramics	Radios, Cameras Sewing machines Textile machinery Watches Mechanical toys	Chemical fibres (Rayon, etc.)
(2) The Government Supported Industries	Pig iron	Shipbuilding Railway equipment Communication equipment Optical machinery	Fertilizers Cement
<u>At Similar Level</u>			
(1) Based on the Imported Technology	Aluminum Ordinary steel Coated steel plates	Electrical motors Electron tubes Applied electrical apparatus Office machines	Plastics Synthetic fibres Petro-chemicals
(2) General Consumer Goods	Copper Zinc Wire Construction materials Insulating materials	Machine tools Agricultural machinery Home use electrical machinery Friction bearings	Paint Dyes Inorganic chemicals
<u>At Inferior Level</u>			
(1) Automobile Related	Casting and forging metals Special steel Diecast	Automobiles Manufacturing tools Specialized tooling machines Presses Metal tooling machines	Synthetic rubber Glass
(2) The Special Demand Related	Heat-shielding materials Rare metals	Aircrafts, rocketry Nuclear reactors Electronic computer Control apparatus	

^aSource: Noboru Makino, *Ibid.*, p. 103, which was based on an extensive survey conducted by the Ministry of International Trade and Industry of Japan. Western industrialized nations include major European nations, Canada and the United States.

By 1963, for instance, the Japanese shipbuilders had adopted several methods to cut their production costs. It was not the low pay scales and somewhat lower steel costs alone that had helped build the foundation for the rapid expansion of its business. They were saving on labor, material and construction time by employing a modified prefabricated technique called welded-block construction--a genuine innovation in the production process.⁸ The Japanese shipmakers were also making their own marine diesel engines and steam turbines at the yard while the vessels were under construction, and they had also developed a new pudgier tanker with a short, wide hull and a deeper draft that required less steel to build--again a true innovation, in that it defied the traditional thinking of the hull design based on well-established principles of aqua dynamics.⁹

Japan kept building bigger and more sophisticated tankers. The 150,000-deadweight-ton Tokyo Maru was completed by the end of 1965, and the Japanese transportation ministry was pushing development of techniques for building 250,000-ton tankers.¹⁰ Ishikawajima-Harima Heavy

⁸"Japanese Assembly-Line Methods Speed Ships Down Ways, Cut Costs, Lure Orders," The Wall Street Journal, Thursday, August 22, 1963, p. 4.

⁹Ibid.

¹⁰"What U. S. Companies Are Doing Abroad," U. S. News & World Report, October 18, 1965, p. 137.

Industries, Ltd. of Tokyo completed and delivered a tanker which could carry four different kinds of oil at one time because of the unique design and special pipings devised.¹¹

Similar examples of technological innovation could be observed for the other types of goods listed in Table 6-16 as enjoying a superior level of technology compared to the Western nations. The examples are numerous, starting with the New Tokaido Railway; but discussion of them is obviously outside the scope of this analysis.

It will only be necessary, therefore, to point out the fact that in industries where the level of technology is inferior according to Table 6-16, there is evidence to indicate that Japanese know-how is rapidly catching up with the West.

Through their affiliations with U. S. prime contractors, two Japanese firms eye active participation in the programs of the Communications Satellite Corporation (COMSAT).

For Nippon Electric, a COMSAT contract to provide nearly half a million dollars' worth of multiplex relaying equipment at Paumalu, Hawaii, and Brewster Flats, Wash., is considered a direct result of its association with Hughes Aircraft Company.

Similarly, a tie-up with TRW, Inc., is yielding benefits for Mitsubishi Electric as subcontractor on two large space-related orders. Mitsubishi is to turn out power control units and transformers for six COMSAT satellites for which TRW is prime contractor.¹²

¹¹The Japan Economic Journal, Tuesday, June 8, 1965, p. 7.

¹²"What U. S. Companies Are Doing Abroad," U. S. News & World Report, July 4, 1966, p. 73. (The article copyrighted by U. S. News & World Report, 1966.)

And again:

Discard those old notions about Japan as a nation of industrial copycats.

Japanese scientists and engineers are experimenting, innovating, coming up with new industrial products and processes. Convincing testimony: U.S. firms are buying Japanese ideas. While the main flow of new techniques and technology still is from West to East, several companies are finding it profitable to reverse the flow, import Japanese know-how.

* Ayerst Laboratories has signed a 10-year contract with Toyo Brewing. It involves the production in the U. S. of a new Toyo-developed antibiotic, for U. S. and Canadian sale.

* Goodyear Tire & Rubber is buying technology from Japan's Bridgestone Tire. It covers production of a synthetic rubber with superior resistance to abrasion, overload.

* Esso Research & Engineering has acquired production and sales rights on a special plastic tubular film developed by Kokoku & Rayon Pulp for packing such items as food and textiles. Rights cover U. S., Europe, except Britain.

* Bethlehem Steel is interested in a new centrifugal casting process perfected by Kubota Iron & Machinery for the manufacture of rolls for steel rolling mills. The kubota process is said to deliver a stronger, higher quality casting, in quantity, at less cost.¹³

Promotional or Marketing Mix

Like many concepts, the marketing mix concept seems relatively simple, once it has been expressed. I know that before the ideas involved were ever tagged with the nomenclature of "concept," the ideas were widely understood among marketers as a result of the growing knowledge about marketing and marketing procedures that came during the preceding half century. But I have found for myself that once the ideas were reduced to a formal statement with an accompanying visual presentation, the concept of the mix has proved for me a helpful device in teaching, in business problem solving, and generally as an aid to thinking about marketing.¹⁴

¹³U. S. News & World Report, December 6, 1965, p. 106.

¹⁴Neil H. Borden, "The Concept of the Marketing Mix," in Science in Marketing by George Schwartz (ed.) (New York: John Wiley & Sons, 1965), p. 395.

Advertising

The most important and fundamental ingredient of any market communication effort is the purpose of the message to be conveyed.¹⁵ And of course, culture plays a crucial role, as it can also be viewed as communication.¹⁶

Therefore, the advertising appeals used by the firms were expected to be rather significantly different from those used in Japan. Instead of rather technical comparison of media, theme and advertising allocation by individual firms, a macro investigation of the fundamental appeals used for the firm was attempted. From this perspective, a question was asked: "When advertising your company's products, which appeals do you emphasize most?"

The answers to this question did indicate a rather significant difference in the emphasis of basic advertising appeals used in America and in Japan. See Table 6-17 for details. In both nations, the quality of the product was the first and the top advertising appeal emphasized with equal frequency (61-63 per cent). The factual information about the product was the least frequently selected as the advertising appeal emphasized most (by 22 per cent of the firms in America and by 27 per cent in Japan).

¹⁵Communication net theory and other theories of communication. See Thomas Staudt and Donald Taylor, A Managerial Introduction to Marketing (Englewood Cliffs, N. J.: Prentice Hall, Inc., 1965), pp. 353-370.

¹⁶This viewpoint is given in Edward T. Hall, The Silent Language (New York: Fawcett World Library [Premier Books], 1961).

TABLE 6-17.--The most emphasized advertising appeals used in America and in Japan.^a

Type of Advertising Appeals Used	In America		In Japan	
	Number of Firms	Percentage	Number of Firms	Percentage
(1) Quality of the products	42	63	51	61
(2) Emphasis of the value of the products	31	46	27	40
(3) Brand or company name stressed	28	42	36	54
(4) Uniqueness of the company products	23	34	24	36
(5) General benefits derived from products	20	30	29	43
(6) Factual information about the product	15	22	18	27
Total Number of Firms Surveyed	67	100	67	100

^aPersonal Interviews, 67 Firms, Appendix III.

Comparing the use of major advertising appeals, there was a rather significant difference between the two. In America, the value of the product was the second most frequently used appeal by 46 per cent of the firms, followed by the brand or company name being stressed (42 per cent), the uniqueness of the company products (34 per cent), and the general benefits derived from the products (30 per cent).

In Japan, this pattern was almost reversed. The second on the list was the brand or company name with 54 per cent of the firms, followed by the general benefits (43 per cent), the emphasis of the value of the products (40 per cent) and the uniqueness (36 per cent).

Judging from this pattern, it seemed that the relative strength of the firm in both markets affected the selection of the appeals more than the cultural differences involved. The brand names were stressed more often in Japan, probably to cultivate selective demand. In America weak corporate or brand position of the firm made this appeal less tenable. However, the emphasis on the value of the products was much more frequently used in America. This could be construed as indicating the purchase behavior of the American people --perceived to be more rational and scientific instead of being emotional and general as in Japan.

Personal Selling

Out of 67 firms surveyed, 29 firms (43 per cent) indicated that they used personal selling or the sales

force in America. Thirty-two firms (48 per cent) replied in the negative and there were 6 firms (9 per cent) without definite responses. The chief problems related to the use of sales personnel were asked of the 29 firms using the sales force in America. See Table 6-18 for the results.

Recruitment, selection and hiring headed the list of the chief problem areas (48 per cent of the firms using personal selling effort). This was followed by competence and quality of sales personnel (also 48 per cent), and training and developing (31 per cent). In Japan, the problem areas were considerably different. It was training and developing which headed the list with 48 per cent of the firms using the sales force, followed by competence and quality of sales personnel (31 per cent) and recruitment, selection and hiring (17 per cent).

This difference apparently was indicative of the Japanese practice of the sales force development based on the lifetime employment system, in which career junior executives occupy key line positions. Quite often American firms would use independent, professional salesmen under similar circumstances. The fact that training and developing was mentioned third on the list by 31 per cent of the firms using the sales force might indicate a systematic effort to transplant and modify Japanese-style organizational arrangement, covering the sales force in America. As a matter of fact, many firms did use their own Japanese staff members in line sales positions.

TABLE 6-18.--The chief problems with the use of sales personnel, sample 29 firms.

The Chief Problem Areas Selected	In America		In Japan	
	Number of Firms	Percentage	Number of Firms	Percentage
(1) Recruitment, selection, and hiring	14	48	5	17
(2) Training and developing	9	31	14	48
(3) Compensating and motivating	4	14	4	14
(4) Supervising and directing	4	14	4	14
(5) Competence and quality of sales personnel	14	48	9	31
(6) Turnover (due to resignation, firing, etc.)	--	--	1	3
(7) Loyalty to company	3	10	2	7
(8) No major problems in sales area	--	--	3	10
(9) Don't bring enough market information, because they are on commission basis	1	3	--	--
Total Frequency Mentioned	49	169	42	145
Total Firms Surveyed	29	100	29	100

Pricing

With vigorous new product development activities on the part of the Japanese manufacturing firms, pricing of new products in America assumed a crucial role in the overall marketing strategy. Of the many factors that influenced the pricing decisions of new products, an attempt was made to determine the relative importance of the five major factors: economic, financial, competitive, psychological and sociological. This attempt was based on the historical assumption in which the firm traditionally employed marginal as against average pricing in America. The main reason for this, of course, was the incremental nature of additional product lines to the parent firm's overall cost structure and the concept of the overhead costs in Japan, which at times included the direct labor because of the lifetime employment system.

From the investigation of the relative importance of the five major factors, it was evident that the firms used basically the same rationale and reasoning in new product pricing in America, with only a minor modification. The modification was chiefly in the relative emphasis on the financial soundness and the competitive strength as affecting the determination of new product prices. In America, the financial consideration was not as frequently the prime reason, but the competitive strength was by far of prime importance.

Thus, although the competitive strength was the most frequently mentioned factor for pricing in both markets, there was much more emphasis on the basis of competition as the major factor in new product pricing in America. The firms utilizing psychological impact for pricing seemed to recognize the importance of marketing considerations in pricing decisions. For details, see Table 6-19.

