

## ABSTRACT

### Employee-Employer Relations in Japan: An Analysis of Honor-Shame and Authority-Power Relations within the Modern Japanese Workplace

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An analysis of interpersonal (employee-employer) relations within the contemporary Japanese business world. With emphasis placed upon the cultural and ideological facets of workplace interactions, comparisons between American and Japanese business practices are made. Such comparisons yield compelling policy implications and recommended business etiquette for men and women seeking to conduct business in Japan. In this study, corporate interaction in Japan is assessed through a cultural and sociological lens, focusing upon the primary dictates of employee-employer interactions in Japan. Case studies, a brief economic history, and personal interviews are presented to shed light upon the existing importance of honor and social order in Japan's corporate world. Interviews with a handful of experienced executives and those familiar with business culture in Japan play a crucial role in coming to understand the modern environment of the Japanese workplace. Analysis concerning guiding principles in Japanese corporate relationships is established to suggest how businesspersons from the United States can more closely understand business in Japan. This framework finds its foundation in Japan's cultural and economic history, presenting one lens of interpretation when analyzing contemporary business relationships.

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EMPLOYEE-EMPLOYER RELATIONS IN JAPAN:  
AN ANALYSIS OF HONOR-SHAME AND AUTHORITY-POWER RELATIONS  
WITHIN THE MODERN JAPANESE WORKPLACE

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## CHAPTER ONE

### Relevant Literature

For generations, the business practices of men and women in Japan have perplexed Western employers. Business in Japan, once influenced by the archipelago's rich cultural and ideological roots, has adopted a distinct approach to employee-employer interactions in the workplace. While exploring all differences between Eastern and Western business practice is notional at best, focused and informed discussion of notable cultural sensitivities in Japan is highly practical for individuals seeking to do business there. Such discussion can be used to create an effective framework for future corporate dealings between Westerners and the Japanese.

Literature exploring Japan's ideological transformation over the past centuries and its economic growth in the mid-20<sup>th</sup> century to present day is abundant in modern scholarship.<sup>1</sup> It is evident to historians and students of culture alike that Japan presents a unique case concerning the blending of long-standing ideology with contemporary socioeconomic movements. Japan, once in a state of economic seclusion, has developed a robust international economy that is now the third largest in the world. In one respect, Japan has retained its proclivity toward isolationism, seeking to preserve and protect its culturally rich community before welcoming non-native influence. On the other hand,

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<sup>1</sup> Edward R. Beauchamp, ed., *The Japanese Economy and Economic Issues Since 1945* (New York: Routledge, 1998); Michael Smitka, ed., *Japanese Prewar Growth: Japanese Economic History 1600-1960* (New York: Routledge, 1998), and Chikara Higashi and Peter G. Lauter, *The Internationalization of The Japanese Economy*, second ed. (Spring, 1990) are just a few examples of valuable texts concerned with the internationalization of Japan's economy.

Japan has become increasingly westernized with respect to its consumer-based industries.

Monash University Professor Koichi Iwabuchi, in his 2002 text *Recentering Globalization: Popular Culture and Japanese Transnationalism*, relays Professor Yoshiaki Yoshimi's beliefs concerning the influence of American capitalism upon the Japanese economy: "While the American way of life has lost its manifest appeal in Japan, according to Yoshimi, the Japanese cultural scene has been saturated with the logic of American consumer capitalism."<sup>2</sup> Iwabuchi, in his text, considers the dissemination of Japanese culture throughout East and South Asia, explaining its spread as a result of the influence American advertising has had upon Japan in the years following World War II. His book provides a strong case for the circulation of Japan's cultural influence today.

This present spread of Japanese culture was not always the case, however. With an economy that was for many generations secluded from trade with the West, Japan capitalized on the opportunity to strengthen its national identity apart from international influence. While the era of Japanese isolationism closed long ago, antiquated cultural and social ideologies have maintained a strong position in Japanese society due to their long lasting lineage. It took the agony of defeat in World War II to bring about significant changes to Japan's economic system. Being forced to rebuild their domestic economy, Japanese officials ushered in a new era of tight control and commercial expansionism. Yet, amidst such changes, Japan was guided by a select few—the elite—

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<sup>2</sup> Koichi Iwabuchi, *Recentering Globalization: Popular Culture and Japanese Transnationalism*, (Durham, NC: Duke University Press, 2002), 41.

who possessed the ability to closely monitor national progress so as to assure its congruence with national tradition.

In his text, *Japan's Economic Dilemma: The Institutional Origins of Prosperity and Stagnation*, Bai Gao discusses this economic and social shift which occurred in Japan before and after World War II:

During the Great Depression and World War II, the Japanese response was characterized by two leading principles: coordination and stability. In this movement, many of the most important institutions that sustained the postwar economic growth took shape. Influenced by fascist ideologies, the Japanese pattern of coordination and stability in 1931-1945 differed greatly from the pattern that evolved after the war. It placed greater emphasis on direct state control and tight restraints on private property rights.<sup>3</sup>

State control, such as that conducted in the years following WWII, ushered Japan into an era of economic reconstruction and eventual expansion. Due to the destruction caused by the two atomic warheads dropped on the cities of Hiroshima and Nagasaki by the U.S., Japanese officials were forced into a position of rebuilding a devastated nation while under the watchful eye of western officials. Professor Shigeru T. Otsubo, in a 2007 presentation at Nagoya University, calculated Japan's human loss in WWII as roughly 1.85 million lives (roughly 4% of the nation's entire population) and referenced Japan's material loss as roughly 25% of national wealth, excluding military stock.<sup>4</sup> The assumption of state control was a natural and economically positive decision for the demoralized nation. Through careful monitoring of the banking system and the reestablishment of Japan's fragmented infrastructure, Japan entered into an era of great

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<sup>3</sup> Bai Gao, *Japan's Economic Dilemma: The Institutional Origins of Prosperity and Stagnation* (Cambridge: Cambridge University Press, 2001), 67.

<sup>4</sup> Shigeru T. Otsubo, "Post-war Development of the Japanese Economy: Development, Japanese/Asian Style" (lecture, Nagoya University, Nagoya, Japan, April 2007), [http://www.gsid.nagoya-u.ac.jp/sotsubo/Postwar%20Development%20of%20Japanese%20Economy%20\(Prof.pdf](http://www.gsid.nagoya-u.ac.jp/sotsubo/Postwar%20Development%20of%20Japanese%20Economy%20(Prof.pdf) (accessed March 1, 2013)

economic growth for the next 30 years. Private sector expansion was encouraged, and international trade increased in the decades following with a strong emphasis placed upon mitigating risk.<sup>5</sup>

Much more can be said concerning Japan's mission to pursue coordination and stability, with features of Japanese business built upon the reliability of seasoned executives to carry out effective governance in business decisions. This traditional assumption of wisdom and worldly experience characterizing executives has been subject to social critiques over Japan's long history,<sup>6</sup> and yet, such beliefs remain in heavy influence today. Tradition, as described by Ian Reader and George J. Tanabe, Jr. in their text *Practically Religious: Worldly Benefits and the Common Religion of Japan*, presents an evocative interpretation that will be used throughout the course of the analysis to follow. Reader and Tanabe define tradition as the following: "In Japanese cultural polemics, "tradition" implies a sense of identity and belonging... it also signifies the unchanging and that which has been lost to modernity."<sup>7</sup> In a society that embraces communalism to the degree of the Japanese, the distinction between the old and the new is quite present. Aspects of old society are present amongst elements of modernity, including perceptions of executive capability and youthful ignorance.

Globalization has ushered in a new tide of ideas for the Japanese, and while existing cultural emphases have withstood the test of time, others have fallen in the

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<sup>5</sup> Ibid.

<sup>6</sup> For more information about ages and wages in the Japanese workplace, I recommend D. H. Whittaker's article "The End of Japanese-Style Employment?" in Vol. 4, issue 3 of *Work Employment and Society* (September 1990).

<sup>7</sup> Ian Reader and George Tanabe, *Practically Religious: Worldly Benefits and the Common Religion of Japan* (Honolulu: University of Hawaii Press, 1998), 28.



wake of changing circumstances. Hosts of writers have demonstrated how the Japanese economy presents an intriguing case study concerning its mixture of old ideals with present cultural adaptations.<sup>8</sup> As Reader and Tanabe have discussed in their text, modernity has been one cause associated with Japan's cultural and economic transformation over the centuries. It is safe to assert that Japan's transition to international trade played a significant role in the nation's ideological microevolution over time. This notion is generally accepted amongst modern critics and supporters of contemporary Japanese business ideology. The supposition that Japan possesses a blend of ideological and economically progressive ideas is not a new one.

Where additional revelation can be sought, however, lies within studying the interactions between employees and their employers in firms today as well as the attitudes associated with such exchanges. An abundance of literature exists concerning Japanese culture, economics, and social customs, but fewer studies have assessed contemporary Japanese thoughts and opinions in the context of Japan's transition from isolationism to global capitalism. Through analyzing the perceptions of modern day citizens, hypotheses concerning future corporate interactions can be developed and suggested for those considering work in Japan or for those who desire to learn more about perceptions in the Japanese workplace.

When seeking information concerning corporate activity in Japan, global business and marketing texts are beneficial resources to review to gather a workable

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<sup>8</sup> For an economic perspective, see Bai Gao's *Japan's Economic Dilemma: The Institutional Origins of Prosperity and Stagnation* (Cambridge: Cambridge University Press, 2001).

knowledge of how Japanese firms function internally and externally.<sup>9</sup> Through understanding where profit is directed and how revenue is used, the purpose of various Japanese business relations can be further contextualized. What such materials often lack, however, are revelations relating to the perceptions belonging to Japan's newest generation of workers. This study seeks to provide insight into such outlooks.

