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0521843707 - The New Community Firm: Employment, Governance and Management Reform in Japan

T. Inagami and D. Hugh Whittaker

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## The New Community Firm

After sweeping all before it in the 1980s, 'Japanese management' ran into trouble in the 1990s, especially in the high-tech industries, prompting many to declare it had outlived its usefulness. From the late 1990s leading companies embarked on wide-ranging reforms designed to restore their entrepreneurial vigour. For some critics, this spelled the end of Japanese management; for others, little had changed. From the perspective of the community firm, Inagami and Whittaker examine changes to employment practices, corporate governance and management priorities, drawing on a rich combination of survey data and an in-depth study of leading general electric company and enterprise group Hitachi. They find change and continuity, the emergence of a 'reformed model,' but not the demise of the community firm. The model addresses both economic vitality and social fairness, within limits. This book offers unique insights into changes in Japanese management, corporations and society.

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*Employment, Governance and Management  
Reform in Japan*

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T. Inagami

*and*

D. Hugh Whittaker



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## Preface

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This book was originally conceived as a follow-on from our comparative study of neo-corporatism (Inagami et al., 1994, in Japanese). The study looked at strains in national systems of labour–management–government interest intermediation, and whether these were (a) collapsing in an era of disorganized capitalism, or perhaps (b) being transformed by the growth of ‘micro-corporatism’ – company-level partnerships between management and labour, supported by weaker forms of national concertation.

Japan, of course, was well known for its co-operative enterprise-based industrial and employment relations, but it appeared to be going against the global trend of retreating national level concertation with the emergence of a weak form of national-level corporatism. If (b) were the case, Japan would not be the anomaly it first appeared.

At the same time, however, we recognized that Japan’s co-operative enterprise-based industrial and employment relations – or the community dimensions of its firms – were coming under increasing strain, from a variety of sources. This book was intended to explore these strains, how they were being addressed, and hopefully to predict the outcome. Our working title was ‘Japan’s community firms: reform or collapse?’ We believed the answer was ‘reform,’ and that ‘collapse’ prophets were relying on anecdotes and ‘see, Japanese practices were strange after all’ *schadenfreude*. And our question applied to the communitarian aspects of Japanese companies, not the companies themselves.

The Asian Crisis in 1997, and Japan’s own growing financial crisis, followed by factory closures and restructuring in its manufacturing heartland from 1998, changed the meaning of the question. When companies themselves collapse, their communities can hardly be left intact. Reforms undertaken to avoid collapse could have a major impact on the community. The importance of looking at employment in its business context became increasingly clear.

The structure of the book to some extent reflects this evolution. It starts with a focus on the community firm and employment practices, and broadens the perspective to consider corporate governance and the

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implementation of consolidated management and related reforms. This is done through a number of surveys conducted in the late 1990s. In Part 2 the community firm, employment practices, corporate governance and management are considered in a specific business context – that of the general electric giant Hitachi. We chose Hitachi for a number of reasons, one of which was to consider both long-term and recent changes to Dore's 'Japanese factory', an archetype for our classic model employment practices and community firm. The timing was fortunate in that we were able to study Hitachi in a period leading up to crisis, and reforms set in train as a result of the crisis.

Inagami was primarily responsible for Part 1 and Whittaker for Part 2, with cross-fertilization of ideas shaping the progress of both. Our overall conclusions are presented in Part 3. We could have packaged our findings sensationally – in a message of collapse, or discovery of a completely 'new model' – but our interest was as much in continuity as discontinuity, and we found evidence of both. The community dimension persists in large Japanese firms, which we are primarily concerned with in this book, but the postwar 'classic model' is giving way (in some companies) to a 'reformed model', whose features will continue to crystallize in the coming years.

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