Other Demand Creating Forces

Of widely used sales promotion methods, the most popular one in America seemed to be participation in trade shows and exhibits, which was the choice of 60 per cent of the firms, surpassing its use in Japan by 51 per cent of the firms. The next widely used methods were dealers sales contest, and customers sales contest or the invitation of prospects to special events. They were used in both markets to about the same degree. And no significant difference was observed between them except for the dealers sales content, which was less widely used in America.

As a demand creating force, the extent of research and development activities could not be ignored. About one-third of the firms believed that their R & D activities were about the same as other Japanese firms in both markets (33 per cent in America and 30 per cent in Japan). But 48 per cent of the firms did much more R & D than

TABLE 6-19.--The most important and the second most important factors in determining new product prices.^a

The Factors or Reasons for Determining New Product Prices	In America		In Japan	
	Number of Firms	Percentage	Number of Firms	Percentage
<u>Competitive strength, due to similar pricing on the part of the competitors</u>				
Most important	36	54	27	40
Second most important	6	9	8	12
<u>Financial soundness, assuring target rate of returns or target profit</u>				
Most important	5	7	9	13
Second most important	25	37	20	30
<u>Economic reasons, following the law of supply and demand</u>				
Most important	8	12	6	9
Second most important	12	18	14	21
<u>Psychological impact, with prestige prices for insuring high product values</u>				
Most important	2	3	4	6
Second most important	4	6	2	3
<u>Sociological appeal, mainly as a status symbol</u>				
Most important	--	--	--	--

^aPersonal Interviews, Sample 67 Firms, Appendix III.

The respondents were asked to answer three factors from the above five, ranking them in order of their importance from (1) to (3). Only the top two were reported here.

other Japanese competitors in Japan, reflecting the generally progressive stance in marketing strategy of the firms surveyed.

However, those firms which had much more R & D than other competitors in America dropped to 25 per cent. In both markets, the firms planning to place increasing emphasis on R & D activities were about one-third of those surveyed. Apparently many firms started realizing the importance of research and development activities and their implications for marketing success.

Channel-Distribution Mix

Basic Channels of Distribution

The main difference in the basic channels of distribution used in America as compared to Japan was the fewer number of firms selling direct to customers and prospects (11 firms or 16 per cent in America versus 20 firms or 30 per cent in Japan). As a corollary to this use of less direct channels in America, there were 11 firms (16 per cent) which used one or two levels of middlemen in America, compared to 4 firms (6 per cent) in Japan that used one or two levels of middlemen.

Other than this manifestation of such a use of longer channels in America, there was no significant difference in the overall pattern of the basic channels used. The fact that the channel was shorter in Japan might sound contradictory to the common notion that the long channels

of distribution were the overriding characteristics of the Japanese distribution system. For instance, it is reported that the use of long channels is the common practice for both industrial and consumer goods in Japan.¹⁷ How could this seeming puzzle be resolved then?

The most reasonable but tentative answer to the above question would be that most of the firms operating in America tended to have their own sales outlets, financed and staffed by the corporate personnel in the Japanese home market. This was made possible because of the dominant position of the firm or of the unique financial advantage to the customer resulting in intensive coverage of the home market, which, in turn, could sustain such a branch or warehouse supported corporate distribution system.

An additional reason for the longer channel in America was perhaps due to the weak market position of those firms, whose control often ended at the wholesale level and who could not use the direct channel, which was relatively expensive and required a degree of saturation marketing backed up by volume or mass in motion.

Table 6-20 gives the basic channels in both markets.

¹⁷George A. Elgass and Laurence P. Dowd, "Wholesaling in Japan," in Robert Bartels, (ed.) Comparative Marketing: Wholesaling in Fifteen Countries (Homewood, Illinois: Richard D. Irwin, Inc., 1963), p. 164.

TABLE 6-20.--The basic channel of distribution used both in America and in Japan.^a

	The Type of Channel Used (Trading Organizations Mainly Used)	In America		In Japan	
		Number of Firms	Percentage	Number of Firms	Percentage
(1)	Trading firms	26	39	28	42
(2)	Wholesalers or distributors	36	54	38	57
(3)	Retailers	21	31	25	37
(4)	Sell direct to customers or prospects	11	16	20	30
(5)	One level of middlemen	8	12	2	3
(6)	Two levels of middlemen	3	4	2	3
(7)	Three or more levels of middlemen	1	1	3	4
(8)	Sell direct to O.E.M.	2	3	--	--

^aPersonal Interviews, Sample 67 Firms, Appendix III.

Actually, the American marketing channels of the Japanese firms were quite complex and dynamic. And not all of the presently used ones were ideal for the firm using them, either. The ideal channel of distribution for the firm differed somewhat in America for the Japanese firms surveyed.

In America many firms preferred to sell direct either through franchised dealers or through various retail outlets (43 firms or 64 per cent); but in Japan a smaller proportion of the firms believed this to be the ideal channel (32 firms or 48 per cent). It was easy to see that behind this there was a desire to establish managerial control over the channel to compensate for other weaknesses in marketing efforts in America on the part of the Japanese firms. Also there were 8 firms which considered selling through mass-merchandising outlets (supermarkets, discount stores, chains, etc.) to be ideal; but in Japan only one firm regarded this an ideal channel. The relatively underdeveloped state of mass-merchandising outlets in Japan was no doubt part of the reason why this was not selected for use in Japan.

As to the choice of the indirect channel, the firms considered this to be equally ideal in both (10 firms in America and 11 firms in Japan). Fourteen firms considered selling direct and indirect at the same time to be ideal both in America and in Japan.

A considerably larger number of firms regarded selling direct to customers as ideal in Japan (18 firms or 27 per cent)--compared to America (10 firms or 15 per cent). The results corresponded closely with the actual use of this channel discussed earlier (Table 6-20). For details, see Table 6-21.

Customer Service and Other Channel Problems

The Japanese firms tended to emphasize the importance of the customer service, or "after-service" as they called it, including technical services considerably more in America. This emphasis on "after-service" was the only significant difference in the extent of the general customer service of these firms in both markets. Therefore, it could be reasoned that as far as the investigation went, there was a stronger emphasis on the importance of the customer service in the total mix of marketing effort in America.

In spite of the cost involved, a significantly higher proportion of the firms maintained a warehousing system for the necessary parts in America than they did in Japan. This might be a reflection of the geographical reality of the United States; but the relative emphasis on customer service no doubt was a factor giving rise to the warehousing system. See Table 6-22.

Were there any differences in the major problems related to the channels of distribution used in America and in Japan? The major difference in the chief problem

TABLE 6-21.--The ideal channel of distribution a firm could use in both markets.^a

The Type of Channel Which is Ideal (Modes of Selling and Marketing and Marketing Organizations In- volved)	In America		In Japan	
	Number of Firms	Percentage	Number of Firms	Percentage
(1) Direct to customers	10	15	18	27
(2) Direct through franchised dealers	33	49	25	37
(3) Direct through various retail outlets	10	15	7	10
(4) Indirect through wholesalers and distributors	10	15	11	16
(5) Selling both direct and indirect at the same time	14	21	14	21
(6) Selling through mass-merchandising outlets (supermarkets, discount stores)	8	12	1	1
(7) Present channel (use of multiple- channel)	1	1	1	1
Total Number of Firms ^b	67	100	67	100

^aPersonal Interviews, Sample 67 Firms, Appendix III.^bIndividual column entries exceed the total because of multiple entry on the part of some respondents.

TABLE 6-22.--The extent of customer service, "after-service," or technical services.^a

Description of the Extent of Customer Service	In America		In Japan		Difference	
	Percentage of Firms		Percentage of Firms		Percentage	
(1) We have no need for them	21		7		14	
(2) Our own engineers handle them	48		55		7	
(3) We have a network of specially trained "service" dealers or stores	34		34		0	
(4) We have a warehousing system for the necessary parts	30		21		9	
(5) We emphasize their importance and do whatever the best we can	37		25		12	
(6) We have a separate service company	3		3		0	

^aPersonal Interviews, 67 firms, Appendix III. The percentage responses exceed 100 per cent because of multiple entries.

areas seemed to be the environmental one of legal regulations and restrictions. Legal matters, resale price maintenance, and cooperative advertising in America were mentioned as the chief problem areas in 36 cases, as compared to 14 cases in Japan.

Aside from the above area, other problems were chosen with similar frequency by approximately the same number of firms as applying both in America and Japan. Of these, price-cutting was mentioned most frequently. See Table 6-23 for details.

Summary Review

As the base of making decisions affecting marketing strategy, the Japanese firms used more outside sources, such as marketing research agencies in America, than they did in Japan. Such use was reported by 30 firms out of the total 67, but in Japan the use was limited to 22 firms. Instead the existence and use of their own marketing research staff were limited to 23 firms in America, while in Japan 35 firms used their own marketing research staff. Since there are numerous other sources of marketing information, the relative emphasis on marketing research apparently indicated the generally progressive approach in marketing strategy mentioned earlier.

In a general way, two questions were asked of the respondent firms to indicate the relative merits and emphasis of the four mix ingredients. The purpose was to

TABLE 6-23.--The chief problems encountered in the channel of distribution.^a

The Chief Problems	America (Number of Firms)	Japan (Number of Firms)	Difference
(1) Legal matters	5	1	4
(2) Resale price maintenance	20	8	12
(3) Maintenance of direct control	9	12	3
(4) Prevention of price-cutting	25	24	1
(5) Cooperative advertising	11	5	6
(6) Promotion to push the product	18	21	3
(7) After-service problems	18	14	4
(8) Customer-care	9	11	2
(9) Market communication	12	11	1
(10) Strengthening of distribution	1	1	0

^aPersonal Interviews, 67 firms, Appendix III.

find out the overall pattern differences in emphasizing certain mix components in America and in Japan. In order for the firm to succeed in the market place, the surveyed firms believed that "to promote its products as superior and better" was of first importance in America. And many firms selected the item "to organize sales force and push their products" to be third in importance, which was fairly close to the second choice item "to develop new products."

On the other hand, "to develop new products" was considered of first importance in Japan, which was followed by the items on "to promote products" and "to organize sales force." Thus it could be said that there was more emphasis on new product development for a firm's successful survival in Japanese market--more so than in America. Also to be noted was the fact that "to establish a dealer or distributor network" was considered a key to succeed in America by many firms. The difference for the need of dealer network was remarkably clear--in Japan a few firms considered it of vital importance.

From this overall pattern difference, it could be argued that in America most firms considered the organization of marketing efforts in the promotional and distribution mix much more important for the marketing success than in the case of Japanese market. The second question used to verify this point seemed to endorse this conclusion. See Tables 6-24 and 6-25.

TABLE 6-24.--The most important and the second most important ingredient for the firm's success in the marketplace, both in America and in Japan.^a

The Ingredients Selected	In America		In Japan	
	Percentage of Firms		Percentage of Firms	
(1) To promote our products as superior and better (As most important) (As second most important)	33	13	28	19
(2) To organize sales force to push our products (As most important) (As second most important)	15	27	16	12
(3) To develop new products (As most important) (As second most important)	24	12	31	25
(4) To set up service network for repair works (As most important) (As second most important)	1	15	1	9
(5) To establish a dealer or distributor network (As most important) (As second most important)	13	19	1	10
Total Percentage (67 = 100 per cent)	86	86	77	75

^aPersonal Interviews, 67 firms, Appendix III.