In literature, Japanese business is a far from neglected example. Economic and philosophical texts provide rich analyses and case studies concerning Japan's socioeconomic history.<sup>10</sup> The need for scholarship on Japan is not a matter of scarcity, but rather of accessibility. The issue at hand for the average reader is how an individual interested in Japan's culture can make sense of the writings available and locate respectful insights amidst the torrent of information. The most accurate and reliable texts concerning Japan's culture are undoubtedly written in Japanese, and thus inaccessible to the average layperson. Those unfamiliar with Eastern culture would greatly benefit from access to such primary texts, but these writings remain mostly untouched due to limited linguistic access. In the third chapter of this analysis, Japanese terminology is introduced through the responses of individuals familiar with contemporary business in Japan. Such individuals provide valuable insights into the philosophies of Japanese corporations today, and their perceptions reveal the potential direction for future business policies in Japan.

Japanese firms today are typified by a mixture of longstanding traditions and contemporary work methodologies, all staged within the context of communalism.

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<sup>9</sup> For a case study concerning management philosophy in Japanese firms, I recommend Tang, Kim, and O'Donald's article in Vol. 15, issue 6 of *Journal of Managerial Psychology* (1986).

<sup>10</sup> One commendable analysis is Thomas W. Dunfee and Yukimasa Nagayasu's *Business Ethics: Japan and the Global Economy* (Kluwer Academic Publishers, 1993)

Communalism, in this context, refers to the notion of shared responsibility held by most Japanese today. Regardless of whether corporate responsibility is embraced, communalism is practiced through the structure of Japan's education system and the attitudes often held by top executives when seeking to hire new workers. Such perceptions are elaborated upon in detail in Chapter 3, through the firsthand account of aspiring businessman Fumihiko Sugie, among others. The most prevalent customs today are considered and scrutinized through the perspectives of workers with firsthand knowledge of the current state of affairs in Japanese business.

### *The Japanese Perspective in Action*

Recent decisions by Japanese firms such as Nintendo and Tokyo Electric to reduce managerial wages and assume responsibility for corporate mishaps have deviated from standard business practice in the U.S.<sup>11</sup> Such case studies suggest that while Japanese firms are similarly entrenched in financial markets, they do not necessarily follow the traditional rationale of Western financiers. In the case of Tokyo Electric Power Company (TEPCO), 2011 proved to be a tumultuous year for their corporation. Following the devastating earthquake and tsunami near the coastal city of Sendai, Japan in the Northeast, radiation leaks from a crippled company reactor caused widespread health concerns and present danger for citizens nearby. Assuming responsibility for the event, TEPCO management announced in April 2011 a 50% cut in annual remuneration

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<sup>11</sup> Yuji Okata, "Tepco to Cut Worker Board Pay as Much as 50% to Pare Costs." *Bloomberg* (April 25, 2011), <http://www.bloomberg.com/news/2011-04-25/tepco-to-cut-worker-board-pay-as-much-as-50-to-pare-costs-1-.html> (accessed October 5, 2013)

for board members, a 25% cut for managers, and a 20% cut for workers.<sup>12</sup> The differing percentages between the board member cuts and worker level cuts communicated TEPCO's philosophy of manager responsibility.

While all groups affected by the wage reductions were working for TEPCO, the supervisors were seen as those responsible to uphold the image of leadership and responsibility of TEPCO to the community. Surrounding the event, TEPCO managers were criticized for not foreseeing the 2011 tragedy, potentially reducing the seriousness of the tragedy that took place that spring. While they could have relocated their nuclear power plant away from the sea and atop a nearby mountain, there was no way for TEPCO to predict the exact damage an earthquake or tsunami would cause. TEPCO's swift response to reduce supervisor wages at a steeper rate than regular worker wages demonstrated the privileged status of Japanese leaders.<sup>13</sup> When crisis does not affect the inner-workings of Japanese firms, veterans in businesses have been historically privileged with higher wages and commonly have strong trust relationships established with their higher-ups. Executives in Japanese firms are granted an unprecedented level of job security, but are also expected to be productive according to their experience in the industry.<sup>14</sup>

In the case of Nintendo Co., Ltd. in 2011, a 47% cut in the price 3DS handheld device from \$250 to \$170 took place in light of a slow rate of sales. In order to fund the price reduction of the device, Nintendo's president, Satoru Iwata, took a 50% salary cut

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> D. H. Whittaker, "The End of Japanese-Style Employment?" Vol. 4, issue 3 of *Work Employment and Society* (September 1990).

to allow the change. Members of the board took lesser cuts of 30 and 20%.<sup>15</sup> Rather than reducing the wages of employees throughout the firm, Iwata and his executive board opted to cut their own incomes. Although Nintendo is a multinational company comprised of over 5,000 employees, its leaders took the responsibility of the 3DS's slow sales upon themselves. The 2011 case of price reductions by Iwata and his executive board reflected the weight of communal responsibility felt by managers in Japanese business, and while Japanese corporations may comprised of multiple parties, it was the responsibility of Nintendo's managers to ensure economic success and acceptance from the community. Iwata survived his pay-cut from his original \$770,000 USD/year salary, but still assumed responsibility for his company's shortcomings.

Cultural and societal concerns often influence business policies and corporate interactions in Japan as much as profit continues to. Business in Japan, in its most traditional form, seeks capital gain alongside communal acceptance. In the interviews presented in Chapter 3, the importance of strong community and collective identity in the workplace is evidenced. Personal testimony reveals a present reality concerning the workplace in Japan: to the Japanese, the shores of success hold more than currency alone: they hold the adulation and esteem of the general public. Japanese businesses work to maintain unsullied public reputations.

This notion of communal acceptance is not as common in the West, where quests for profitability and individuality dominate the economic mindset of most companies. For-profit firms, such as the technology giants Apple and Microsoft, have long histories of legal complaints against each other over intellectual property rights and usage

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<sup>15</sup> Sorturu Iwata, "Financial Results Briefing" (IR Information: Nintendo, July 29, 2011). <http://www.nintendo.co.jp/ir/en/library/events/110729/index.html> (accessed March 1, 2013)

agreements. The marketing strategy for each firm is built upon the goal of serving the consumer, addressing his or her needs. Apple and Microsoft's—as well as Apple and South Korean Samsung's—legal frays highlight a particular reality in America: the corporation that can serve the individual in the most productive and unique way rakes in substantial profit from its sector in the market.<sup>16</sup> Additionally, through litigation, such firms are aiming to protect their autonomy in a global marketplace thronged with viable competitors. Over the last decade, media hype has surfaced around new entrepreneurs who are pressing hard to become new leaders on the online marketplace, even Google or Amazon killers.<sup>17</sup>

This capitalistic pursuit for financial gain is present in a variety of American economic sectors. In the name of profitability, health and nutrition industries are facing backlash from producers who seek positive margins over developing effective and safe products. Through an Internet search, any potential consumer can scroll through a hodgepodge of medicines lacking FDA approval and certified scientific analysis. And yet, this profit-seeking behavior, inherent to capitalism, describes aspects of both American and Japanese business.

This behavior, while useful in an analysis of the present direction of business worldwide, oscillates when faced with the needs of the individual versus the needs of the community. American business—as demonstrated through present-day advertising—is distinctly concerned with serving the individual within his or her community, whilst

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<sup>16</sup> Apple Inc. v. Samsung Electronics Co. Ltd., et al., Case No. C11-1846LHK. Trial begins: November 12, 2013, <http://www.apple.com/pr/pdf/110415samsungcomplaint.pdf> (date accessed November 5, 2013).

<sup>17</sup> Eric Jackson, “Why Siri is a Google Killer,” *Forbes* (October 28, 2011), <http://www.forbes.com/sites/ericjackson/2011/10/28/why-siri-is-a-google-killer/> (accessed July 10, 2013)

Japanese business addresses the context of the community in light of the individual. Workplaces in Japan are concerned with preserving profitability, honor, and social custom. Japanese executives have a tendency to avoid risk whenever possible, even when such behavior involves foregoing potential profit.

*Japan: A Historical Case and the Importance of Cultural Understanding*

From the close of Japan's isolationist policies to present day, Japanese nationals and foreign businesspersons have come into contact with one another at an increasing rate. In recent years, with the advent of globalization occurring throughout the 20<sup>th</sup> and 21<sup>st</sup> centuries, fluency in cultural understanding has become a valuable characteristic for individuals seeking to conduct and form strong business relationships within the East Asian archipelago. Japan, in particular, has proven to be a unique case study in regards to the interpersonal interactions exchanged between employees and their employers. Present employee-employer interactions are highly tied to Japan's legacy of Shinto philosophy and its association with ancient ideologies originating in China and parts of South and Southeast Asia. With their roots once embracing Confucian ideology, the Japanese people have approached the world of business and international affairs with delicate attentiveness to personal honor and social order. From the day of the samurai until today, the community has remained an important actor within Japanese society. And yet, while long-held social norms have standardized past and contemporary business relations, it is possible that the people of Japan have adapted considerably over time. Related beliefs will be explored later on through the opinions of men and women familiar with and working in Japanese businesses.

