

TO WHAT EXTENT HAVE JAPAN'S PROBLEMS OVER
THE LAST DECADE OR SO NECESSITATED A RADICAL
CHANGE IN THE JAPANESE MANAGEMENT MODEL
AND EVALUATE ITS CURRENT SITUATION

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INTRODUCTION

After the second World War the Japanese economy experienced exceptional growth. Management gurus and other press have often respected and accepted the Japanese management model as a major success factor for the “Japanese extraordinary growth”. Many Western firms had adopted Japanese practices in order to remain competitive against the other countries. But in the 1990s the burst of the asset bubble which lead to recession have cause to a change in the notions on Japanese management practices and management model. Many now say that Japanese model are no longer competitive and cannot work in the present globalization era .

This essay discuss on how far the problems and various changes Japan experienced over the last fifteen years which have lead to a radical change in their management practices. Then we will see how asset price bubble burst in Japan lead to various changes in Japan business model. Finally the essay will explains about Japanese business model and management style like kieretsu,payscale etc and their impact .

JAPANESE ASSET PRICE BUBBLE BURST

Japan was the country who was sealed out totally from the international countries for more than 200 years . The objective behind this was to keep away Japan to get exploited by the foreigners. As it happen to India , India use to known as a " **Golden Bird** " which was then exploited by British and they made India a struggling nation . I think what Japan did at that time was sensible

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but it will not work in the long run because no country can stand of its own . They have to depend on other countries for resources . In 19th century , Japan open up and started doing international trading.

After the world war 2 , Japan has always relied on exports for the recovery of the economy , but as we know that Japan lacks natural resources so they have to import . Currently Japan is importing huge amount of petroleum and natural gas . Japan has enjoyed a huge trade surplus from 1960s to 1990s. In 1980s , Japan economy was going very well . It was booming but this all ended with the **Japanese asset price bubble burst** .

I find two main reason for the bubble burst , the first reason is Japanese bank use to enjoy a protection regard with profit and bankruptcy but when the policy started changing and they started competing with the foreign companies . Then these banks started losing rent and assured profit . At that time large corporate customers started moving away from the bank borrowing to another financing like corporate bond issuance etc . This created a panic in Japanese banks and they started to find new projects and borrowers but they couldn't able to evaluate these projects and borrowers properly which caused or lead to a huge amount of bad debt .

The second reason is , In 1985 they were a high appreciation in the Japanese yen , so what bank started doing was easy lending or easy money . Japanese bank started to lend too much for too long and that was the sensible thing which everyone would do because the yen was appreciating and in order to control it the money supply is necessary . But it turn the way around, lending too much caused them problem later on because they couldn't understood the reason for appreciation of Japanese yen .

This Japanese asset price bubble burst actually forced the Japanese companies to change . In 1990s globalization was accelerated.

Globalization

Globalization was the another reason for the change in Japan . When we look back Japan has a business model which was unique in itself and was the reason for the growth of Japan but it tends out that what was a blessing for Japan was turn around to be a curse . Japan always use to be a close type country .They believe in their people and always depend on their exports for

economic growth . Japanese worker also use to enjoy long term work contract but with globalization a huge fundamental change happen in Japanese business model .

Global competition actually forced Japanese companies to cut cost by changing companies norms and by using various resources from other companies to become competitive . The worker on long term contracts started losing jobs and companies started their other activities like manufacturing in other countries which are cheaper than Japan . Globalization had actually made Japan to rethink on the management and business model because no country can stand on their own they and to depend on other countries for various kind of help and resources

KEIRETSU

Another business model of Japan was "**Keiretsu**". Keiretsu means a group of organization , each of which owns a share in the other organization in the group , that work together to further the group's interests.(Gareth R. Jones & Mary Mathew). Before 2nd world war Japanese industries were controlled by the large family monopolies known as "**zaibatsu**" . Keiretsu has been there in Japanese for the last half of the 20th century . In Keiretsu what used to happen was if a organization in the group wanted some loan for a project then bank of that group provide loan to them in less interest rate but when Japan economy opened up and they started facing foreign competition then the same Keiretsu strategy became competitive disadvantage to them . The keiretsu are seen as obstacles to Japan's competitiveness (Bremner, 1998) and its former strengths are described as huge liabilities (Bremner et al, 1999).

WOMAN DISCRIMINATION

Another issue in Japanese business model is the woman discrimination . Woman are not given the same opportunity as men in Japan . They are always consider inferior to men and Japanese people mind set about woman is that they should be in home and take care of the children . Japanese woman's are also not allowed in the business meeting which doesn't happen in places like America and Canada . So this has also somewhere created problem to Japan and its economy. A country can only grow if both men and woman contributed equally .

PAY SCALE

Another issue in Japan is regarding the pay scale . Previously in Japan ,worker's get wages according to the seniority . The more senior worker will get a higher pay than the less senior one but now because of globalization and intense competition from the outside world. This system has been change . Now the modern Japanese companies no longer give wages on the basis of seniority . Now modern Japanese companies try to eliminate unnecessary cost because by doing so they can be competitive . So Now if any senior worker is unproductive then they can even fire him from the job . This seniority kind of a wages system is actually a loophole of a Japanese management model because this type of system or practices has only given problems and not any competitive advantage . I find this practice a competitive disadvantage .

LIFETIME EMPLOYMENT

The another most famous feature of Japanese style management was the life time employment . Lifetime employment principally refers to the recruitment of graduates directly from university which will then be retained until their retirement at the age of 55 or 60 (Sullivan & Peterson, 1991). But as in the era of globalization it doesn't work and that's why Japanese companies are slowing changing and trying to reduce this lifetime employment .They have to be competitive to survive in this global world . So they have to look upon the cheap labor because with their help they can be able to produce goods at cheaper cost .

When looking at the present scenario lot of Japanese companies has shown a huge losses . Companies like sony,panasonic and sharp posted a loss in the year 2012 .This shows a fact that Japanese business model had came to an dead end .They have to change and too very quickly .

CONCLUSION

Finally we came to a conclusion that Japan is changing their business model or management style because of the various reasons like Asset bubble burst , Globalization etc . They actually are now adopting western management practices and their business models . We also saw that the model like keiretsu which was previously helping them to grow are no longer giving them a competitive edge . The management style like pay scale and lifelong employment are now another problem for them and they are changing this management style . we also saw how

woman discrimination is also hurting their economy and they have to soon change this because a country can only grow if both men and woman contributed equally .

Japan is moving on an incremental change rather than a radical change . They are now trying to mixed their management practices with the western management practices .They are only holding the good points of their management model and filling their loopholes with western management practices .If Japan fill their loopholes , then I can see brighter Japanese future.

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