TABLE 6-25.--The two most important "musts" to win over competition, as perceived by the firm, both in America and in Japan.^a

	In America		In Japan	
	Percentage of Firms		Percentage of Firms	
(1) A better product to sell (Most important) (Second most important)	46	13	49	10
(2) Lower and competitive pricing (Most important) (Second most important)	13	22	7	24
(3) Cooperation of good distributors, dealers, or retails (Most important) (Second most important)	16	21	7	21
(4) Better advertising and sales (Most important) (Second most important)	7	16	7	7
(5) More able salesmen and the sales force (Most important) (Second most important)	4	12	6	9
(6) Better repair services (Most important) (Second most important)	1	3	--	4

^aPersonal Interviews, 67 Firms (= 100 per cent), Appendix III.

In summary, then, it could be said that in both markets a better product as a result of new product development was a "must" of primary importance to win over competition, as perceived by the respondent firms. In this respect there was no difference between America and Japan. Next important on the list of "musts" in America were lower, competitive pricing and cooperation of good distributors, dealers, or retailers--both being mentioned with similar frequency. The emphasis on these two points was significantly stronger than in Japan, underscoring the earlier findings. Advertising and sales promotion were also slightly more emphasized as a competitive weapon in America. See Table 6-25.

CHAPTER VII

CONCLUDING REMARKS

Precis of Study

This is an investigation of the marketing adjustments, adaptations, and strategies of Japanese manufacturing firms doing business in the United States. Information has been derived from secondary sources as well as personal interviews and a mail questionnaire. The perspective taken has been ecological and consequently attention has been directed to contrasts in the business environment between Japan and the United States.

The first step in the investigation was to determine the magnitude and structure of Japanese business in the United States. The findings are set forth in Chapter II and may be highlighted as: (1) about 210 establishments maintained by the Japanese manufacturing firms in four major metropolitan areas, (2) a steady and continuing increase in the American imports from Japan, and (3) a shift in the product mix toward heavy and chemical industrial goods and the goods requiring complicated marketing efforts.

Chapter III introduces the basic characteristics of Japanese business. In summary, these are: (1) the traditional features of Japanese business, (2) the way businesses

are organized (the lifetime employment system), and (3) some salient operational characteristics as seen in group decision-making practices.

Chapter IV states the value of using the ecological view in this study, contrasts the imports of ecological and environmental forces which affect business organizations, and attempts a systematic description of their interactive consequences upon business behavior as evidenced in the adjustment paradox of the family system and the logic of industrialization.

Turning to the empirical data, of necessity, only those variables were selected for analysis which were judged to be crucial in influencing marketing behavior of the firm. Selection was accomplished by a search of the existing literature, and, in particular, by an implicit review of relevant ecological forces and factors presented in the previous chapter about Japanese business practices. Thus, in summary, the variables dealt with are dimensions of the environment, organizational characteristics, and marketing practices and are: (1) the year and form of entry into the United States, (2) the amount of operational acquaintance with the U. S. market, (3) the size and organizational changes, and (4) the industry characteristics.

Derived from the above analysis were the major adjustive issues and problems faced by respondent Japanese manufacturing firms as they engaged in business in America. By relating the empirical data to the theoretical

postulation found in the literature, it was possible to infer the probable reasons for the adaptive behavior examined and the degree of success in adjusting to American environment. These were: (1) the entry considerations with regard to the leaders and their entrepreneurship, (2) the organizational implication of adaptation, and (3) operational controls and decision-making aspects of adjustment.

The final phase of the empirical part of the study concerned the marketing strategies used by the respondent firms, again contrasting those used in America with those used in Japan. The objective was to pinpoint still further the specific causes of adaptation in each firm's marketing approach, which could be inferred from the findings.

In summary, the comparative description was made of the overall difference in the marketing strategies used in both markets in Chapter VI. Also a more detailed comparison of specific mix components was made in aggregate terms. A significant difference was observed in the firm's marketing approach in America, which emphasized the promotional and distributional aspects of its marketing efforts.

Limitations and Problems

In view of the paucity of research literature and the exploratory nature of the study, definitive policy or operational recommendations cannot be justified. The study did, however, serve to point up research voids that need to be filled by other investigators.

The shortcomings of this study stemmed from two major limiting factors.

1. The basic theoretical issue of formulating a conceptual frame of reference for ecological adjustment of business is yet to be resolved. Comparative studies of cross-cultural phenomena need such a central framework. The ecological view used in this study may eventually give rise to a model, which is powerful enough to handle the problem. But there are too many limitations for this view to suggest that a theoretical model has been established.

2. It is necessary to develop more powerful tools of investigation of cross-cultural phenomena. The analytical tools used were eclectic by design. Mostly they were applied to the data in aggregate terms. But the data used had many limitations in collection methods, sample size, and quality. The usual time and cost considerations prevented a more comprehensive and refined investigation.

In addition, there was a significant lack of substantial secondary data about the subject matter. Also there was no theoretical model operationally available for this study. For these reasons, there was no need to further refine the measurement tools of empirical investigation used for this survey. It was primarily descriptive, with many exploratory elements. Therefore, an experimental design might be effectively used for future investigations.

Tentative Generalizations

In spite of the exploratory and descriptive nature of this investigation, tentative generalizations are presented below. In interpreting and applying them, care must be exercised in view of the theoretical and methodological limitations of the entire study.

1. Entrepreneurship plays an extremely important role for successful adaptation. The role of entrepreneurship and dynamic leadership cannot be over-emphasized for success in the American market. This would imply that a workable organizational arrangement must be devised in order to translate and harness such entrepreneurial spirit into operational results.

2. There is a need for developing talents to fill the American posts on behalf of the parent corporations in Japan. Aside from the more effective use of local office and sales personnel in America, it seems that there is a need for industry-wide training, crossing enterprise barriers. This might be accomplished through seminars, conferences or specialized training programs centered on and around the theme, "How to Do Business in America." A talent pool or reserve could conceivably be build up--outside of the traditional lifetime employment system. The human side of adaptation is very important.

3. A clearer statement of the goals and objectives of the American operations seems in order. For this, the first consideration could be of course the balance between the long and short-run business objectives. Then there exists a need for setting an order of priority among the specific goals of business. These goals will include the amount of on-the-job training desired, the degree of talent development, the results either in growth rate or profits, and the relative emphasis on home and American operations. In many instances, ambiguity on the seemingly conflicting goals of business increased the discrepancy of policy interpretation and market preception, resulting in poor coordination between the headquarters and American establishments.

4. For better performance, more decentralized operations seem to be desired. However, this is predicated upon the full understanding and managerial backup of the Japanese headquarters, both in the financial and personnel needs. Thus the implementation of realistic, systematic marketing planning becomes a necessity both for internal organization needs and for external strategic adjustments. For many Japanese businesses operating in America, the Crissy-Kaplan model might prove to be a useful tool for marketing planning.

Topics for Future Research

Out of the study there have arisen many topics requiring further research. Aside from the methodological problems discussed before, the following specific subjects may be pointed out in order of their priority.

1. The implication of the Japanese lifetime employment system in America. What are the "pinch-points" and the areas of greatest friction?

2. Investigation to pinpoint specific issues of organizational patterns of adaptation. An initial approach would be to compile selected cases of successful and unsuccessful firms to derive manifest organizational differences.

3. Building of a theoretical model for adaptation problems. Such a model could be empirically validated and applied to normative evaluation of marketing strategies used.

4. As a corollary to the above, development of effective tools for empirical investigation. New techniques could be tested, and an experimental design could be used.

Of lesser importance, but having a great practical benefit, would be the following industry-wide investigations.

1. Investigation of the best methods to conduct marketing research for Japanese companies. Many problems concerning marketing intelligence activities could be clarified to present appropriate recommendations.

2. Determination of training needs for the Japanese executives stationed in America. This could lead to the evaluation of the training methods or techniques.

3. Comparison of the basic problems and issues involved in using an American sales force. The organizational controls and the performance evaluation could be investigated for their validity.

4. The identification of the major problems in the use of the channels of distribution in America. This could lead to the conceptual planning of the logistics system and the physical distribution of the Japanese products.

BIBLIOGRAPHY

BIBLIOGRAPHY

English Language Sources

Books

Abegglen, James G. The Japanese Factory. Glencoe, Illinois: The Free Press, 1958.

Alderson, Wroe. Dynamic Marketing Behavior. Homewood, Illinois: Richard D. Irwin, Inc., 1965.

_____. Marketing Behavior and Executive Action. Homewood, Illinois: Richard D. Irwin, Inc., 1957.

Allen, G. C. Japan's Economic Expansion. London: Oxford University Press, 1965.

_____. Japan's Economic Recovery. London: Oxford University Press, 1958.

_____. A Short Economic History of Modern Japan. London: George Allen & Unwin, Ltd., 1946.

Barnard, Chester I. The Functions of the Executive. Cambridge, Mass.: Harvard University, 1938.

Bartels, Robert. Comparative Marketing: Wholesaling in Fifteen Countries. Homewood, Illinois: Richard D. Irwin, Inc., 1963.

Benedict, Ruth. The Chrysanthemum and the Sword. Boston: Houghton Mifflin Co., 1946.

Berg, Thomas L. and Schuman, Abe (ed.). Product Strategy and Management. New York: Holt, Rinehart and Winston, 1963.

Carus, Clayton D. and McNichols, Charles Longstreth. Japan: Its Resources and Industries. New York: Harper & Bros., 1944.

Cole, Allan B. Political Tendencies of Japanese in Small Enterprises. New York: Institute of Pacific Relations, 1959.

- Cox, Reavis, Alderson, Wroe, and Shapiro, Stanley J. (ed.). Theory in Marketing. Second Series. Homewood, Illinois: Richard D. Irwin, Inc., 1964.
- Dore, R. P. City Life in Japan: A Study of a Tokyo Ward. Berkeley and Los Angeles: University of California Press, 1958.
- Fishburn, Peter C. Decision and Value Theory. New York: John Wiley & Sons, Inc., 1964.
- Fukutake, Tadashi. Man and Society in Japan. Tokyo: University of Tokyo Press, 1962.
- Gertz, Clifford. Agricultural Involution: The Process of Ecological Change in Indonesia. Berkeley and Los Angeles: University of California Press, 1963.
- Hall, Edward T. The Silent Language. New York: Fawcett World Library (Premier Books), 1961.
- Hall, Robert B., Jr. Japan: Industrial Power of Asia. Princeton, N. J.: D. Van Nostrand Company, Inc., 1963.
- Harbison, Frederick and Myers, Charles A. Management in the Industrial World. New York: McGraw-Hill Book Co., 1959.
- Hirshmeier, Johannes. The Origins of Entrepreneurship in Meiji Japan. Harvard East Asian Series 117. Cambridge, Mass.: Harvard University, 1964.
- Howard, John A. Marketing: Executive and Buyer Behavior. New York: Columbia University Press, 1963.
- Hunsberger, Warren S. Japan and the United States in World Trade. Council on Foreign Relations. New York: Harper & Row, 1964.
- Investment in Japan, Basic Information for United States Businessmen. Department of Commerce. Washington, D. C.: U. S. Government Printing Office, 1956.
- Jansen, Morris B. (ed.). Changing Japanese Attitudes Toward Modernization. Princeton, N. J.: Princeton University Press, 1965.
- Japan Trade Guide 1966. Tokyo: The Jiji Press, Ltd., 1965.
- Kluckholm, Clyde (ed.). Culture and Behavior. New York: The Free Press, 1962.