With exposure to international trade and the ideologies of many nations, traditional ideals have faced a changing tide of global ideas, some surviving and others not. Over the last 165 years, Japan has progressively recognized and capitalized upon the benefits of its trade relationships with other nations. While taking up until the 1940s to pursue its economic potential (Figure 1), Japan has grown exponentially as a result of its international trade relationships. Note the two figures on the following page, presented by Nobel Laureate Robert E. Lucas Jr., which track Japan's change in gross domestic product (GDP) and population over the span of the late 18<sup>th</sup>, 19<sup>th</sup>, and 20<sup>th</sup> centuries. Pay particular attention to how Japan experienced great growth as a result of its reconstruction policies following WWII:<sup>18</sup>

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<sup>18</sup> Robert E. Lucas, Jr., "Japan and the World Economy in the 20<sup>th</sup> Century" (lecture, School of Management, New York University, New York, April 29, 2008)  
[http://w4.stern.nyu.edu/emplibary/NYU\\_Stern\\_Japan\\_Center\\_Lucas\\_slides.pdf](http://w4.stern.nyu.edu/emplibary/NYU_Stern_Japan_Center_Lucas_slides.pdf)  
(accessed October 2, 2013), 1, 4



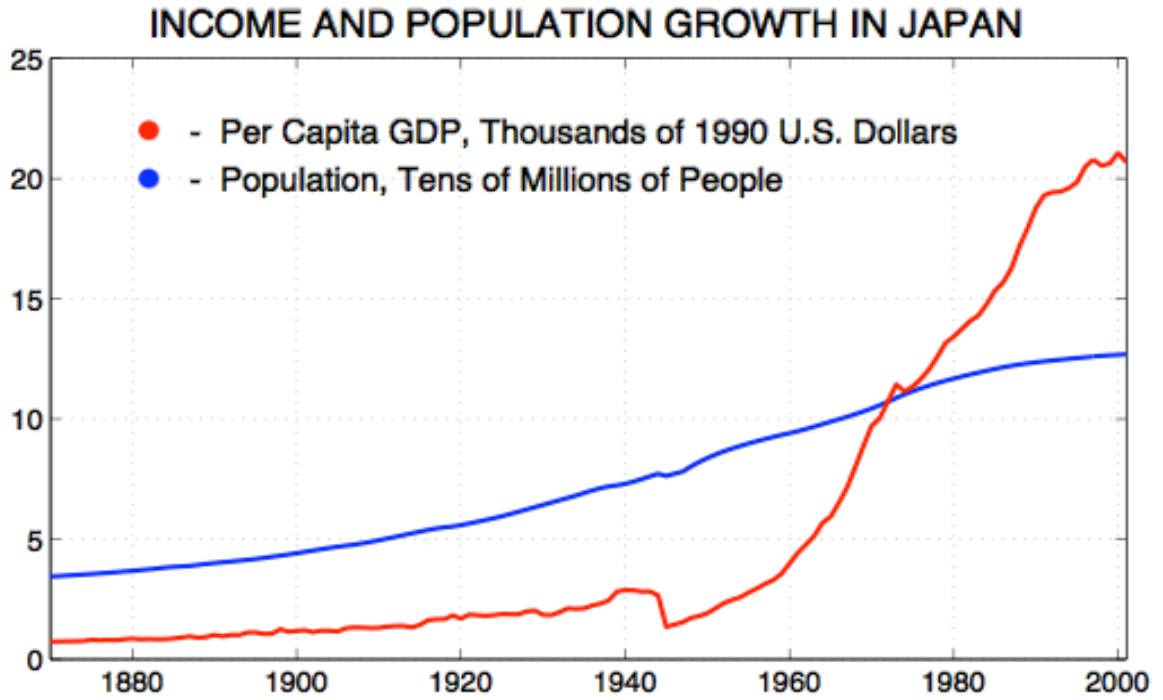


Figure 1: GDP and Population Growth in Japan (1880-2000)

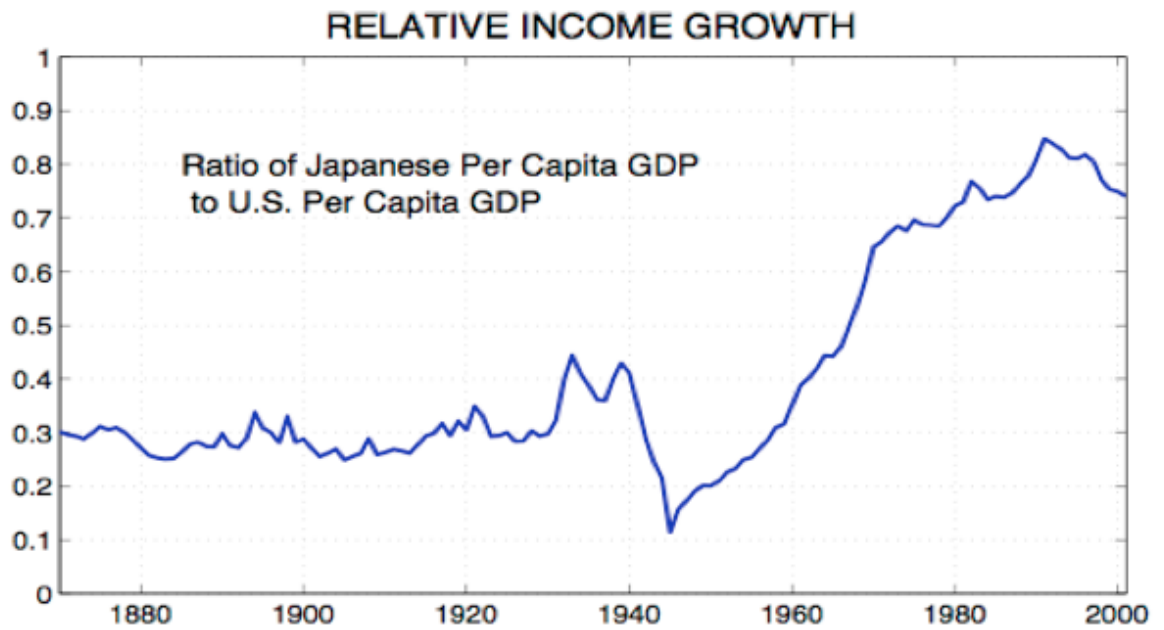


Figure 2: GDP and Relative Income Growth in Japan (1880-2000)

In his lecture, Lucas presented five unique characteristics of Japanese economic history that make it a good case study:

1. Japan was the first non-European country to industrialize.
2. Japan's total gross domestic product is the third largest in the world.
3. Japan's post-WWII growth was the fastest sustained growth ever by a large economy.
4. Japan's economic history potentially served as a model for Korea, Taiwan, and other East Asian "miracles."
5. Japan's example could be a potential model for other economies.<sup>19</sup>

Since its opening to trade in 1858, Japan has exported goods for profit and imported previously costly goods—such as oil and other natural resources—allowing it to become a powerfully built actor in the international economy.<sup>20</sup> Over time, Japan has been exposed to and shaped by the doctrines of capitalism and the international marketplace. Contrary to the beliefs of some, modern Japanese business is not purely capitalistic or purely traditional. Just as Japan is not uniformly profit-driven, it is also no longer dictated by certain traditions that were once esteemed. The Japanese economy has slowed in recent decades, yet its economic transformation following World War II remains substantial.<sup>21</sup>

Due to Meiji Period reform, Japanese international and commercial expansion has been made possible, and an interaction between the old and the new has taken place.

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<sup>19</sup> Ibid.

<sup>20</sup> David Flath, *The Japanese Economy* (Oxford: Oxford University Press, 2000), 5

<sup>21</sup> One accessible text discussing Japan's economic revival is Richard Katz's *Japanese Phoenix: The Long Road to Economic Revival* (M E Sharpe Inc., 2003). Katz discusses two primary obstacles to Japan's economic growth: a supply-side and a demand-side problem.

David Flath, Professor of Economics and Research Associate at the Center for Japanese Economy and Business at Columbia University, addresses a few of the most popular misconceptions concerning contemporary Japanese economics in his text *The Japanese Economy*:

Too many people “know things about Japan’s economy,” they “know” that Japanese businesses disdain profits, that Japanese workers forgo leisure, and that Japanese consumers forgo consumption. They “know” that the economy of Japan is only nominally capitalist, and in fact is something more akin to a centrally planned economy. They “know” that Japan’s persistent trade imbalances prove that it is “closed to imports.” None of this is true. Japan’s economy as it truly is, [is] made coherent through the logic of modern economics. (Flath, 2006, p. 1)

The Japanese adaptation of neoclassical and Keynesian aims to address profitability, as Flath insinuates, is both similar and dissimilar to its Western counterparts. While the firm is considered a profit-seeking entity in Japan and the U.S., the process through which business is conducted is highly relational and influenced—arguably curtailed—by long-lasting traditions.

While tradition varies between the East and the West, the cultural proclivity of one nation is just as valuable as that belonging to another. Ideological differences present valuable room for cross-cultural education and pathways to further understand how social interactions can be improved between countries. Assessments of business ideology will present weaknesses and strengths in both party’s strategies. The understanding of multiple perspectives is a valuable tool in calculating how one can best interact with another for the mutual benefit of the whole. This is the primary theme of comparative advantage in economics—to arrive at efficient trade conclusions for each nation desiring to export and import goods.

A similar metaphor may be applied to the act of comparing and contrasting Eastern and Western business methodology. This practice of intercultural exchange yields candid results. When presented with the facets of each, an individual is exposed to the strengths and weaknesses of both corporate approaches. The Eastern disposition to cater to the community and respect superiors in the workplace incurs a degree of opportunity cost, just as the Western temperament to address the individual and his or her needs comes at the expense of other outside options. This is to say that each perspective has its benefit and incurred expense.

