



## Editorial

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### **Japanese Corporations in the Midst of Reform: From the 1990s to the Present**

The Japanese economy has done an about-face since its experience of a ‘bubble economy’ during the 1980s. Even after the bubble collapsed in the early 1990s, there were two acute recessions to follow, from 1991–1993 to 1997–1999, and a long-term economic malaise that continues to the present. The Japanese government, grappling with the worst budget deficit of any industrialized nation, is moving from traditional economic policies towards ‘smaller government’, deregulation, the privatization of public corporations, and the review of public works.

As for corporations, they have found themselves to be afflicted by the three excesses of capital — investment, debt, and employment in a long-term recessionary environment. In a reversal of the business diversification pursued in the 1980s, these three excesses are being dealt with by restructuring measures designed to slim down business operations.

To address the decline in demand, cost-cutting, tackled by such measures as shifting production capabilities to China, has been spurring on a price collapse, which has also led to a simultaneous hollowing out of domestic industry. On top of the economic downturn is the necessity for appropriate and swift adaptation to the rapidly changing business environment. This environment is becoming more international and information-based, while experiencing technological and structural change; and it is marked by episodes of censure, brought on by a series of corporate irregularities, heightened awareness of global environmental issues and the changing consciousness of workers and consumers.

Over a 10-year period, the annual conference of the Japan Society of Business Administration thematically incorporated the following issues, addressing in succession the problems of the day: The Changing Social Environment; Shifts in the Structure of Industry and Management; Japanese Corporations Around the World; Globalization and Enterprise Management; Strategies for Internationalization; Global Standard Management; Asian Development and Enterprise Management; International Contributions of Corporations; The IT Revolution-Corporate Systems and Changes in Labour; The Global Environment and Management; Corporate Activity and Civic Activity; Rethinking Japanese Management; Rebuilding the Japanese Corporate System; Corporate Ethics; Corporate Regulation and Deregulation.



The papers in this volume attempt to chart the most recent conditions and future direction of how the traditional structure and management of Japanese corporations are being transformed in the unprecedented wave of corporate reform that is occurring in Japan today.

Selected from past reports presented at the annual convention of the Japan Society of Business Administration and the society's publication, the *Bulletin of the Japan Society of Business Administration*, these papers were selected with great care to avoid undue bias towards a single approach, and revised extensively to incorporate the latest developments.

The paper by Kanji Tanimoto focuses on the tangible changes to the Japanese corporate system that began in the 1990s within the context of international ethical currents (Corporate Social Responsibility and Codes of Conduct; Green Consumerism; Socially Responsible Investing) and domestic conditions. If an evaluation system that surveys and rates corporate activities from environmental or social vantage points becomes incorporated into the market, corporations must create internal systems for social fairness, environmental awareness and social responsibility, or face extinction. Tanimoto observes the latest Japanese corporate trends occurring in this area of reform.

In the latter half of the 1990s, the spate of top management reform in Japanese corporations, particularly the trend towards the adoption of a US-style corporate governance system, is the focus of the contribution by Hidetaka Aoki. Based on a survey of the current condition of corporate governance, he analyses the reasons for and effects of the implementation of this new type of management.

The spectrum of arguments relating to the Japanese Production System (JPS), acknowledged as the reason for the high quality and productivity of Japanese manufacturing, are introduced by Yoshiji Suzuki. The relationships between JPS, the Toyota Production System (TPS), the Japanese Work System (JWO) and Just-in-Time Production (JIT) are demonstrated, and the issues relating to recent changes in JPS examined.

Sugio Baba focuses his paper on the seniority system and long-term employment in the context of the post-bubble re-evaluation of the Japanese employment system. As a new employment system able to adapt to drastically changing environments, Baba suggests a movement towards a flexible system geared to creating value, focussed on individual and employment security and on fostering corporate cohesiveness through policies at the individual level. This trend is validated through a survey analysis.

The relationship between information technology and the organization of the Japanese corporate workplace is the topic of Norio Kambayashi's research. Indicating that this relationship is affected by specific Japanese cultural influences, Kambayashi's comparative analysis of Japan and England provides



stronger evidence for this link. His paper sheds light on the current and future direction of Japanese-style deployments of information technology.

Masahiro Akaishi, Taiji Baba and Ikuo Muramatsu demonstrate, by means of a large-scale questionnaire, that Japanese corporations have a unique understanding of the capital cost concept, and one which differs from the accepted understanding of management finance theory. This singularity also has a particular impact on the method of financial decision-making. Yet, at the same time, due to the recent changes in the economic environment, there are signs that this unique conceptual understanding is also transforming, and this paper examines the outlook for these changes.

As can be seen, therefore, this special edition consists of dedicated contributions looking at the changing reality for Japanese corporations from the 1990s to the present, addressed from a range of viewpoints. This collection cannot examine every facet of this change; however, if it enables readers to gain a better understanding of the ongoing situation facing Japan's corporate environment, we will have achieved a valuable goal.

As editor of this special edition, I would like to thank the following people for their participation on the Editorial Advisory Council and Editorial Committee:

Takuji Hara, Kobe University; Yoshiharu Hyakuta, Komazawa University; Nobuyuki Isagawa, Kobe University; Norio Kambayashi, Kobe University; Mitsuo Morimoto, Aoyama Gakuin University; Masaya Morita, Kansai University; Akinobu Sakashita, Kobe University; Yoshiaki Takahashi, Chuo University.

Shinshi Kataoka  
*Guest Editor, Chairman of JSBA  
Momoyama Gakuin University, Osaka*