- Lazer, William and Kelley, Eugene J. (ed.). Managerial Marketing: Perspectives and Viewpoints. Revised edition. Homewood, Illinois: Richard D. Irwin, Inc., 1962.
- Levine, Solomon B. Industrial Relations in Postwar Japan. Urbana, Illinois: University of Illinois Press, 1958.
- Lockwood, William W. The Economic Development of Japan; Growth and Structural Change 1868-1938. Princeton, N. J.: Princeton University Press, 1954.
- _____. (ed.). The State and Economic Enterprise in Japan. Princeton: Princeton University Press, 1965.
- McClelland, David C. The Achieving Society. Princeton, N. J.: D. Van Nostrand Company, Inc., 1961.
- Ohkawa, Kazushi. The Growth Rate of the Japanese Economy Since 1878. Tokyo: Kinokuniya Bookstore Co., Ltd., 1957.
- Okochi, Kazuo. Labor in Modern Japan. Tokyo: The Science Council of Japan: Division of Economics, Commerce and Business Administration. Economic Series No. 18, 1958.
- Oxenfeldt, Alfred R. Executive Action in Marketing. Belmont, Calif.: Wadsworth Publishing Company, Inc., 1966.
- Parsons, Talcott and Shils, Edward A. The General Theory of Action. Cambridge: Harvard University Press, 1951.
- Reischauer, Edwin O. Japan; Past and Present. Second edition, revised and enlarged. New York: Alfred A. Knopf, 1961.
- Riesman, David in collaboration with Glazer, Nathan and Denney Reuel. The Lonely Crowd: A Study of the Changing American Character. New Haven, Conn.: Yale University Press, 1950.
- _____. Faces in the Crowd: Individual Studies in Character and Politics. New Haven: Yale University Press, 1952.
- Rostow, W. W. The Stages of Economic Growth. New York: Cambridge University Press, 1960.

- Schumpeter, Joseph A. Capitalism, Socialism, and Democracy. Third edition. New York: Harper & Brothers Publishers, 1950.
- Schwartz, George. Science in Marketing. New York: John Wiley & Sons, 1965.
- Sheldon, David Charles. The Rise of the Merchant Class in Tokugawa Japan. Locust Valley, New York: J. J. Augustin Incorporated, 1958.
- Silberman, Bernard S. (ed.). Japanese Character and Culture; Selected Readings. Tucson, Arizona: The University of Arizona Press, 1962.
- Simon, Herbert A. Administrative Behavior: A Study of Decision-Making Processes in Administrative Organization. 2d ed., with new introd. New York: Macmillan, 1957.
- Smith, Thomas C. Political Change and Industrial Development in Japan; Government Enterprise, 1868-1880. Stanford, Calif.: Stanford University Press, 1955.
- Staudt, Thomas A. and Taylor, Donald A. A Managerial Introduction to Marketing. Englewood Cliffs, N. J.: Prentice Hall, Inc., 1965.
- Steward, Julian. Theory of Cultural Change. Urbana, Illinois: University of Illinois Press, 1955.
- Vogel, Ezra F. Japan's New Middle Class; The Salary Man and His Family in a Tokyo Suburb. Berkeley and Los Angeles: University of California Press, 1963.
- Warner, W. Lloyd and Abegglen, James C. Occupational Mobility in American Business and Industry. Minneapolis: University of Minnesota Press, 1955.
- Weigand, Robert E. (ed.). Doing Business in Japan. Proceedings of an Executive Conference Held at DePaul University. Chicago: DePaul University, 1963.
- Whitehill, Arthur M., Jr. and Takezawa, Shin-Ichi. Cultural Values in Management-Worker Relations, Japan; Gimu in Transition. Chapel Hill, North Carolina: University of North Carolina, 1961.
- Zaltman, Gerald. Marketing: Contributions from the Behavioral Sciences. New York: Harcourt, Brace & World, Inc., 1965.

Zimmermann, Erich W. World Resources and Industries.
New York: Harper & Brothers, 1951.

Articles and Periodicals

Alderson, Wroe. "Planning in Japan," Growth and Profit Planner, I, 4 (November, 1963), 1-4.

Buck, Barbara F. "The Teaching of English in Japan," Overseas, III, 2 (November, 1963), 14-17.

"Business Around the World," U. S. News & World Report, LIX, 32 (December 6, 1965), 110.

"Consider Japan--I," The Economist, September 1, 1962, 787-819.

"Consider Japan--II," The Economist, September 8, 1962, 912-933.

Crissy, W. J. E. and Kaplan, R. M. "Matrix Models for Marketing Planning," Business Topics, XII, 3 (Summer, 1963), 49-66.

Fischer, John. "The Japanese Intellectuals: Cliques, Soft Edges, and the Dread of Power," Harper's, CCXXIX, 1372 (September, 1964), 14ff.

"Following Henry Ford: Matsushita Electric Co.," Time, LXXIX, February 23, 1962, 93-97.

"The Fortune Directory: The 500 Largest U. S. Industrial Corporations," Fortune, LXXIV, 2 (July, 1966).

Froomkin, Joseph N. "Management in Perspective: Management and Organization in Japanese Industry," The Academy of Management Journal, VII, 1 (March, 1964), 72ff.

Gonzalez, Richard F. and McMillan, Claude, Jr. "The Universality of American Management Philosophy," Journal of the Academy of Management, IV, 1 (April, 1961), 33-41.

Hirata, Junji, et al. "Marketing Research Practices and Problems in Japan," Journal of Marketing, XXV, 4 (April, 1961), 34-37.

Hodgson, Francis X. "The Selection of Overseas Management," Business Topics, XI, 2 (Spring, 1963), 49-54.

- Hollerman, Leon. "Japan's Place in the Scale of Economic Development," Economic Development and Cultural Change, XII, 2 (January, 1964), 139-157.
- "Honda: Making Motorcycles an "in" Product," Printers' Ink, CCXCI, 2 (July 23, 1965), 23-24.
- "How Big Brother Trades on Its Own; Brother Industries, and Brother International Corporation," Business Week, January 8, 1966, 78.
- "How Good is Japanese Equipment?" U. S. Camera, XXIIIX (June, 1965), 56-59.
- "How the 'Thunder Herd' Boss Brought a Honda Boom to U. S." Newsweek, July 6, 1964.
- "How to Succeed in Business in Japan," Newsweek, May 17, 1965, 80.
- Inkeles, Alex. "Industrial Man: The Relation of Status to Experience, Perception, and Value," The American Journal of Sociology, LXVI, 1 (July, 1960), 1-31.
- The Japan Economic Journal. 1965.
- "Japanese Assembly Line Methods Speed Ships Down Ways, Cut Costs, Lure Orders," The Wall Street Journal, Thursday, August 22, 1963, 4.
- "Japan's Giant Web of World Traders," Business Week, January 8, 1966, 76-78.
- "Japan, The Never-Easy Structure Toward the Top," Chemical & Engineering News, XLI, 26 (July, 1963), 63-82.
- "Japan, Pa.: Sekisui Chemical Co. Plans for Polystyrene Paper Plant in Eastern Pennsylvania," Newsweek, LX, (November 5, 1962), 85-86.
- "Japan's Prime Natural Resource is People," Fortune, LXVIII, (July, 1963), 142-149.
- Lee, James A. "Cultural Analysis in Overseas Operations," Harvard Business Review, XLIV, 2 (March-April, 1966), 106-114.
- Lifton, Robert Jay. "Who Is More Dry?--The Casual Cowboy is the Hero of Young Japanese," The New Republic, August 13, 1962, 12-14.
- Lubar, Robert. "The Japanese Giant That Wouldn't Stay Dead," Fortune, LXX, (November, 1964), 141-149.

- Marino, John A. "Japan's Trading Companies: The Two-Way Bridges of International Trade," Boston University Business Review, II, 3 (Spring, 1965), 3-23.
- "Motorcycle Boomlet Spurred by Smaller, Less Costly Vehicles," The Wall Street Journal, LXIX, 89 (Monday, November 4, 1963).
- "Motorcycles: Honda's Hang-Up," Newsweek, July 11, 1966, 66.
- Miller, Dudley L. "The Honorable Picnic: Doing Business in Japan," Harvard Business Review, XXXIX, 6 (November-December, 1961), 79-86.
- Miller, Stanley S. "Management by Omikoshi: Traditional Features of Modern Business in Japan," Management International, III, 1 (January, 1963), 59-69.
- Nakane, Chie. "An Analysis of Japanese Social Structure," Council for International Progress in Management (USA), Inc. (A paper presented at the International Management Association of Japan Program for Foreign Executives in Japan, 1st Session, 1964, July 30-August 1, 1964, at Motel Hakone.) n.d., 8 pages.
- Nicosia, F. M. "Marketing and Alderson's Functionalism," The Journal of Business of the University of Chicago, XXXV, 4 (October, 1962), 403-413.
- Noda, Nobuo. "Characteristics of Japanese Management," Council for International Progress in Management (USA), Inc. (Prepared for IPCCIOS [Indo-Pacific Council of CIOS]) n.d., 9 pages.
- Oberg, Winston. "Cross-Cultural Perspectives on Management Principles," Journal of the Academy of Management, VI, 2 (June, 1963), 129-143.
- Packard, Vance. "This is the New Japan," The Saturday Evening Post, April 20, 1963, 28-36.
- "Profiles of a Tokyo Businessman," Business Week, April 18, 1959, 105ff.
- Reynolds, William H. "More Sense About Market Segmentation," Harvard Business Review, XLII, 5 (September-October, 1965), 107-114.
- Rocour, Jean-Luc. "Management of European Subsidiaries in the United States," Management International, 1966, 1 (January, 1966), 13-27.

Shapiro, Stanley J. "Comparative Marketing and Economic Development," in George Schwartz, Science in Marketing (New York: John Wiley & Sons, 1965), 398-429.

Silberman, "Criteria for Recruitment and Success in the Japanese Bureaucracy, 1868-1900: 'Traditional' and 'Modern' Criteria in Bureaucratic Development," Economic Development and Cultural Change, XIV, 2 (January, 1966), 158-173.

"Sony: How to Grow Big by Thinking Small," Newsweek, June 13, 1966, 88.

"Special Report on Japan," Business Week, April 18, 1959, 109ff.

Takemata, Takatoshi. "Characteristics of Japanese Business Executives," Council for International Progress in Management (USA), Inc. (A paper presented at the International Management Association of Japan Program for Foreign Executives in Japan.) n.d., 5 pages.

Watanabe, Tsunehiko. "Economic Aspects of Dualism in the Industrial Development of Japan," Economic Development and Cultural Change, XIII, 3 (April, 1965), 293-312.

"What U. S. Companies Are Doing Abroad," U. S. News & World Report, July 4, 1966, 73.

"What U. S. Companies Are Doing Abroad," U. S. News & World Report, October 18, 1965, 137.

"Where Expense-Account Living is Really Worthwhile," U. S. News & World Report, February 28, 1966, 111-113.

"World Looks for Better Managers," Business Week, September 16, 1961, 111-7.

Miscellaneous Published Material

Committee for Economic Development. Japan in the Free World Economy. New York: The Research and Policy Committee of CED, 1963. A unique review of Japan's economic growth, its trade relations, and seven recommendations to strengthen economic ties among Japan, the U. S. and other free nations. Japanese views on the same issues are dealt with in a special supplement by Keizai Doyukai (the Japan Committee for Economic Development), 120 pages.

Dentsu Advertising, Limited. Marketing Activities in Japan; 1962. Tokyo: Dentsu Advertising, Ltd., n.d. A succinct summary of the trend of the Japanese economy, the current marketing activities in Japan, and the advertising media, with ample illustrations and statistical tables. The part dealing with current marketing activities in Japan includes: development of new products, channels of distribution, advertising and sales promotion, marketing research, protection and education of consumers, and activities of associations and organizations related to marketing. Dentsu is the largest advertising agency in Japan. 92 pages.