The distinct corporate philosophy held by many Japanese firms has led to criticisms on the part of the United States. Japan has been condemned for its overuse of governmental red tape concerning imports from outside nations. Shotaro Ishinomori, in his text *Japan, Inc.*, relays a few trade barriers associated with Japanese bureaucracy:

Besides customs duties, the main restraints on imports are non-tariff barriers. The U.S. has criticized the Japanese government's method of licensing and its administrative actions, the organization of the Japanese enterprise system, and the Japanese insistence on the superiority of its products. (Ishinomori 1993, p.38)

Commerce in Japan is approached and managed differently than most businesses are in the United States. The knowledge of why Japanese firms run the way they do greatly impacts future interactions between American and Japanese businesses. While corporations from both nations differ in the details, they are at an economic advantage to form partnerships with one another. Japan, as the third largest economy in the world, is incredibly relevant to the corporate and domestic interests of the United States. The United States, as the largest economy in the world, plays a pivotal role within the creating of Japanese domestic and foreign policy.

Strategically positioned near China, North Korea, and Russia, Japan proves to be a valuable locale for U.S. military interests as well. Presently, there are 23 U.S. military bases spread across the islands of Japan, with the largest in Okinawa referred to as the “Keystone of the Pacific.”<sup>22</sup> Better understanding Japan—a strong economic counterpart and present ally in the East—will positively serve American financiers who seek to engage in business with the Japanese. Understanding cultural and ideological sensitivities can set the groundwork for profitable relationships, as it is knowledge that seeks to achieve and respect the best interest of both parties.

An important step toward understanding Japan’s distinctive business culture is to understand the primary ideological concerns that have influenced Japan as it transitioned from a feudal state to the third largest economy on the globe.<sup>23</sup> But what kinds of ideological concerns continue to influence Japan’s extensive growth? A historical snapshot of the societal changes occurring from the Meiji Period will serve as a first step toward understanding the ideological framework of the modern Japanese workplace.

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<sup>22</sup> Kadena Air Base. “Kadena Air Base,” <http://www.kadena.af.mil/> (accessed September 5 2013)

<sup>23</sup> Countries and Economies: Japan” *The World Bank* (2013), <http://data.worldbank.org/country/japan> (accessed October 2, 2013)

## CHAPTER TWO

### Business as a Relationship in Japan

#### *Japanese Internationalization*

Prior to the Meiji Period of 1868-1912, Japan was a nation secluded from international commerce and Western influence. In the centuries leading up to its American and Russian naval interactions in the 19<sup>th</sup> century, Japan carried on feudal tradition through the sociopolitical hierarchy of samurai warriors and regional shoguns. The ancient ruling class in Japan was the old court nobility, a group characterized by the interactions between servant protectors (samurai) and regional chiefs (shogun). Japan was split into separate estates, with power allocated to privileged individuals who were esteemed for their physical and mental acumen. Even the samurai, while praised for their alacrity and prowess in combat, were known to study literature and mathematics.<sup>24</sup> Such studies were undergone with the belief that knowledge of the surrounding world and understanding of physical capabilities would better them during battle. Fumon Tanaka, in his text *Samurai Fighting Arts: The Spirit and the Practice*, describes the ideological importance of literacy and prowess in combat during the era of the samurai:

According to Confucius, ‘An educated person should be well prepared for combat and will therefore surely win.’ The martial arts were thus accorded a cultured status and became as respected as any other field of study. Bujutsu also espoused a twofold philosophy: it had to be effective in times of war, but also useful in times of peace to develop one’s character and spirit. This is the essence of bun-bu-ryodo (in which martial arts and literature were considered separate though equally important) and bu-bu-ittai (in which martial arts and literature are considered one and the same).<sup>25</sup>

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<sup>24</sup> Fumon Tanaka, *Samurai Fighting Arts: The Spirit and the Practice* (Tokyo: Kodansha International Ltd., 2003), 14.

<sup>25</sup> Ibid.

The Japanese word *bakumatsu* [幕末], or “end of the curtain,” refers to the time period—the final 15 years of traditional rule in the Tokugawa Period—in which Japan ended its separation from the West. During the Tokugawa Period, spanning from 1603 to 1868, Japan was almost entirely closed-off from the outside world, and was characterized by a feudalistic system.<sup>26</sup> Foreign relations policy disallowed most non-natives from entering Japan and any Japanese national from exiting the island nation without explicit permission. Seclusion Laws of this kind were first brought into force in 1635, allowing only vessels from China, Korea, and the Netherlands to make landfall on Japanese soil until 1848.<sup>27</sup>

During the 213 years in which Japan was separated from the surrounding world, significant cultural and economic developments in other regions took place, including the Industrial Revolution in Europe and the birth of Karl Marx in Germany. Despite its separation, Japan had developed its own economic and political institutions, “including fractional reserve banking, futures markets, wholesaling and retailing networks, double-entry accounting, and the mechanisms of local self-government.”<sup>28</sup> Such organic innovations provided Japan with the infrastructure to cultivate future economic development. Japan, while separated from much of the outside world, became involved in trade successes lasting until present day.

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<sup>26</sup> Daniel Botsman and Rustin Gates, “Japanese Studies Primary Sources in Western Languages: The Bakumatsu Period-1853-1868,” Yale University Library, <http://guides.library.yale.edu/content.php?pid=42236&sid=774091> (accessed September 5, 2013)

<sup>27</sup> Chie Nakane and Shinzaburo Oishi, eds., *Tokugawa Japan- The Social and Economic Antecedents of Modern Japan*. Trans. Conrad Totman (Tokyo: University of Tokyo Press, 1990), 12.

<sup>28</sup> David Flath, *The Japanese Economy* (Oxford: Oxford University Press, 2000), 5.

The short interval of time during which Japan's isolationist policies ended can be traced back over 160 years ago, yet this period's historical importance remains. The Meiji Period was pivotal for Japanese enterprise. In the initial chapters of his economic text, David Flath provides an overview of Japan's historically nationalistic identity. Flath describes Japan as a nation possessing a selfhood unique in its own right, yet fundamentally altered by one instance of U.S. intervention occurring in the mid-19<sup>th</sup> century. The audacious actions of U.S. Navy Officer Commodore Matthew Perry in 1853 were what it took to break Japanese isolationism.

In 1853, Commodore Perry demanded Japan to open its ports through a tactical method commonly referred to as gunboat diplomacy. Japan was located in a strategic position for naval refueling, situated partway between the U.S. and trading posts in China and Taiwan. To Commodore Perry, gaining access to its shores would greatly increase Western access to Eastern trade and future oceanic military operations. He staged his fleet near Japan's shore and threatened to fire shots unless his men would be permitted to dock. While Commodore Perry's behavior was controversial, his lack of temerity reaped eventual economic rewards for Japan and the United States. Hahn Chaibong of Johns Hopkins University, in his text *The Ironies of Confucianism*, describes the aftereffects of Commodore Perry actions, which led to Japan's eventual decision to open itself up to trade:

The U.S. gunboat diplomacy carried out by the 1853 visit of Commodore Matthew Perry's "black ships" to Tokyo Bay sparked an intense intra-Japanese debate over how to deal with the foreigners and their technologically formidable civilization. A civil war in the late 1860s settled the dispute. The winners favored reopening the country and learning from the West. Their toppling of the Tokugawa regime and restoration of imperial rule under Emperor Meiji set Japan decisively on the path to modernization. (Chaibong, 2004, p. 95)



Japanese officials, at the fear of facing retribution from the Americans, opened their shores and allowed the foreign nationals to enter. As a result of the interactions following Commodore Perry's altercation with the Japanese local government, Japan eventually transitioned to policies of non-isolationism. Such policies permitted non-native vessels to utilize the island nation's occupied shores and engage in routine trade. Commodore Perry's forceful behavior brought about significant economic change and thrust both cultures into interaction with each other.

### *Long-term Relationships in Japanese Firms*

Even following its forced opening to the outside world by U.S. Navy Officer Commodore Perry in 1853, Japan has been resistant to significant cultural upheaval. Where Japan has embraced technological advancement in recent years, notably within the electronics sector, social movements have been generally infrequent and tightly regulated. The communal importance of community acceptance, honor, and loyalty is still relevant to Japanese citizens today.<sup>29</sup> Commodore Perry's actions, while ushering Japan into an era of engaging in international trade relationships, did not redefine Japan's circumspect approach toward commerce with other nations.

To a Westerner today, such caution toward trade may be regarded as naïve or non-entrepreneurial, but to the Japanese the intention of a calculated approach is to mitigate risk and ensure financial stability. Economists generally interpret slowly growing or unchanging GDP values as indicators of economic debility, but notions of normality and security play into the Japanese interpretation of financial situations as

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<sup>29</sup> In Chapter 3, these cultural traditions are explored through the perspective of individuals engaged in Japanese business today.

well. Stability is esteemed for the national economy, and Japanese firms seek to establish business relationships that ensure financial steadiness in the future.<sup>30</sup>

Approaching economic relationships with great care is not only a matter of trust for the Japanese, but also an opportunity to build long-lasting economic relationships. Business in Japan often takes the form of long-term partnerships rather than one-time monetary transactions. Jens Laage-Hellman, in his text dealing with business networks, describes the rationality behind long-term corporate relationships in Japan:

Nippon Steel's strategy to develop long-term collaborative relationships with a number of leading customers seems to be effective, even if in reality it means that the partner choice is often determined in advance. The number of potential combination possibilities in networks is almost unlimited and there are only a few of them that are discovered and given the chance to be explored. Once a choice is made... the possibility to exploit other combination possibilities is reduced. (Laage-Hellman, 1997, p. 114)

While philosophies vary from company to company, and not all Japanese firms seek to develop long-term relationships to the degree Nippon Steel does, family owned businesses tend to value name-association more highly than other firms. Once a relationship is established between two parties, mutual trust is formed and continued business is a likely possibility.