Dun & Bradstreet, Inc. International Trade Review; Made in Japan, Part II, October, 1963. Published by International Division of Dun & Bradstreet, Inc., New York. The entire issue of this monthly publication is devoted to presenting a wealth of information and opinions on Japan, her domestic economy and overseas trade, reflecting increasing attention paid to Japan by international businessmen. 130 pages.

The Japan Times. Japanese Industries in Review 1965. Tokyo: The Japan Times, April, 1965. Published as supplement to The Japan Times, this is a detailed review of Japanese industries represented by major product items, from the standpoint of their export activities. 56 pages.

Japan Trade Center. How Japan Trade Center Serves You. New York: Japan Trade Center. n.d. A pamphlet explaining the services offered through Japan Trade Centers in selected metropolitan areas of America. 13 pages.

. Quality Control in Japan. New York: The Japan Trade Center. n.d. Introduces the quality control standards, practices, and agencies involved in improving the quality of Japanese products sold overseas. 15 pages.

United States-Japan Trade Council. Council Reports. 1965. Washington, D. C.: United States-Japan Trade Council.

. Japan's Trade Liberalization and American Exports. Washington, D. C.: n.d. Analyzes sharp increases in U. S. exports of certain commodities to Japan after liberalization, which started in June, 1960, until April, 1963. 10 pages.

United States-Japan Trade Council. Non-Tariff Trade Barriers of the United States. Washington, D. C.: Prepared by Noel Hemmendinger, Counsel, United States-Japan Trade Council. February, 1964. A comprehensive discussion of the five most important governmental trade barriers: quantitative restrictions, Buy-American policies, marketing requirements, anti-dumping legislation, and customs practices. 24 pages.

. U. S.-Japan Trade Roundups. 1965. Washington, D. C.: United States-Japan Trade Council.

. United States Trade with Japan: 1960-64. Washington, D. C.: n.d. A five year commodity survey, covering the U. S. exports to Japan and the U. S. imports from Japan. Includes a detailed analysis of the composition of U. S. trade with Japan based on the data published by the United States Bureau of the Census, and the official Japanese government publications. 29 pages.

U. S. Congress, Subcommittee on Foreign Economic Policy of the Joint Economic Committee. Japan in United States Foreign Economic Policy. 87th Cong., 1st Sess., 1961. A study paper by Dr. Warren S. Hunsberger, providing valuable information through a comprehensive examination of U. S. foreign economic policy toward Japan. 27 pages.

U. S. Department of Commerce. Survey of Current Business. Washington, D. C.: Office of Business Economics. Volume 45, Number 8, August, 1965.

Unpublished Material

Bernstein, Herbert Martin. "The Significance of the Postwar Growth of the Japanese Photographic Industry." Unpublished Ph.D. dissertation, Western Reserve University, 1965.

McCann, Eugene Carroll. "Appropriateness of United States Management Philosophy in a Latin American Setting." Unpublished Ph.D. dissertation, Department of Management and Marketing, Louisiana State University, 1963.

Rocour, Jean-Luc. "Management of European Corporate Subsidiaries in the United States." Unpublished Ph.D. dissertation, the Graduate School of Business and Public Administration, Cornell University, 1963.

Yoshino, Michael Yootaro. "Managing Selected Marketing Functions in International Operations." Unpublished Ph.D. dissertation, The Graduate School of Business, Stanford University, 1962.

Other Sources

Workshop on Problems in U. S.-Japan Trade. Sponsored by United States-Japan Trade Council, held at Waldorf-Astoria Hotel, New York City, February 1, 1966. Personal participation in the workshop, as well as informal personal interviews with some of the participants.

Japanese Language Sources

Books

Furuhata, Takehiko. Kabushiki Kaisha Keieiron (Theory of Managing Corporations). Kyoto, Japan: Moriyama Shoten, 1962.

Hayashi, Hisakichi, et al. (ed.). Maaketingu Handobukku (Marketing Handbook). Tokyo: Dobunsha Shuppan, 1961.

Hayashi, Shuji. Ryutsu Kakumei; Seihin, Keiro Oyobi Shohisha (Distribution Revolution; Products, Channels and Consumers). Tokyo: Chuokoron Sha (Chukoshinsho 4), 1962.

_____. Ryutsu Kakumei Shinron (New Theory on Distribution Revolution). Tokyo: Chuokoron Sha (Chukoshinsho 42), 1964.

Iwao, H. (ed.). Nippon no Biggu Bizinesu (Big Business in Japan). Tokyo: Nipponhyoron Shinsha, 1961.

Keizai Kikakucho. Keizai Hakusho 1963, 1964, 1965 (Economic White Paper, 1963-1965). Tokyo: Keizai Kikakucho.

Komiya, Ryutaro (ed.). Sengo Nihon no Keizai Seicho (Post-War Japan's Economic Growth). Tokyo: Iwanami Shoten, 1963.

Mannari, Hiroshi. Bizinesu Eriito (The Business Elite; Backgrounds of Business Managers in Japan). Tokyo: Chuokoron Sha (Chukoshinsho 71), 1965.

- Miki, Yonosuke. Zaikai Shunobu (Top Industrial Leaders). Tokyo: Bungeishunju Shinsha, 1960.
- Miyazaki, Yoshikazu. Biggu Bizinesu (Big Business). Tokyo: Kawadeshobo Shinsha, 1965.
- Morikawa, Hidemasa (ed.). Nippon no Daikaisha (Big Enterprises in Japan). Tokyo: Sanichi Shobo, 1963.
- Nihon Boeki Shinko Kai. Kaigai Shijo Hakusho 1965 (The 1965 White Paper on Overseas Markets). Tokyo: Nihon Boeki Shinko Kai (Japan External Trade Expansion Organization), 1965.
- Nihon Keizai Shinbun Sha (ed.). Sangyo Saihensei no Doko (The Direction of Industrial Reorganization). Tokyo: Nihon Keizai Shinbun Sha, 1963.
- Noda, Kazuo. Nihon no Jyuyaku (Japanese Executives). Tokyo: Daiyamondo Sha, 1960.
- Okano, Kaneki. Nihon Sangyono Seicho to Keiei Kakushin (Japan's Industrial Growth and Managerial Revolution). Tokyo: Hakuto Shobo, 1962.
- Ooe, Shinobu. Senryaku Keieisha Retsuden (Biographical Notes on Strategic Managers). Tokyo: Sanichi Shobo, 1963.
- Oono, Yoshihiko. Sengo Nihon Shihonshugi Ron (On Postwar Japan's Capitalism). Tokyo: Aoki Shoten, 1963.
- Sakamoto, Fujiyoshi. Nihonno Keiei Kakushin (Japan's Managerial Revolution). Tokyo: The Mainichi Press, 1961.
- _____. Rijuneno Chosen (Challenge to Profits). Tokyo: Chuokoron Shinsha (Chukoshinsho 63), 1965.
- Toyonaga, Keiya. Yushutsu Senryaku (Export Strategy). Tokyo: Chuokoron Shinsha (Chukoshinsho 34), 1964.

Articles and Periodicals

Bungei Shynju (Literature Shunju Monthly, Tokyo), 1961, 1962, 1963, 1964, 1965.

Bessatsu Chuokoron Keieimondai Tokushu (Management Problem Special Quarterly Issues of The Chuokoron, Tokyo), 1963, 1964, 1965.

The Chuokoron (The Central Public Opinion Monthly, Tokyo), 1961, 1962, 1963, 1964, 1965.

Hayashi, Shuji. "Ryutsu Keizai Seisaku no Kyumu," (Pending Task for Distribution Economy Policy), The Chuokoron, June, 1963, 34-45.

Ito, Mitsuharu. "Ryutsu Kiko," (Distribution Structure), Sekai, November, 1963, 249-264.

Kamakura, Noboru. "Nippon Keizaini okeru Yushutsuno Kadaï," (The Task of Exports in Japan's Economy), The Chuokoron, May, 1963, 43-55.

Makino, Noboru. "Rijuno Sasaeru Mittsuno Gijutsu Senryaku," (The Three Technological Strategies to Support Profit), Bessatsu Chuokoron Keieimondai Tokushu, Summer, 1966, 99-104.

Miller, Dudley L. "Amerikade Bizinesuni Seikosuru Ho," (How to Succeed in Business in America), Translated by Tetsuo Shinjo, The Chuokoron, April, 1963, 174-183.

Morita, Akio. "Wagashano Jinzae Kaihatsu," (The Talent Development in My Company), The Chuokoron, May, 1966, 193-198.

Noda, Kazuo and Kamakura, Noboru. "Kigyo Seichono Mittsuno Joken," (Three Conditions for Corporate Growth), The Chuokoron, May, 1966, 213-216.

Noda, Kazuo. "Zaibatsu Kaitaito Sengo Keieishano Toojo," (The Dissolution of Zaibatsu and Emergence of Post-war Managers), Bessatsu Chuokoron Keieimondai Tokushu, Fall, 1965, 363-370.

Sumiya, Mikio. "Gijyutsu Kakushinto Keiei Kazokushugi," (Technological Innovation and Managerial Paternalism), The Chuokoron, May, 1961, 90-99.

Uchida, Tadao et al. "Ryutsu Kakumeiwa do Shinkosuruka," (How does Distribution Revolution Progress?), The Chuokoron, April, 1963, 162-173.

Yamashiro, Akira. "Nihon Keiei Kindaikato 'Nihonteki Keiei,'" (Japan's Modernization of Management and 'Management Japanese'), Bessatsu Chuokoron Keieimondai Tokushu, Winter, 1965, 352-367.

Other Sources

Consulate of Japan, New York. Personal interviews with the Vice-Consul in charge of economic affairs. August, 1964; August, 1965.

The Fuji Bank, Ltd., New York Agency. Personal interviews with the deputy agents and the bank officials. August, 1964.

Japanese Manufacturing Firms in Chicago area. Personal interviews with eight selected firms and their officials while pretesting the main questionnaire. May, 1965.

Japan Light Machinery Information Center. Personal interview with the director of the Camera Division (formerly called Japan Camera Information Service Center). August, 1964.

Japan Trade Center, New York. Personal interviews with the Market Research Director and the Director of Public Affairs. August, 1964; August, 1965.

Mitsubishi International Corporation, New York. Personal interviews with two Japanese executives in Coordination & Credit Department. August, 1964.

Mitsui & Co., Ltd., New York. Personal interview with Director of General Affairs Division. August, 1964.

The Sumitomo Bank, Ltd., New York. Personal interview with Director and Chief Manager. August, 1964.

U. S.-Japan Trade Council, Washington, D. C. Personal interview with the Marketing Research Director. August, 1964.

APPENDICES

APPENDIX I

BASIC DATA SHEET

Purpose

At this stage of the investigation, very little was known about the extent of the Japanese business activities in America. Thus the form was devised in order to collect the fundamental morphological description of the Japanese business firms operating in the New York area. Personal interviews were considered as the best method to collect the necessary data. The Basic Data Sheet, therefore, was used as an interview guide.

Technical Considerations

The Basic Data Sheet consisted of four basic parts: (a) general information on the company, (b) scope of marketing activities, (c) some specific operational features in conducting business in America, and (d) the backgrounds of marketing executives in charge.

The entries to each part were designed to be broad enough to cover a range of heterogeneous marketing operations without omitting key considerations in marketing. The primary use of the Sheet was as a structured interview guide, and effectively used as a proper introduction for further informal discussions.

Limitations and Shortcomings

The Basic Data Sheet served as an excellent call card to introduce the researcher. But the actual modes of operations differed so much from one firm to another that the adherence to it proved to be impractical. The unstructured personal interview seemed to work out best for the purpose of the investigation.