Family owned businesses in Japan, such as the Mitsubishi Group, have extensive histories of ownership spanning multiple generations. In the case of Mitsubishi, it was first established in 1873 by Iwasaki Yatarou, just years after the Meiji Restoration of 1868 took place. Following World War II, U.S. authorities ordered the powerful Mitsubishi conglomerate—known as a *zaibatsu* (財閥) in Japanese—to dissolve. *Zaibatsu* were most prevalent in Japan during the years prior to WWII and were

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<sup>30</sup> Dr. Robert Abbott, on-site interview with author, Seattle, WA, May 20, 2012.

influential corporate entities involved in several economic sectors, often dominating much of the marketplace.<sup>31</sup> Even with U.S. pressures for Japan's *zaibatsu* organizations to disorganize, Mitsubishi's management remained mostly unchanged.

Despite the initial fracturing of its administration into a mixture of disassociated and subsidiary groups, Mitsubishi returned to being a financial concern (German: *konzern*). In other words, Mitsubishi's disparate parts were reconnected under unified leadership.<sup>32</sup> Notwithstanding its diminishing influence in several sectors of the Japanese economy as a result of its initial dissolution, Mitsubishi continued to possess economic relevance in Japan following the Second World War.<sup>33</sup>

The conglomeration of Japanese businesses through generations is one potential cause for the general resistance to change within Japan's oldest businesses today. While *zaibatsu* firms are less prevalent now than they were during and before the 1940s, they play an essential role in the Japanese economy today. In her book, *The History of Family Business, 1850-2000*, Economic History Professor Andrea Colli discusses the historical impact of *zaibatsu* in Japan and its relevance today:

In Japanese business history the family undoubtedly played a strategic role from the Meiji Restoration onwards; the family concept in Japan is, however, slightly different from the Chinese one. In the Japanese case, Confucian philosophy is much more pervasive; the family is *not* defined in biological terms but 'as those contributing to the economic welfare of the group, or ie., irrespective of lineage. Moreover, in Japan collective values override the interests of the individual whether applied at the level of the family, the firm, or the nation' (Rose 1995b: xviii). The history of the *zaibatsu* is significant in this respect. (Colli 2003, 46)

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<sup>31</sup> Hidemasa Morikawa, "The Organizational Structure of Mitsubishi and Mitsui Zaibatsu (1868-1922): A Comparative Study." *The Business History Review*, 44, no. 1 (Spring 1970), <http://www.jstor.org/stable/3112590> (accessed January 17, 2013), 62-3, 74.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid.

In Japan, companies observing traditional corporate principles place high esteem upon family association. The qualifications of potential employees are assessed through the lens of familial ties, as well as where applicants earn their post-secondary degrees. *Zaibatsu* firms such as Nintendo Co., Ltd. have leadership existing outside of family lines. Nintendo's corporate philosophy today follows Professor Colli's assertion of a more accessible filial corporate structure. Businesspersons who contribute to the economic welfare of a firm can function as if they were in a pseudo-familial role, carrying on the mission for financial success. Professor Colli's alternative definition of filial ties suggests one heuristic for measuring the successes of experienced and productive employees within family-owned Japanese firms.

It is necessary to assert that family-owned businesses within the United States also function differently than other firms, and in this respect Japan is not entirely unique. What is unique, however, is how Japan far surpasses the U.S. in respect to the number of multi-generational family firms it hosts. Toshio Goto, Professor at The Japan University of Economics in Tokyo, Japan, writes the following concerning family owned businesses in Japan:

[The] landscape of family business in Japan is different from its western counterparts. Japan has 1,146 family firms in operation for two centuries or longer, significantly surpassing Germany (856), Netherlands (240), Austria (167) among others (Goto, 2006). The average age of family firms in Japan is 52 years (Goto, 2005), which more than doubles that of the United States, where the average life-span of a family firm is 24 years (Lansberg, 1983). (Goto, 2013, p. 557)

Due to the prevalence of long-lasting family businesses in Japan, traditional approaches toward commercial exchange are exceptionally common in Japan. When the prevalence of multi-generational corporations is combined with an expansive and rich cultural

history of communalism, it is no wonder why Japan prevails as a unique case study in business culture.

## CHAPTER THREE

### Introduction of Data: A Firsthand Look into Perspectives on Japanese Business

#### *Dr. Robert Abbott's Account of Business in Japan*

In an on-site interview with Dr. Robert Abbott, a Biotechnology entrepreneur who has interacted with Japanese firms on over 50 occasions, he reiterated the importance most Japanese businesses place upon interpersonal relationships with their partners. During his overseas career, Dr. Abbott traveled to Japan quarterly in order to represent his Seattle-based company and maintain relationships with his overseas clients. “Business in Japan,” Abbott explained, “is conducted over a series of strategic visits, taking place over the course of several months. The managers of a firm must feel they can trust their potential partners before agreeing to discuss any deal in its specifics. Japanese business differs from most American business negotiations in this way.”<sup>34</sup>

When Dr. Abbott would enter into communication with a corporation, he and the firm would prioritize a time for them to meet in person. The initial meetings were centered upon formal introductions and the establishing of connections that would be carried along through the course of their business exchange. Only after an assorted number of visits—the amount and frequency varying from company to company—would actual trade negotiations begin.

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<sup>34</sup> Dr. Robert Abbott, on-site interview with author, Seattle, WA, May 20, 2012.

To the Japanese managers with whom Dr. Abbott worked, this was all part of the natural business process. Establishing a platform of trust between both parties was the first step toward the financial discussions that were to follow.

Dr. Abbott also mentioned how Japanese businessmen today tend to value stability over uncertain avenues for profit, stating: “Japanese firms prioritize security. Business relationships that are built on mutual respect and trust are most valuable in long-term negotiations. Without trust, the potential for the long term just isn’t sustainable.”<sup>35</sup> The cultural emphasis the Japanese place on long-term business relationships is reiterated through Dr. Abbott’s personal experience. To the disadvantage of certain firms, the patience often required to strike deals with Japanese executives can prevent profitable deals from occurring. In the U.S., business pitches are generally given promptly after each party’s introduction, with approvals, denials, or renegotiations occurring soon thereafter. This fast-paced practice in Western business stresses long-standing trust relationships less and highly values existing opportunities to increase profit. While anomalies do exist, this is a common practice of corporations within the United States. Markets are considered fast moving, with profitable opportunities accessible for only short intervals of time.

It is important to note that American and Japanese business mentalities are not as disparate as these practices may suggest. While Japanese firms traditionally seek to build trust in corporate relationships, they are still profit seeking entities. Indisputably, as Japan has continued to trade with other nations, compromises have been made in light

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<sup>35</sup> Ibid.

of cultural and traditional norms. The compromise of societal norms is a reality for Japan and the United States, as well as other nations that engage in global trade.

### *Research Methodology*

Over the course of three months, from September to November 2013, I was able to interview five individuals conversant in the workings of Japanese businesses today. Through my two-years' experience conducting business overseas in East Asia and working with international students at Baylor University, I have befriended several people who have worked with Japanese businesses firsthand. Although I have formed my own perceptions concerning how commerce is conducted in Japan, I value the thoughts of experienced businessmen and native Japanese above my own. Not having grown up in East Asia, my interpretation of Japanese culture is much like an acquired second language: conversational yet non-native.

In searching for contacts to interview, I sought to speak with people who could contribute thoughts about Japanese ideology today and how the country's business practices have changed over the decades. My first respondent, Richard Chen, was chosen because of his extensive experience working with Japanese businesses and other corporations around the globe. Chen spent 10 years in Japan and also attended Sophia University during his time there. With over 30 years experience working with East Asian businesses and interacting with firms from the United States, it was clear that his experience could contribute much to my research. Chen and I exchanged several e-mails before holding a conference call between the United States and Singapore to discuss the material at hand.



My second respondent, Keita Nishiyama, was chosen because of his familiarity with business ideology in Japan. As a business student visiting the United States for a foreign exchange program from Japan, his experiences could draw out contrasts between the two cultures. His historical knowledge was also valuable when addressing which traditions have remained prevalent within Japanese business culture today. We met each other on Baylor University campus in Waco, Texas, in order to discuss the topics at hand.

My third respondent, Kenta Okuyama, was chosen because of his previous experience interacting with the cultures of Japan and the U.S. Having already completed one year abroad as an exchange student, Okuyama returned to Japan for one year. In particular, he was valued for his familiarity with cultural customs and business etiquette, having close family ties to Japanese business culture. Despite this, Okuyama had no extensive professional experience in Japan as a recent college graduate.

My fourth respondent, Fumihiko Sugie, was chosen because of his expertise in Japanese business culture and economics. Sugie studied Economics and International Studies at the University of California, San Diego before joining a branch of a Japanese firm located in Los Angeles. He was born in Kyoto and lived in both Japan and the United States for several years. His insights concerning Japanese business philosophy and employee-employer relations were particularly valuable.