However, data on the background of Japanese executives was useful in providing quantitative guides and proved to be reliable in view of succeeding research. All in all, the Basic Data Sheet was satisfactory for the purpose of this phase of investigation: an exploratory research.

GRADUATE SCHOOL OF BUSINESS ADMINISTRATION
MICHIGAN STATE UNIVERSITY
East Lansing, Michigan

Hirofumi Matsusaki
304 Eppley Center
Michigan State University
East Lansing, Michigan

Confidential
For research purposes
only
August 10, 1964

BASIC DATA SHEET

A. GENERAL INFORMATION

1. Name of Company _____
Parent Company Name _____
2. Person in Charge _____ Title _____
Respondent's Name _____
3. Number of Employees _____ Functional Duties _____ No. of Employees _____

Japanese Nationals _____	_____	_____
Americans _____	_____	_____
Others _____	_____	_____
4. Have been in the U. S. market for _____ years.
5. Brief history of the company

B. MARKETING CONDITIONS

6. Main products sold _____ Name of products _____
Percent of sales _____
7. Channels of distribution
8. Promotional methods _____ Any changes? _____
Advertising? _____

C. OPERATIONAL FEATURES

9. Marketing Objectives 1. _____
2. _____
3. _____
4. _____
10. Marketing Policy
Subsidiary _____
Parent _____
11. Marketing Obstacles and Problems
- D. MARKETING EXECUTIVES
12. Person to be contacted for the main questionnaire in November _____
13. Personal background of the executive in charge
Length of stay in U. S. _____ Years
University (high school) attended _____ Year of graduation
Number of years in the present company _____ Years
Titles held before _____
Number of companies worked before _____
14. What type of survey or research do you want to have university academicians do?
15. Other comments.

APPENDIX II

MAIL SURVEY

Purpose

This mail survey was designed to identify the overall patterns of adaptation of the Japanese manufacturing firms operating in America. The emphasis was placed on finding out their modes of operations since the entry into the U. S. market. Thus special attention was focused on their relationship to other American market organizations and on the problems involved in their channel structure over a period of time since entry.

Technical Considerations

The coverage and the high rate of response were regarded as of prime importance. This was reflected in the design of the mail survey; and the entire questionnaire was short, concise, and constructed with the respondent's viewpoint with ease in answering in mind.

In order to correlate the factual part of this investigation with the representative data obtained from the preliminary investigation and personal interviews, certain facts about the establishments, products, and channels were again asked. This duplication indeed was unnecessary for some establishments; but the overall response pattern proved to substantiate the reliability of the data.

The basic form adopted in the mail survey was of open-end question, free-response seeking type. And the responses were analyzed by standard procedures of content analysis.

Limitations

Two follow-up requests were needed to obtain a target rate of response. It was discovered that the mail questionnaire could not adequately cover the establishments which ceased operation, or which did not engage in any direct marketing activities. Therefore, it was impossible to determine whether the non-respondents did have any significant marketing operations or not. The quality of response was not consistent from one firm to another, and a relatively large number of responses had to be omitted from the final analysis.

UNIVERSITY OF MAINE IN PORTLAND



96 FALMOUTH STREET
PORTLAND, MAINE 04103

Confidential

A SURVEY ABOUT THE PROBLEMS OF ENTRY AND ADAPTATION OF JAPANESE MANUFACTURING FIRMS OPERATING IN AMERICA

November 29, 1965

Dear Sir:

I am conducting a survey of all the establishments maintained by the Japanese manufacturing firms operating in America. Using the attached questionnaire, I am attempting to gather basic data about some of the common problems which the Japanese manufacturing firms may have in coming to America to sell their products.

Regardless of the form of your establishment, the location of your office, or the length of operation in America, your answers to this questionnaire will be of great value to the fellow Japanese manufacturing firms and the international business world. Even if your establishment is just a branch representative office, please answer this questionnaire. Of course your answers will be considered confidential and will be combined with those of other respondents in the final report to protect your identity.

In answering this questionnaire, your use of Japanese language is quite welcome. So please use Japanese if you prefer. Most questions ask you to write in some basic information as indicated by illustrations. The entire questionnaire is only four pages long, and can be easily filled out in less than twenty minutes or so.

Since this survey is only of academic interest and is my own personal research project, I would highly appreciate your filling and returning this questionnaire at your earliest convenience. I have also enclosed a self-addressed and stamped return envelope.

The results of this survey will be published together with a report of another marketing survey. If you are interested in obtaining a general view of Japanese manufacturing firms' operations in America, as well as the results of this survey, please indicate so in the space provided for that purpose at the end of the questionnaire. I will be pleased to mail you a copy as soon as the report becomes available.

Sincerely yours,

A handwritten signature in black ink, which appears to read "松崎 弘文" (Matsusaki Hirofumi).

Hirofumi Matsusaki
Assistant Professor of Business and Economics

1. What is the form of your establishment? (Check answer and explain.)
 - ___(a) A main office, or the headquarters for American operations.
 - ___(b) A branch office. (The head office in America is in _____)
 - ___(x) A representative office, or a liaison office.
 - ___(y) A sales office, or a sales subsidiary.
 - ___(z) Other _____

2. How many people do you employ at your own establishment? (Write in the number)
 - (a) The Japanese Staff (Seishain) _____
 - (b) Local Employees _____
 - (c) Others _____

3. (A) Do you expect to have any changes in your present organizational arrangement in the future? (Check answer.)
 (Such as changes in the form of establishment, increases or decreases in the number of personnel, relocation of your office site, etc.)

☐ Yes

☐ No

 (B) If yes, what kind of changes are they? (Explain. Suggest their reasons.)

4. What are the main lines of products your company sells in America?

5. What roles do the Japanese trading companies perform in the sales of your company's products in the United States? (Please explain.) (Such as direct import and sales, financing, paper work only, etc.)

6. What are your current, basic channels of distribution for your products? (The following list is illustrative of the marketing organizations involved.)
- (a) Japanese trading companies
 - (b) Own sales force (American salesmen, the Japanese staff, etc.)
 - (c) Industrial distributors
 - (d) Manufacturers' agents
 - (e) Original equipment manufacturers
 - (f) Importers, import agents, etc.
 - (g) Wholesalers, wholesale merchants, etc.
 - (h) Retailers, dealers, franchised retailers or dealers, etc.
 - (i) Mass merchandising outlets (chains, discount stores, etc.)
- (A) Main Channel(s) Used? (Explain.)
- (B) Other Channels Used? (Explain.)
7. (A) Did your company have any form of establishment in the area of your current operation before your present establishment was formed? (Check answer.)
- ☐ Yes ☐ No
- (B) If yes, what form was it and when was such a change made? (Explain chronologically if there were more than one change.)
- (C) What were the reasons for the change(s)?

8. In what year did your company set up your present establishment in its current form in your area?
(Write in the year it was established in your area.)
9. When did your company first begin selling its products in America? (Write in the year in which the products were first sold in America. This may be long before any establishment was set up in your area.)
10. For what reasons did your company first begin selling such products? (Please explain.)
11. (A) Which organizations or individuals were most helpful and influential in starting the sales of your company's products in America?

(B) For what reasons were they so helpful and influential in starting such sales?

(C) Were there any others who were helpful and influential at that time? (Explain any other organizations or individuals, their roles and relations.)

12. (A) When your company first entered the American market in your area, what was the manner of initial entry? (Explain. Licensing? Joint ventures? Exporting? Any other form?)

(B) What kinds of channels of distribution did your company use?

13. What were the obstacles and the problems which your company faced during this beginning stage of selling its products in your area of operation?

14. How did your company overcome such initial obstacles and problems?

This ends the questionnaire.
☐ Check here, if you want a
report.
Thank you very much for your
cooperation.

Your Mailing Address:
(For the report.)

NAME _____

ADDRESS _____

APPENDIX III

INTERVIEW GUIDE (MAIN QUESTIONNAIRE)

New York Area Firms

First, the structured personal interviews were conducted by the use of Interview Guide, which is reproduced in the following pages. The structure was generally sound, except for the few firms which considered the form to be somewhat lengthy and cumbersome. It was discovered that the best results were usually obtained by handing the respondent this guide, and then using it as a self-administered questionnaire to be jointly filled-in by the respondent and the interviewer. Most respondents were conscientious and seemed to possess very high level of general intelligence. Almost all were college graduates.

Care was taken to interview Japanese executives with sufficient experience, usually higher-up in the organizational hierarchy. But the control of the respondents in this respect was sometimes very difficult. In many cases securing of the cooperation was considered more important than endangering it by an effort to locate the "right" individual in the organization surveyed.

Los Angeles Area Firms

After the personal interviews with the firms in the New York area, it was discovered that some of the firms had their headquarters in Los Angeles area and therefore

referred the request for a personal interview to their headquarters. In view of the inadequate control of the respondents in New York area, and in view of the relatively expensive nature of the personal interviews, it was thought that extending the investigation to Los Angeles area, which was the second largest in terms of the number of Japanese manufacturing firms operating in America next to New York would increase both the validity and reliability of the data. Thus the Interview Guide was mailed to all the establishments of the Japanese manufacturing firms in the area.

Care was taken, however, to solicit only the most cooperative of the establishments. This was actually accomplished by not mailing a follow-up reminder to the questionnaire. There were 11 firms replying to the questionnaire and they supplemented the New York data. The cover letter to this phase of mail survey is reproduced at the end of the Guide, which follows.

Interview Guide
(Main Questionnaire)

"An Analysis of Marketing Strategies Employed by the Japanese
Manufacturing Firms Operating in the United States"

June 1965

Hirofumi Matsusaki

Assistant Instructor
Department of Marketing and Transportation Administration
Graduate School of Business Administration
Michigan State University
East Lansing, Michigan

Objectives of This Study

1. To gather general data concerning the marketing management activities of the Japanese manufacturing firms operating in the United States.
2. To clarify the beliefs, attitudes, and opinions of the Japanese executives stationed in America when approaching marketing management problems.
3. To predict the direction of change in such activities in the future.

Procedure and Instruction

1. This questionnaire is a part of an academic research project, and therefore the data collected will be held strictly confidential, except for the statistically processed and tabulated results to be published in general form.
2. To answer this question accurately, you may need anywhere between 30 to 50 minutes. You can answer most questions simply by check-marking appropriate statements given.

1. What is the form of your establishment?

- ☐ (1) A manufacturing subsidiary (includes assembly lines).
☐ (2) A sales subsidiary, incorporated under American law.
☐ (3) A sales office.
☐ (4) A representative office.
☐ (5) Other _____

2. What is your present position in the company?

	<u>Here in</u> <u>the U.S.</u>	<u>Comparable Position</u> <u>in Japan</u>
(1) President.....	_____	_____ (1)
(2) Vice-President.....	_____	_____ (2)
(3) General Manager.....	_____	_____ (3)
(4) Manager.....	_____	_____ (4)
(5) <u>Bucho</u>	_____	_____ (5)
(6) <u>Kacho</u>	_____	_____ (6)
(7) <u>Kakaricho</u>	_____	_____ (7)
(8) Representative.....	_____	_____ (8)
(9) Management Staff.....	_____	_____ (9)
(10) Technical Staff.....	_____	_____ (10)

3. How old is our establishment? And how old is your parent company?

	<u>Here in</u> <u>the U.S.</u>	<u>Parent Company</u> <u>in Japan</u>
(1) Less than 1 year.....	_____	_____ (1)
(2) 1-3 years.....	_____	_____ (2)
(3) 3-6 years.....	_____	_____ (3)
(4) 6-15 years.....	_____	_____ (4)
(5) 15-50 years.....	_____	_____ (5)
(6) Over 50 years.....	_____	_____ (6)

4. Does the parent company have similar subsidiaries or offices in other parts of the world?

- ☐ (1) Yes
☐ (2) No.