My fifth respondent, Chihiro Watanabe, was chosen because of her familiarity with cultural customs and business etiquette in Japan. While she had no extensive professional experience, she had strong opinions concerning the autonomy of Japanese

firms today. Watanabe provided insights into shifts occurring in Japan's business ideology today.

### *Interpreting Responses*

I gauged the responses of my interviewees within the spectrum of two prevailing viewpoints. These viewpoints interpret the impact of Japanese isolationism in two different ways. The first judgment sees Japanese firms as continually and powerfully influenced by old Japanese businesses practice such as wage-fixing and lifetime employment guarantees, and heavily emphasizes respect from the community.<sup>36</sup> The second sees Japan's youngest generation as the pathway toward changing the landscape of Japanese business today, referring to old business practices as concerns of the past.<sup>37</sup>

When first approaching these interviews, I made a prediction that modern perceptions of Japanese business would be markedly different than ages past, with emphasis placed upon the desire of Japan's youngest generation to westernize the workplace. In this, I followed the second assumption. The results I found were quite different than anticipated, however. When interviewing my five respondents, all but one under the age of 30, a common strand of traditionalism was emphasized on multiple occasions.<sup>38</sup> Despite the long-lasting presence of capitalism in Japan, it appears that corporate traditions—in varying degrees—are still thriving today.

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<sup>36</sup> Keita Nishiyama, on-site interview with author, Waco, TX, November 11, 2013.

<sup>37</sup> Chihiro Watanabe, e-mail exchanges with author, between Tokyo, Japan and Waco, TX (USA), November 2013.

<sup>38</sup> Refer to interview responses listed in the final section of this chapter.

My interview with Nishiyama indicated that one reason for the persistence of long-held traditions was due to the economic influence of domestic business conglomerates. He suggested that while conglomerates are less common today, they still carry out forms of traditionalism amongst themselves.<sup>39</sup> While the degree of each person's experience varied considerably, all respondents provided useful insights concerning the presence of Japanese traditionalism in the workplace today. Their full responses, provided in the final portion of this chapter, suggest ways in which Japanese business has changed and remained the same over time.

While conglomerates—referred to as *zaibatsu-kei*—are less common now than before, related forms of hierarchical structure exist within Japanese businesses today. Sugie, in our interview together, asserted that loyalty still holds an important place within modern-day Japanese firms: “They [businesses] expect workers to prioritize their time for the sake of the company. For example, they may assume workers are willing to work unpaid overtime hours without complaining. Loyalty is essential.”<sup>40</sup>

This notion of unpaid overtime is less common in the United States than in Japan. In the case of two Amazon workers this year, Jesse Busk and Laurie Castro, a legal complaint was filed because of unpaid time at security checkpoints that took up to 25-minutes to pass through at the end of each work day.<sup>41</sup> The notion of ‘unpaid overtime’ to which Sugie referred is not a common ideology held by workers in the United States.

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<sup>39</sup> Keita Nishiyama, on-site interview with author, Waco, TX, November 11, 2013.

<sup>40</sup> Fumihiko Sugie, e-mail exchanges and phone call with author, between California and Texas, November 2013.

<sup>41</sup> Busk v. Integrity Staffing Solutions, Inc., Case No. 11-16892. Filed: April 12, 2013, <http://cdn.ca9.uscourts.gov/datastore/opinions/2013/04/12/11-16892.pdf> (date accessed November 30, 2013).

With our cultural emphasis centered upon individualism, the rights of the individual take precedence over the needs of the company. For most workers, once holidays or weekends hit, they believe no work should be expected from them. It is a highly personalized way of thinking.

In the case of Japanese businesses, the firm and its collective success is addressed. Employee success is tied to his or her individual performance as well as the overall productivity of the firm. In our interview together, Nishiyama elaborated upon this prevailing ideology within Japanese business:

We usually help each other in Japan, which is different. We help each other in the office. If I finish my job, I will help you with your job. In my experience, if I finish my work to make tomato sauce, I finish my job and then move on to help my coworkers. In the U.S., I think it's different. Some may think, 'don't steal my job,' but in Japan we help each other so we never think about stealing others' work. Our job is never stolen from a coworker. (Nishiyama, 2013)

With the focus placed upon the collective success of the firm, members of Japanese firms are willing to work diligently for the sake of achieving a collective goal.

Conversely, when the focus is placed upon the individual, inconveniences can quickly become injustices. A few employees can exploit the resources a company provides, and the goal of the firm can be compromised or incur great expense appeasing their grievances. This, of course, depends upon the incentives of each employee.

In a game theoretic framework, the collectivist tradition within Japanese firms may be more strategic than models emphasizing individualism. With no incentive to unilaterally deviate from preset conditions, employees set on achieving collective goals will likely seek to work together for the benefit of the whole. With the potential to reap great rewards if individual grievances are brought forth, employees have the incentive to act independently within non-collectivist firms. One goal of the firm, in this respect,

should be to diminish the rewards available to individuals who bring lawsuits against them—perhaps by offering financial rewards to individuals who suggest ways firms can better their operations.

In general, Japanese firms emphasize the mission of the individual in the context of assisting the whole, whereas U.S. firms seek to support the individual while employing the resources of the whole. Community is an integral part of society to the Japanese. Chen, in our interview together, shared the following concerning community in Japan:

Community is the heart and soul of the Japanese people. They will always try to form a certain kind of ‘society’ so they don’t have to do anything by themselves. This behavior is less common amongst younger generations, however. Nevertheless, the practice of the society still pushes people to be more conservative, seeking group belonging as they age. (Chen, 2013)

Chen’s observations hint at the blending of contemporary culture and tradition that is taking place today in Japan. While he first asserts that in-group formation is less common today than before, societal practice still influences Japanese to pursue group belonging. Chen’s comment alludes to the fact that Japan’s younger generations are making way for change, but that the transition away from cultural traditions will take a long time to complete. Although the transition is presently taking place—that is to say that cultural and ideological landscape of Japan is changing—Japanese society is still very much rooted in traditionalism.

Chen’s comments challenged my hypothesis concerning Japan’s youngest generations. While I initially believed that youth in Japan would very much alter the nation’s society during my lifetime, prevailing cultural norms must be taken into account. Generally, when assessing a political position, the loudest voices are heard and

often drown out the rest. If a minority is loud enough, it can even drown out the majority opinion on a matter. Even if members of Japan's younger generations push for reform, it may be true that the majority of Japanese wish for the status quo to prevail.

From my data, I have developed a new conclusion concerning the dichotomy between Japanese and U.S. business structures. I believe that, if Japan is to ever move away from traditionalism, individualism must be incentivized within the workplace. If firms and employees are rewarded for the individual contributions they make, it becomes more possible for younger workers to vie for executive positions. Presently, younger workers are discriminated against within most Japanese workplaces when applying for managerial positions.<sup>42</sup> Age is commonly associated with experience, regardless of the expertise younger employees may possess.<sup>43</sup> This differs from the American notion of young entrepreneurship that has rocked the U.S. business world over the last thirty years, with young businessmen such as Andrew Mason (Groupon) and Mark Zuckerberg (Facebook) reaping substantial rewards for their innovative pursuits.

While individualism could bring about substantial change within the Japanese workplace, I do not believe it is realistic to anticipate its arrival anytime soon. Japanese cultural traditions have maintained themselves throughout generations of change and interactions with ideologically disparate nations. Japan's era of isolationism fundamentally shaped the island nation's perspective on cultural ideology and economics. In Japan, the roots of the community continue to run deep.

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<sup>42</sup> Fumihiko Sugie, e-mail exchanges and phone call with author, between California and Texas, November 2013.

<sup>43</sup> Ibid. In our interview together, Sugie goes into detail concerning the Japanese education system and how it rewards name-association and test scores over other qualifications that may better assess job candidates.

*Interviews: Employee-Employer Relations in the Workplace*

In order to clarify the basis of previous discussion, the interview data is hereby provided. Five individuals, including Japanese natives and a businessman with over 30 years experience working in Japan, responded in-depth to questions relating to employee-employer relations in Japan. While each interview differed in content, the respondents were asked 9 questions in common. Additional queries varied according to the relative experience of each source interviewed. These interviews were conducted through electronic communications (Japan), on-site interviews (Seattle, WA; Waco, TX), telephone interviews (Los Angeles, CA), and one videoconference (Singapore):

*List of Shared Interview Questions*

1. What is your experience related to business in Japan?
2. What are some ways you believe Japanese businesses function differently than businesses elsewhere today?
3. What are some common attitudes or philosophies you believe Japanese executives hold when managing their businesses and employees?
4. In a business context, how important is the community to the Japanese?
5. In general, do Japanese employees value approval from their employers over their coworkers?
6. Do you believe Japanese collectivism affects everyday business interactions employees engage in? If so, how?
7. What are some primary differences between business in Japan and that conducted within the United States?

8. Which long-standing cultural or ideological traditions do you believe are most relevant today in the Japanese workplace? Which ideologies have diminished over time?
9. How do you believe capitalism influences decisions made by Japanese firms and employee-employer relations in Japan today?

*Objective of 9 Shared Interview Questions*

Question 1: What is your experience related to business in Japan?

1. To assess the credibility of the interviewee and his or her eligibility to make claims or fact-statements about contemporary business in Japan
2. To understand how the background of the interviewee may or may not affect associated perceptions relating to Japanese business
3. To gain additional insight into the workings of modern-day firms from a primary source
4. To welcome respondents to contribute any information or insights about Japanese business experiences

Question 2: What are some ways you believe Japanese businesses function differently than businesses elsewhere today?