If "Yes," indicate the comparative importance of such overseas operations to the parent company. Mark the most important one with (1), the second most important with (2), and the third most important with (3).

- ☐ (1) Africa.
☐ (2) North America.
☐ (3) South America.
☐ (4) Asia.
☐ (5) Europe.
☐ (6) Oceania.
☐ (7) U.S.S.R.

5. Do you have any establishments (including your branches or main offices) in other parts of the United States?

____ (1) Yes.

____ (2) No.

If "Yes," what is the number of such establishments other than your own?

____ (1) 1.

____ (2) 2 to 3.

____ (3) 3 to 5.

____ (4) 6 or More.

6. What is the size of your organization here?

Number of Employees	<u>Japanese Nationals</u>		<u>Local Employees</u>	
	This Office	All U.S.	This Office	All U.S.
(1) None.....	_____	_____	_____	_____
(2) 1-2.....	_____	_____	_____	_____
(3) 3-5.....	_____	_____	_____	_____
(4) 6-10.....	_____	_____	_____	_____
(5) 11-20.....	_____	_____	_____	_____
(6) 21-50.....	_____	_____	_____	_____
(7) 51-100....	_____	_____	_____	_____
(8) Over 100..	_____	_____	_____	_____

7. Do you use any Nisei, Sansei, or American salesmen?

	<u>Nisei or Sansei</u> <u>Employed</u>		<u>American Salesmen</u> <u>Employed</u>	
	This Office	All U.S.	This Office	All U.S.
(1) None.....	_____	_____	_____	_____
(2) 1-2.....	_____	_____	_____	_____
(3) 3-5.....	_____	_____	_____	_____
(4) 6-10.....	_____	_____	_____	_____
(5) 11-20.....	_____	_____	_____	_____
(6) 21-50.....	_____	_____	_____	_____
(7) 51-100....	_____	_____	_____	_____
(8) Over 100..	_____	_____	_____	_____

8. What is your relationship with the parent organization in Japan? (Mark as many statements as you wish.)

____ (1) Tightly controlled in all matters.

____ (2) Controlled in all policy matters.

____ (3) Operate autonomously, and our recommendations usually get adopted.

____ (4) Operate autonomously, but our recommendations sometimes are not adopted.

____ (5) Can make all operating decisions without interference.

9. Which method is used for your normal communications with the headquarters in Japan?

	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Annually</u>	<u>None</u>
(1) Telephone.....	_____	_____	_____	_____	_____
(2) Teletype.....	_____	_____	_____	_____	_____
(3) Written Reports....	_____	_____	_____	_____	_____
(4) Interview Reports..	_____	_____	_____	_____	_____

10. Which language is used for your internal communication?

	<u>Language Used</u>		
<u>Communication With</u>	<u>Japanese</u>	<u>English</u>	<u>Both</u>
(1) The Headquarters.....	_____	_____	_____
(2) The Japanese Staff....	_____	_____	_____
(3) The Local Employees...	_____	_____	_____

11. What is the general organizational structure of your U.S. operations?

_____ (1) Highly centralized.
 _____ (2) Fairly centralized.
 _____ (3) Rather decentralized.
 _____ (4) Very decentralized.

12. What is your country of citizenship?

_____ (1) Japanese Citizen.
 _____ (2) U. S. Citizen.
 _____ (3) Other _____.

13. How old are you?

_____ (1) 20-25 Years.
 _____ (2) 26-30 Years.
 _____ (3) 31-40 Years.
 _____ (4) 41-50 Years.
 _____ (5) 51-60 Years.
 _____ (6) 61 Years or More.

14. What is your educational background?

<u>Level of Education</u>	<u>Major Field</u>	<u>Location</u>
_____ (1) <u>Kyusei Chugaku</u>		
_____ (2) <u>Kyusei Koko</u> or <u>Senmon Gakko</u>	_____ (1) <u>Bunka</u>	
_____ (3) <u>Kyusei Daigaku</u>	_____ (2) <u>Rika</u>	
_____ (4) <u>Shinsei Koko</u>	_____ (3) <u>Horitsu</u>	_____ (1) Japan
_____ (5) <u>Shinsei Daigaku</u>	_____ (4) <u>Keizai</u>	_____ (2) U.S.
_____ (6) <u>High School</u>	_____ (5) <u>Liberal</u>	_____ (3) Other
_____ (7) <u>College</u>	_____ (6) <u>Arts</u>	
_____ (8) <u>University</u>	_____ (7) <u>Engineering</u>	
_____ (9) <u>Graduate School</u>	_____ (8) <u>Business</u>	

15. Have you visited any foreign countries other than America?

- ____ (1) Yes.
 ____ (2) No.

If "Yes," which of the following areas have you visited?

- ____ (1) Africa
 ____ (2) Canada or Mexico
 ____ (3) Central or South America
 ____ (4) Asia
 ____ (5) Europe
 ____ (6) Oceania
 ____ (7) U.S.S.R.

16. How long have you been in the United States?

- ____ (1) Less than 1 year.
 ____ (2) 1 to 3 years.
 ____ (3) 3 to 6 years.
 ____ (4) 6 to 14 years.
 ____ (5) 15 or more years.

17. How long do you expect to stay in America?

- ____ (1) Less than 1 year.
 ____ (2) About 1 more year.
 ____ (3) About 2 more years.
 ____ (4) 3 to 4 years.
 ____ (5) 5 or more years
 ____ (6) Indefinitely.
 ____ (7) I do not know.

18. What is the average length of stay of your Japanese staff members?

<u>Average Length of Stay in Years</u>					No Definite Pattern
1	1-3	3-6	6 or more		
(1) Single					
Staff....	____..____..	____..____..	____..____..	____..____..	____..____..
(2) Married					
Staff....	____..____..	____..____..	____..____..	____..____..	____..____..

19. Have you had work experience outside of the present company?

- ____ (1) Yes.
 ____ (2) No.

If "Yes," indicate the type of your experience and the number of organizations. (See next page.)

<u>Type of Experience</u>	<u>Number of Organizations</u>
____ (1) Government	____ (1) 1.
____ (2) Trading Company	____ (2) 2 or 3.
____ (3) Trade Association	____ (3) 4 or 5.
____ (4) American Company	____ (4) 5 or 6.
____ (5) Other Japanese Company	____ (5) 7 or more.

20. Do you play golf, tennis, bridge, mahjong, go or shoogi?

	<u>Yes</u>	<u>No</u>	<u>I can play, but have no time</u>
(1) Golf.....	_____	_____	_____
(2) Tennis.....	_____	_____	_____
(3) Bridge.....	_____	_____	_____
(4) Mahjong.....	_____	_____	_____
(5) Go.....	_____	_____	_____
(6) Shoogi.....	_____	_____	_____

21. To which industry does your company belong?

- ____ (1) Electrical Machinery
 ____ (2) Non-Electrical Machinery
 ____ (3) Chemicals
 ____ (4) Textiles
 ____ (5) Shipbuilding
 ____ (6) Steel
 ____ (7) Ceramics
 ____ (8) Mining
 ____ (9) Food
 ____ (10) Other _____

22. What is your market share for the main product?

<u>In America</u>	<u>In Japan</u>
____ (1) Less than 1%.....	____ (1)
____ (2) Between 1 and 5%.....	____ (2)
____ (3) Between 5 and 10%.....	____ (3)
____ (4) Between 10 and 30%.....	____ (4)
____ (5) 30% or more.....	____ (5)

23. To what extent do you use a consultant or professional firm?

	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Never</u>
(1) Legal matters..._____	_____	_____	_____	_____	_____
(2) Sales....._____	_____	_____	_____	_____	_____
(3) Advertising....._____	_____	_____	_____	_____	_____
(4) Marketing Research....._____	_____	_____	_____	_____	_____

24. To what extent have you contemplated (thought about) using a consultant or professional firm?

	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Annually</u>	<u>Never</u>
(1) Legal matters...	_____	_____	_____	_____	_____
(2) Sales.....	_____	_____	_____	_____	_____
(3) Advertising....	_____	_____	_____	_____	_____
(4) Marketing Research.....	_____	_____	_____	_____	_____

25. How do you compare your use of a consultant or professional firm to other companies in the same industry here?

	<u>Compared to Other Japanese Companies Here</u>			<u>Compared to Other American Companies</u>		
	<u>More</u>	<u>Same</u>	<u>Less</u>	<u>More</u>	<u>Same</u>	<u>Less</u>
(1) Legal matters..	_____	_____	_____	_____	_____	_____
(2) Sales.....	_____	_____	_____	_____	_____	_____
(3) Advertising....	_____	_____	_____	_____	_____	_____
(4) Marketing Research.....	_____	_____	_____	_____	_____	_____

26. If there is an opportunity for your Japanese staff members to participate in a special training program or a free seminar, what kind of program would you like them to have?

Pick up four areas from among the following and rank them in order of your preference from (1) to (4).

- _____ (1) Language (English)
 _____ (2) American Business Practices, Manners and Customs.
 _____ (3) American Culture, Politics, and Socio-Economic Conditions.
 _____ (4) Engineering.
 _____ (5) Sales.
 _____ (6) Management.
 _____ (7) Advertising.
 _____ (8) Marketing.
 _____ (9) Marketing Research.
 _____ (10) Other _____

27. Are you familiar with the parent company's marketing operations in Japan?

_____ Yes.
 _____ No.

If "Yes," indicate how well you know about your parent company's marketing operations back in Japan.

	<u>Knowledge About Parent Company's</u>	<u>Very Well</u>	<u>Fairly Well</u>	<u>Well Enough</u>
(1) Customers & Prospects.....	_____	_____	_____	_____
(2) Products & Services.....	_____	_____	_____	_____
(3) Promotion & Marketing.....	_____	_____	_____	_____
(4) Channels & Distribution.....	_____	_____	_____	_____

28. What is your company's approach to marketing in America and in Japan?

<u>In America</u>	<u>In Japan</u>
_____ (1) Very progressive, with aggressive promotion and product innovation.....	_____ (1)
_____ (2) Rather progressive, with considerable attention to marketing research.....	_____ (2)
_____ (3) Rather conservative, but there is some product innovation and the use of marketing research.....	_____ (3)
_____ (4) Very conservative, with limited product innovation.....	_____ (4)

29. From your company's standpoint, how competitive is the American market?

- _____ (1) Very much more competitive than in Japan.
 _____ (2) More competitive than in Japan.
 _____ (3) Just about the same in competition as compared to Japan.
 _____ (4) Less competitive than in Japan.
 _____ (5) Far less competitive than in Japan.

30. In order for your company to succeed in the marketplace, which one of the following is the most important? Mark the most important one with (1) and the second most important one with (2).

<u>In America</u>	<u>In Japan</u>
_____ (1) To promote our products as superior and better.....	_____ (1)
_____ (2) To organize sales force to push our products.....	_____ (2)
_____ (3) To develop new products.....	_____ (3)
_____ (4) To set up service network for repair works.....	_____ (4)
_____ (5) To establish dealer or distributor network.....	_____ (5)

31. In order for your company to win over competitors, which one of the following is the most important? Mark the most important one with (1), and the second most important one with (2).