1. To add insight pertaining to the function of Japanese firms today
2. To compare and contrast Japanese firms with other corporations
3. To provide an additional opinion concerning unique qualities of Japanese firms

Question 3: What are some common attitudes or philosophies you believe Japanese executives hold when managing their businesses and employees?



1. To hear a firsthand opinion of Japanese business ideology today
2. To test the relevance of attitudes and/or philosophies that may or may not be prevalent today
3. To learn more about the ways through which Japanese businesses are managed

Question 4: In a business context, how important is the community to the Japanese?

1. To evaluate the sense of community in the workplace
2. To consider whether Japan's history of collectivism is relevant when describing its modern business practices

Question 5: In general, do Japanese employees value approval from their employers over their coworkers?

1. To assess the relevance of authority-power relations in the workplace
2. To weigh the importance of coworker approval versus obedience to superiors
3. To approve or potentially question the assumed obedience structure existing within the Japanese workplace

Question 6: Do you believe Japanese collectivism affects everyday business interactions employees engage in? If so, how?

1. To further inquire whether or not Japan's collectivist past influences business interactions today
2. To explore the potential ways collectivism is exhibited through work behavior

Question 7: What are some primary differences between business in Japan and that conducted within the United States?

1. To receive insight regarding major differences between business conducted by Japanese companies versus business conducted by companies from the U.S.

2. To evaluate any differences mentioned, and consider ways cultural sensitivities can be mediated appropriately

Question 8: Which long-standing cultural or ideological traditions do you believe are most relevant today in the Japanese workplace? Which ideologies have diminished over time?

1. To hear an informed opinion concerning which traditions are most influential within the Japanese workplace today
2. To inquire further as to why ideologies, if any, have diminished in relevance

Question 9: How do you believe capitalism influences decisions made by Japanese firms and employee-employer relations in Japan today?

1. To gain a firsthand opinion concerning Japan's economic transformation over time, and any additional effects resulting from its internationalization
2. To assess the influence of other nations and their economic practices upon Japanese culture and economic

*Profile of Respondent: Richard Y. Chen<sup>44</sup>*

- 30 years experience conducting business in Japan and around the globe

- Presently: Group Board Director at CSB Battle Co., Ltd; Board Director at Forest Adventure Pte. Ltd.; Group Board Director, Chairman & CEO Plastics Division, Board Director Filter Paper Division at Thai United Industry Group; Owner & Managing Partner at Paxanic Tazoka Group; Foundation Trustee at Rady Children's Hospital

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<sup>44</sup> Richard Y. Chen, e-mail exchanges and videoconference with author, between Singapore and the United States, November 2013.

- Lived in Japan for 10 years, speaks Japanese, works in association with Japanese firms and visits multiple times each year

*Profile of Respondent: Keita Nishiyama*<sup>45</sup>

- Hosei University Student in Tokyo, born and raised in Japan
- Participated in a one-year exchange program to study in the United States
- 1-2 years business experience in Japan
- Well-acquainted with Japanese business history
- Studying global business

*Profile of Respondent: Kenta Okuyama*<sup>46</sup>

- Hosei University Student in Tokyo, born and raised in Japan
- Participated in a one-year exchange program to study in the United States
- Familiar with cultural customs and business etiquette in Japan, no extensive professional experience

*Profile of Respondent: Fumihiko Sugie*<sup>47</sup>

- Earned his B.A. in Economics and International Studies at University of California, San Diego (UCSD)
- Born in Kyoto. Lived in Japan and the United States growing up
- Works for a Japanese firm in Los Angeles, California (requested that the name of his business remain anonymous)

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<sup>45</sup> Keita Nishiyama, on-site interview with author, Waco, TX, November 11, 2013.

<sup>46</sup> Kenta Okuyama, e-mail exchanges and Skype interview with author, between Tokyo, Japan and Waco, TX (USA), November 2013.

<sup>47</sup> Fumihiko Sugie, e-mail exchanges and phone call with author, between California and Texas, November 2013.

*Profile of Respondent: Chihiro Watanabe*<sup>48</sup>

- Hosei University Student in Tokyo, born and raised in Japan
- Participated in a one-year exchange program to study in the United States
- Familiar with cultural customs and business etiquette in Japan, no extensive professional experience

*Answers Provided by Respondents*<sup>49</sup>

Question 1: What is your experience related to business in Japan?

Chen: “I have been involved in business related to Japan for many years. I attended Sophia University in Tokyo, and I also lived there for 10 years. A few of my equities are owned by Japan, and a few of these businesses have technology agreements with Japanese companies. I have worked with Japanese people for over 30 years.”

Nishiyama: “Because I am a student of business from Japan, I am familiar with the business process there. Growing up in Tokyo has given me a perspective that is knowledgeable about Japanese business.”

Okuyama: “I have been exposed to Japanese business my whole life. Although I’m still a student and I haven’t built a career yet, I see differences between American and Japanese businesses.”

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<sup>48</sup> Chihiro Watanabe, e-mail exchanges with author, between Tokyo, Japan and Waco, TX (USA), November 2013.

<sup>49</sup> At different points in certain conversations, Japanese terminology is used. These instances are explicitly mentioned and terms are defined.

Sugie: “Growing up, I was exposed to both Japanese and American culture. Having spent a long time here [in the United States], I have noticed several differences between both cultures. I currently work for a firm in Los Angeles that is Japanese and managed by Japanese owners.”

Watanabe: “Aside from growing up in Japan, I do not have a lot of knowledge concerning business in Japan. I am familiar with the culture here, but have not started a career yet.”

Question 2: What are some ways you believe Japanese businesses function differently than businesses elsewhere today?

Chen: “Compared to American companies in general, or at least the ones I know, Japanese companies put great importance on group effort and group decisions. Differences are rarely brought out in the open with open arguments but behind the scene co-ordinations are being done most of the time.”

Nishiyama: “You can see a strong connection between companies. They will build a relationship first before discussing deals. It’s not a one-time contact. Companies will then share projects together and, even after a long period of time, that connection remains intact. By this relationship, companies can trust each other. Japanese people don’t like risk. They believe trust works.”

Okuyama: “There are business terms, manners, and a demeanor which you have to use appropriately in Japan. It is completely different from casual situations, and you always have to be subjugated, respecting your superiors.”

Sugie: “Japanese employers expect employees to have strong loyalty to the company. They expect workers to prioritize their time for the sake of the company. For example, they may assume workers are willing to work unpaid overtime hours without complaining. Loyalty is essential.”

Watanabe: “The relationships between employees and their employers tend to be very unequal. I hear that employees can only transfer to different offices under the direction of their superiors. Also, it is very important for employees to go drink and have communications with their superiors after work in Japan. Going or not going could decide whether they get a promotion or not.”

Question 3: What are some common attitudes or philosophies you believe Japanese executives hold when managing their businesses and employees?

Chen: “This is something that differs between mid-size public/family owned private businesses and large public companies. As for larger public companies, executives are very clear of their temporary position in every post. Even though they will always strive to have the best management results for the good of the company, they will not be very adventurous. As it has been said countless times, a yes from a Japanese is perhaps not a definite yes. Still today, you should read between the lines and between the words spoken. It’s important.”

Nishiyama: “In Japan, companies treat employees like a family. They care about the employee and occasionally they hear their suggestions. They make strong connections between the company and its employees.”

Okuyama: “Leadership and reliability might be the common philosophy which most executives hold. And we think a great executive should be more hardworking than their employees. They used to be very intimidating, but that attitude is rarer today.”

Sugie: “Japanese employers expect employees to have strong loyalty to the company. They expect workers to prioritize their time for the sake of the company. For example, they may assume workers are willing to work unpaid overtime hours without complaining. Loyalty is essential.”

Watanabe: “While some traditions are assumed, I think there is no common attitude or assumption shared by everyone. It will depend on the manager.”

Question 4: In a business context, how important is the community to the Japanese?

Chen: “Community is the heart and soul of the Japanese people. In general, Japanese are extremely uncomfortable about being alone. They will always try to form a certain kind of ‘society’ so they don't have to do anything by themselves. This is still evident amongst Japanese expatriate communities around the world who still interact among themselves, not forming close ties with the local communities that they live in. This behavior is less common amongst younger generations, however. Nevertheless, the

practice of the society still pushes people to be more conservative, seeking group belonging as they age.”

Nishiyama: “We usually help each other in Japan, which is different. We help each other in the office. If I finish my job, I will help you with your job. In my experience, if I finish my work to make tomato sauce, I finish my job and then move on to help my coworkers. In the U.S., I think it’s different. Some may think, ‘don’t steal my job,’ but in Japan we help each other so we never think about stealing others’ work. Our job is never stolen from a coworker.”

Okuyama: “It is important because employees are working for the welfare of the whole company.”

Sugie: “Community is extremely important in 財閥系 (zaibatsu-kei, conglomerate corporations) like Mitsubishi group, Mitsui group, and Sumitomo group. Each corporation is a conglomeration of many different companies from different industries. If an employee has a shameful reputation in one company he or she will most likely not be employed in another company in the same group.”

Watanabe: “Community in the workplace is important because we work together.”

Question 5: In general, do Japanese employees value approval from their employers over their coworkers?

Chen: “Both are important, but in general people are afraid to stand out as the ‘only exception.’”



Nishiyama: “Yes, but the opinions of your coworkers are still important.”

Okuyama: “Yes. Your approves or disapproves of any work you complete.”

Sugie: “I think approval from bosses means a lot more than approval from coworkers in terms of getting promotions. However, approval from coworkers means that you will have good relationships with people in the same age group, which means a lot in terms of your social life.”

Watanabe: “Yes.”

Question 6: Do you believe Japanese collectivism affects everyday business interactions employees engage in? If so, how?

Chen: “Group discussion and decision-making is always important. You’ll find out very quickly that a “private” e-mail will be CCedd to many people you don’t know within the Japanese company.”

Nishiyama: “Yes. In the way that we work together, we are thinking of just ourselves.”

Okuyama: “I think we try to value the corporation more than your own success or career because that is the main principle of Japanese business. Building a good company and doing our best is a really common belief among Japanese businesses.”

Sugie: “Employees think of the team more. They think of contributing to the group and taking one for the team more. This may include accepting no compensation for long

overtime hours or accepting very little or no bonus when the company is not doing too well.”

Watanabe: “It varies from company to company. In more traditional businesses, the sense of community can be very strong.”

Question 7: What are some primary differences between business in Japan and that conducted within the United States?

Chen: “American tend to be more individualistic whereas the Japanese are more collectivist. To the Japanese, Americans are often perceived as loud—that is, very forward and direct with their statements, as opposed to being reserved. American businesspersons, although they differ, are generally less patient than the Japanese. Americans emphasized clear messages where Japanese executives may refer to vague nuances, achieving clarity if the deal is pushed further on. Businessmen from the U.S. tend to be more accepting where the Japanese may assume a more elitist point of view.”

Nishiyama: “There is less concern for accuracy in the United States. Also, the individual does not come first. Selfish people don’t think about the entire corporation, and they engage in risky behavior because it is individual thinking. The Japanese sometimes do selfish things, but we think about the entire business. What is the damage a decision could cause? What is the risk? We constantly think of how our actions affect the business, our office, and our coworkers.”

Okuyama: “Japan businesses focus on accuracy. If you were asked to estimate the budget for a certain project, you would have to consider it and revise it many times until you could arrive at the best plan. And also, needless to say, we have a really strong mind for service, so we are very careful not to make any mistakes on our proposals and to always be punctual. Because of this, our working speed is a little slow, and the length of time spent working is much higher than other nations.”

Sugie: “The Japanese have a stronger preference for collectivism, seniority, and loyalty. The Americans might prefer higher earnings since loyalty is not valued too much. An employee income at a Japanese company is usually pretty low because the company provides various services to the employee, including subsidized residence, travel fees, etc.”

Watanabe: “I feel that family time comes first for Americans, and business comes first for Japanese people. For Japanese employees, business is the most important part of their lives.”

Question 8: Which long-standing cultural or ideological traditions do you believe are most relevant today in the Japanese workplace? Which ideologies have diminished over time?

Chen: “Beyond my experience with present Japanese culture, I am not familiar enough with Japanese cultural history to my share thoughts.”

Nishiyama: “The ideology of 終身雇用 (*shuushinkoyou*) is present, but less common today. *Shuushinkoyou* refers to when a company ensures an employee that he can keep his job until he retires. Another ideology that is less common today is 年功序列 (*nenkoujoretsu*). *Nenkoujoretsu* was practiced when wages would go up along with an employee’s age. It placed a high degree of emphasis upon the seniority of people in the business. These ideologies became less common following Japan’s period of high economic growth from 1954 to 1973, known as 高度経済成長 (*koudokezaiseichou*). The most popular notion today, in my opinion, is that of おもてなし (*omotenashi*), which means “to be a good host.” This is a very important idea today. When you hear business owners greet you while you shop, they are practicing *omotenashi*.”

Okuyama: “I think we try to value the corporation more than our own careers or successes because that is the main principle of Japanese business. Building a good company and doing our best is a really common belief held among Japanese businesses. The merit system, 能力主義 (*nouryokushugi*), has become more popular in this generation, even though 年功序列 (*nenkoujoretsu*) still exists.”

Sugie: “Employees think of the team more. They think of contributing to the group and taking one for the team more often. This may include accepting no compensation for long overtime hours or accepting very little or no bonus when the company is not doing too well.”

Watanabe: “Hospitality is definitely an important practice of Japanese businesses. While employments used to be guaranteed for life, Japan has been changing over time.”

Question 9: How do you believe capitalism influences decisions made by Japanese firms and employee-employer relations in Japan today?

Chen: “‘Capitalism’ has been in existence in Japan for a few hundred years. It’s the unique structure of the economic society that makes Japan different from other free economies. While the 財閥 (*zaibatsu*, or business conglomerates) have mostly disappeared, the structure they created is still in existence today.

Nishiyama: “Capitalism has emphasized the pursuit for profit and has encouraged companies to create new products. Employers have pressed workers to spend more time at work.”

Okuyama: “Since capitalism has been established in Japanese society, we have reduced our average leisure time. There are unlimited opportunities to pursue profit today in business, so employees are encouraged to work very hard, and because of this, employees feel the need to work as much as they can. People are frequently forced to work for extra hours to make profits for their companies. Many workers have complained about this and the number of people who change their jobs has been increasing, when it used to be quite rare.”

Sugie: “Capitalism generates profit for the firm. Firms are bent on maintaining their public image as healthy, profitable organizations. The employees are expected to help create that image, so the employer expects the employee to be a team player and not greedy. The actions of one employee can reflect negatively or positively upon a firm.”

Watanabe: “Japan has built a reputation for over-working its employees. While I think this relates to capitalism in some ways, each firm approaches work differently. A lot of changes are occurring in Japan today.”

## CHAPTER FOUR

### Recommended Etiquette and Concluding Thoughts

In light of cultural sensitivities held by the Japanese, American financiers should approach business dealings with an attitude of patience and respect. And due to the general disparity in perspective between American and Japanese businesspersons, one recommendation for business etiquette involves the use of Japanese and American mediators to help resolve tense business situations. Such individuals should be qualified to provide counsel concerning the ideological and methodological mission of each corporation, and seek to conduct conversation with the goal of achieving tangible agreements at the end. American financiers would be best to respect the desire of Japanese businesses to build relationships and therefore be patient. Conversely, Japanese businesspersons would be best to recognize the American drive for entrepreneurship and quick decision-making, seeking to accommodate their fast-paced guests. These recommendations assess cultural norms, and do not speak to the philosophies of specific firms.

In the case of Dr. Abbott's corporate exchange, his explanation about establishing business relationships stands in stark contrast to regular business practices in the U.S. While both Japan and the U.S. seek profitability and growing economies, one is highly relational while the other is highly individualistic. Both seek innovation and profit, but both employ different approaches to achieve these similar ends. Western firms stress the importance of innovation at the risk of weakening interpersonal relationships whereas Japanese businesspersons tend to value long-term business relationships over short-term economic profit. These competing perspectives have

caused tension in international business. Because Westerners wish to strike quick deals, they are at risk to being criticized as either ambivalent or untrustworthy. Due to the fact that most Japanese businessmen wish to establish long-term relationships, they may be considered lackluster or ignorant of the profit-potential the market possesses.

From the interview data collected, it is apparent that the importance of relational business has not disappeared within Japan in recent generations. While the perceptions of Japan's youngest generation are redefining the marketplace, as Watanabe shared regarding the considerable differences between Japanese businesses today, not all aspects of traditionalism in Japan are ebbing away. Sugie, Nishiyama, and Okuyama communicated mixed sentiments regarding existing traditions in the Japanese workplace. To Sugie, Japanese businesses, while efficient, are often too reserved to seek out capable young hires or potentially positive business relationships. Nishiyama, taking a more objective approach, described primary ideological changes undergone in the Japanese corporate world over previous generations, including the reduced frequency of age-set wages. He stressed the importance of hospitality in Japanese culture, and how some things have not changed much over time. Okuyama emphasized the continued importance of the employee community in the workplace and also referred to Japan's movement away from a hierarchical business structure to an increasingly meritocratic one. In this respect, it appears that Japan is transitioning away from some of its traditional practices.

On the other hand, individuals highly experienced with conducting successful business in Japan, such as Dr. Abbott and Mr. Chen, have established the importance of respecting cultural formalities. The impact and, in the case of Mitsubishi, structure of



Japanese corporate conglomerates remain highly influential today. Name-relevance and prestige are primary concerns within the Japanese job market. While Japan and the United States have engaged in global markets for generations, each country's cultural and economic history has led to the varying cultural sensitivities for each. Japan's era of isolationism prior to the Meiji Period has made an observable impact upon the perceptions of businesspersons there today. In-group values and collectivist notions are still present, although the increased globalization of the world economy continues to change its many applications.

Individualism in the United States is encouraged as long as rewards remain high for entrepreneurs and creative, individual thinkers. In the West, singular achievement is more commonly sought than collective accomplishment. Foreign nationals who take into account the cultural sensitivities of other nations place themselves in a favorable position when seeking to establish valuable business relationships. An understanding of cultural and economic history lays down the cornerstone for financiers to form partnerships built upon mutual respect and trust.

#### *Further Research*

One area of future research involves further exploring the spread of individualism within Japanese business methodology, polling a large sample of employees from domestic and international firms run by Japanese executives. Such samples could be used to interpret the perceptions of Japanese employees at given time intervals, tracking any evolutions within their business perceptions. In order to evaluate the potential direction of business ideology in Japan, the opinions of employees and employers should be mapped over the course of several years, even generations. This

study serves as a mere snapshot of contemporary business perceptions today, with the hope that further analysis of Japanese business practice will be conducted in the future. The extent to which Japan's traditional society influences its newest generations will gauge how we ought to relate to the Japanese and how we can best respect them.

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