<u>In America</u>	<u>In Japan</u>
_____ (1) A better product to sell.....	_____ (1)
_____ (2) Lower and competitive pricing.....	_____ (2)
_____ (3) Cooperation of good distributors, dealers, or retailers.....	_____ (3)
_____ (4) Better advertising and sales promotion.....	_____ (4)
_____ (5) More able salesmen and the sales force.....	_____ (5)
_____ (6) Better repair services.....	_____ (6)

32. What is the future prospects for your company's main products?

<u>In America</u>	<u>In Japan</u>
_____ (1) Very fine, ample opportunities available.....	_____ (1)
_____ (2) Fairly good, should prove to be profitable....	_____ (2)
_____ (3) Profitable, but difficult to stay in the race.....	_____ (3)
_____ (4) Not bad, but cannot expect too much.....	_____ (4)
_____ (5) Rather poor, our market is getting smaller....	_____ (5)

33. Are you in the industrial markets or consumer markets?

<u>In America</u>	<u>In Japan</u>
_____ (1) Industrial markets only.....	_____ (1)
_____ (2) Consumer markets only.....	_____ (2)
_____ (3) Both industrial and consumer markets.....	_____ (3)
_____ (4) More industrial than consumer markets.....	_____ (4)
_____ (5) More consumer than industrial markets.....	_____ (5)

34. How many different models or variations are there in your major product line?

<u>In America</u>	<u>In Japan</u>
_____ (1) 1-3 product models or variations.....	_____ (1)
_____ (2) 4-10 product models or variations.....	_____ (2)
_____ (3) 11-20 product models or variations.....	_____ (3)
_____ (4) 20 or more product models or variations.....	_____ (4)

35. How diversified are your company's product offerings?

<u>In America</u>	<u>In Japan</u>
_____ (1) One basic line of products offered.....	_____ (1)
_____ (2) Two different lines of products.....	_____ (2)
_____ (3) Three related, but different lines.....	_____ (3)
_____ (4) Four or more product lines offered.....	_____ (4)

36. How many different products (items or models) are there in your total product-lines?

<u>In America</u>	<u>In Japan</u>
_____ (1) 10 or less.....	_____ (1)
_____ (2) 10-30.....	_____ (2)
_____ (3) 30-100.....	_____ (3)
_____ (4) 100-300.....	_____ (4)
_____ (5) 300-1,000.....	_____ (5)
_____ (6) 1,000-3,000.....	_____ (6)
_____ (7) 3,000 or more.....	_____ (7)

37. What main segments of the market do you try to serve with your company's major products? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) High income group.....	_____ (1)
_____ (2) Middle income group.....	_____ (2)
_____ (3) Low income group.....	_____ (3)
_____ (4) All income groups.....	_____ (4)
_____ (5) Upper social class.....	_____ (5)
_____ (6) Middle social class.....	_____ (6)
_____ (7) Lower social class.....	_____ (7)
_____ (8) Status conscious people.....	_____ (8)
_____ (9) Educated people.....	_____ (9)
_____ (10) Anyone who tries to buy the product.....	_____ (10)
_____ (11)(Write in).....	_____ (11)
_____ (12)(Write in).....	_____ (12)

38. What appeals do your company's major product's have? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Low price.....	_____ (1)
_____ (2) High value.....	_____ (2)
_____ (3) High quality.....	_____ (3)
_____ (4) Good styling and design.....	_____ (4)
_____ (5) Careful after-services.....	_____ (5)
_____ (6) Newness in product features.....	_____ (6)
_____ (7) Good brand image.....	_____ (7)
_____ (8)(Write In).....	_____ (8)
_____ (9)(Write In).....	_____ (9)

39. How frequently have you introduced new products in the market? Take the average of the past two years, if you can.

<u>In America</u>	<u>In Japan</u>
_____ (1) Less than one new product per year.....	_____ (1)
_____ (2) 1-2 new products per year.....	_____ (2)
_____ (3) 3-5 new products a year.....	_____ (3)
_____ (4) 6-10 new products a year.....	_____ (4)
_____ (5) 10-20 new products per year.....	_____ (5)
_____ (6) 20 or more new products per year.....	_____ (6)

40. In introducing new products into the market, which factors are most important in determining your product prices? Choose 3 factors, and then rank them in order of their importance from (1) to (3).

<u>In America</u>	<u>In Japan</u>
_____ (1) Economic reasons, following the law of supply and demand.....	_____ (1)
_____ (2) Financial soundness, assuring target rate of returns or target profit.....	_____ (2)
_____ (3) Competitive strength, due to similar pricing as the competitors'.....	_____ (3)
_____ (4) Psychological impact, with prestige prices for insuring high product values.....	_____ (4)
_____ (5) Sociological appeal, mainly as a status symbol.....	_____ (5)

41. When advertising your company's products, which appeals do you emphasize most? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) General benefits derived from products....	_____ (1)
_____ (2) Uniqueness of the company products.....	_____ (2)
_____ (3) Emphasis of the value of the products....	_____ (3)
_____ (4) Brand or company name stressed.....	_____ (4)
_____ (5) Quality of the products.....	_____ (5)
_____ (6) Factual information about the product....	_____ (6)
_____ (7)(Write in)	_____ (7)
_____ (8)(Write in)	_____ (8)

42. Which method of sales promotion do you use most?

<u>In America</u>	<u>In Japan</u>
_____ (1) Dealers sales contest.....	_____ (1)
_____ (2) Customers sales contest.....	_____ (2)
_____ (3) Participation in trade shows and exhibits.....	_____ (3)
_____ (4) Invitation of prospects to special events.....	_____ (4)
_____ (5)(Write in)	_____ (5)
_____ (6)(Write in)	_____ (6)

43. What role does product design play in your marketing effort? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Not very important.....	_____ (1)
_____ (2) An important marketing tool.....	_____ (2)
_____ (3) Very important to marketing success.....	_____ (3)
_____ (4) Recommendations of marketing people usually get adopted in designing.....	_____ (4)
_____ (5) Recommendations of marketing people are not reflected on designing.....	_____ (5)

(Continued)

43. (Continued)

<u>In America</u>	<u>In Japan</u>
_____ (6) Our engineers usually come up with good designs.....	_____ (6)
_____ (7) Our engineers do not necessarily respond to what the market desires.....	_____ (7)
_____ (8)	_____ (8)

44. What is the extent of your R & D activities?
(Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Less than other Japanese competitors.....	_____ (1)
_____ (2) About the same as other Japanese firms....	_____ (2)
_____ (3) Much more than other Japanese competitors.....	_____ (3)
_____ (4) Plan to increase future R & D significantly.....	_____ (4)
_____ (5) Plan increasing emphasis on R & D activities.....	_____ (5)
_____ (6) No major change in R & D policy.....	_____ (6)
_____ (7)	_____ (7)

45. What is the product image of your company? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Well-known, reliable.....	_____ (1)
_____ (2) Leading brand, trustworthy.....	_____ (2)
_____ (3) Major brand, many attractive features.....	_____ (3)
_____ (4) Low cost, high quality.....	_____ (4)
_____ (5) Best value for the price.....	_____ (5)
_____ (6) Unknown brand, but a good buy.....	_____ (6)
_____ (7) Superior engineering and technology.....	_____ (7)
_____ (8) Careful workmanship.....	_____ (8)
_____ (9)	_____ (9)

46. What is your basic channel of distribution? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Use trading firms.....	_____ (1)
_____ (2) Use wholesalers or distributors.....	_____ (2)
_____ (3) Use retailers.....	_____ (3)
_____ (4) Sell direct to customers and prospects....	_____ (4)
_____ (5) Use one level of middlemen.....	_____ (5)
_____ (6) Use two levels of middlemen.....	_____ (6)
_____ (7) Use three or more levels of middlemen.....	_____ (7)
_____ (8)	_____ (8)
_____ (9)	_____ (9)

47. What are the chief problems in your channel of distribution? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Legal matters.....	_____ (1)
_____ (2) Resale price maintenance.....	_____ (2)
_____ (3) Maintenance of direct control.....	_____ (3)
_____ (4) Prevention of price-cutting.....	_____ (4)
_____ (5) Cooperative advertising.....	_____ (5)
_____ (6) Promotion to push the product.....	_____ (6)
_____ (7) After-service problems.....	_____ (7)
_____ (8) Customer-care.....	_____ (8)
_____ (9) Market communication.....	_____ (9)
_____ (10)	_____ (10)

48. What is the ideal channel of distribution for your company? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Selling direct to customers.....	_____ (1)
_____ (2) Selling direct through franchised dealers.....	_____ (2)
_____ (3) Selling direct through various retail outlets.....	_____ (3)
_____ (4) Selling indirect through wholesalers and distributors.....	_____ (4)
_____ (5) Selling both direct and indirect at the same time.....	_____ (5)
_____ (6) Selling through mass-merchandising outlets (supermarkets, discount stores).....	_____ (6)
_____ (7)	_____ (7)

49. What role does the trading companies perform in your marketing effort? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) None.....	_____ (1)
_____ (2) Supply market information.....	_____ (2)
_____ (3) Handle the paperwork related to import-export procedures.....	_____ (3)
_____ (4) Provide additional personal selling effort.....	_____ (4)
_____ (5) Take care of the actual sales of product..	_____ (5)
_____ (6) We function as liaison and representative, the trading companies do actual work.....	_____ (6)
_____ (7)	_____ (7)

50. What is the extent of your "after-service" and technical services? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) We have no need for them.....	_____ (1)
_____ (2) Our own engineers handle them.....	_____ (2)
_____ (3) We have a network of specially trained "service" dealers or stores.....	_____ (3)
_____ (4) We have a warehousing system for the necessary parts.....	_____ (4)
_____ (5) We emphasize their importance and do whatever the best we can.....	_____ (5)
_____ (6)	_____ (6)

51. Do you use personal selling or the sales force?

- _____ (1) Yes.
 _____ (2) No.

If "Yes," what are the chief problems with the use of sales personnel? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Recruitment, selection, and hiring.....	_____ (1)
_____ (2) Training and developing.....	_____ (2)
_____ (3) Compensating and motivating.....	_____ (3)
_____ (4) Supervising and directing.....	_____ (4)
_____ (5) Competence and quality of sales personnel.....	_____ (5)
_____ (6) Turnover (due to resignation, firing, etc.).....	_____ (6)
_____ (7) Loyalty to the company.....	_____ (7)
_____ (8)	_____ (8)
_____ (9)	_____ (9)

52. What are the chief sources of your market information? (Mark as many as you wish.)

<u>In America</u>	<u>In Japan</u>
_____ (1) Outside sources such as marketing research agencies.....	_____ (1)
_____ (2) The government statistics.....	_____ (2)
_____ (3) Trade associations and other publications.....	_____ (3)
_____ (4) Trading company people.....	_____ (4)
_____ (5) Our marketing research staff.....	_____ (5)
_____ (6) Our technical and engineering staff.....	_____ (6)
_____ (7) Our dealers or distributors.....	_____ (7)
_____ (8) Our salesmen gather it.....	_____ (8)
_____ (9)	_____ (9)
_____ (10)	_____ (10)

June 30, 1965

Representing a Japanese manufacturing firm, your marketing operations here in America have contributed to strengthening healthy economic relations between Japan and the United States. As an assistant instructor and a graduate student in marketing management at Michigan State University, I have conducted a comparative study on the marketing management activities of these two nations' business.

By filling out and answering the enclosed questionnaire, you can help me immensely in obtaining additional operational data of the Japanese manufacturers in the Los Angeles area. On the top page of this questionnaire, you will find the objectives and procedures, as well as the return address, for this questionnaire (titled as interview guide).

As you see, this study is a part of a larger project. I have already conducted a series of interviews with many Japanese executives in the New York area using this guide.

You can answer most questions by simply checking-off appropriate statements. But if you wish to include any additional information, please feel free to write in available space in the questionnaire. Your cooperation is a key to the success of this project.

Sincerely yours,

Hirofumi Matsusaki
Assistant Instructor
304 Eppley Center,
Michigan State University
East Lansing, Michigan

HM:hm

Enclosure

